Annual Financial Statements 2022

DIRECTORS' APPROVAL

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

The directors are required in terms of the Mauritian Companies Act 2001 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 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 consolidated and separate financial statements.

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 2022 are included in the Annual Financial Statements Report 2022, which 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 Mauritius.

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

- the consolidated and separate financial statements give a true and fair view of the financial position of the group and the company as at 31 December 2022, and of the financial performance and the cash flows for the year then ended in accordance with IFRS;
- the annual report includes a fair review of the development and performance of the business, the position of the group and the company, together with a description of the principal risks and uncertainties that the group and the company face;
- the group and the company have 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 on the going concern basis, has occurred between the financial year-end and the date of this report.

The external auditors are responsible for independently auditing and reporting on the group's and company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 10 to 15.

The financial statements set out on pages 16 to 87 which have been prepared on the going concern basis, were approved by the directors on 14 March 2023 and are signed on their behalf by:

S Wibberley
Chief Executive Officer

P Burnett
Finance Director

CEO'S AND FD'S RESPONSIBILITY STATEMENT

Each of the directors whose names are stated below hereby confirm that:

- the annual financial statements set out on pages 16 to 87, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit and risk committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

S Wibberley
Chief Executive Officer

P Burnett
Finance Director

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee is pleased to present its report for the 2022 financial year.

The audit and risk committee is governed by a board-approved charter that guides the committee in terms of its authority and objectives. The charter incorporates all the regulatory, statutory and compliance matters which the committee is required to address.

This report provides details on the committee's composition and its processes which are considered as key enablers for the committee to fulfil its role. It also provides an overview of the manner in which the committee carried out its various statutory and governance obligations during the year under review.

Committee composition and meetings

Meetings

The committee ordinarily meets three times during the year. During FY2022 the committee held an additional meeting to approve the annual financial statements published on 28 March 2022 post the group issuing reviewed condensed consolidated financial statements on 15 March 2022.

There is an established annual meeting plan agenda for the committee to ensure that it covers all the matters as required by the committee charter.

The chair of the committee reports to the board after each committee meeting and attends the annual general meeting of shareholders to answer any questions that may arise concerning the activities of the committee.

Committee composition and attendance

The composition of the audit and risk committee and attendance during FY2022 is shown below:

Member	Number of meetings	Percentage of attendance
Amanda Chorn*	4	100%
Marlisa Harris	4	100%
Pierre Joubert	4	100%
Roderick Phillips**		

* *Resigned from the board and the committee on 15 December 2022.*

** *Appointed to the board and the committee on 15 December 2022, subject to the approval of shareholders at the annual general meeting on 8 June 2023.*

The group finance director (FD), the internal auditors, external auditors, divisional chief executive officers (CEOs), legal, compliance and divisional chief information officers (CIOs) attend all committee meetings by invitation.

Appointment of committee members at annual general meeting

The board has recommended the appointment of Marlisa Harris, Pierre Joubert and Roderick Phillips as members of the audit and risk committee for FY2023. They are all independent non-executive directors and have the necessary financial literacy skills and experience to perform their duties effectively.

The directors have made themselves available for re-election to the committee. (A detailed profile on the directors can be found in the notice of the annual general meeting.)

Key areas of activity during the year

During the year the committee dealt with the following:

- oversaw the group's risk management processes, identifying and reviewing the group's exposure to significant risks and its risk mitigation strategy;
- reviewed the interim reports and preliminary results announcements and recommended them to the board for approval;
- considered the JSE's report on the proactive monitoring of financial statements for compliance with International Financial Reporting Standards (IFRS) and ensured that appropriate action was taken if required;
- reviewed and recommended to the board the group structure and confirmed it has had access to all financial information of the group;
- assessed and confirmed the appropriateness of 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;
- considered the JSE requirement relating to the CEO and group FD sign-off on the effectiveness of the internal control environment responsibility statement for inclusion in the annual financial statements;
- reviewed the annual financial statements and any other financial information presented to shareholders, ensuring compliance with IFRS as issued by the International Accounting Standards Board (IASB) and in accordance with the requirements of the Mauritian Companies Act 2001;
- received feedback from the CIOs on the information technology governance;
- considered and reviewed assurance on the adequacy and effectiveness of the group's systems of internal financial and operational control, and compliance with laws and procedures;
- reviewed updates with laws and regulations affecting the group and ensured the effectiveness of compliance therewith, including the company memorandum of incorporation (MOI) and the Mauritian Companies Act; and
- reviewed any material litigation in the group and the impact it may have on the group.

External audit

PricewaterhouseCoopers Mauritius (PwC) was reappointed as the external auditors for HomeChoice International plc at the annual general meeting held in 2022.

During the year the committee:

- reviewed and approved the proposed audit plan, the terms of engagement and the audit fee;
- noted the materiality level used and the key audit matters considered by the external auditors in the conduct of their audit;
- discussed and considered the external auditor's opinion on the annual financial statements and considered any reports on risk exposure and weaknesses in internal controls;
- met with the external auditors without management being present;
- approved the percentage of any non-audit services, which was well below the 25% threshold;
- monitored the effectiveness of the external auditor in terms of their audit quality, expertise and independence, as well as the content and execution of the audit plan;
- received confirmation from PwC as to their internal governance processes that are in place to ensure independence and effectiveness; and
- requested and reviewed the information as per paragraph 22.15(h) of the JSE Limited Listings Requirements from PwC when assessing their suitability for their appointment for the current year.

Having considered all of the related governance criteria and taking into account the performance of PwC in the year under review, we will table a resolution at the annual general meeting to be held on 8 June 2023 to reappoint PwC as the external auditors for the 2023 financial year.

Significant matters

The committee considers the carrying value of trade and loan receivables (note 3.3 on page 38) as a significant matter in the consolidated annual financial statements. This is aligned with the key audit matter of the external auditors (as reported on page 11).

The major risk relating to trade and loan receivables is the measurement of the expected credit loss (ECL) allowance, which is an area where judgement is required.

The calculation of the ECL allowance requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

Other significant matters of focus, which included the valuation of inventory and the assessment of the goodwill on the purchase of PayJustNow Proprietary Limited, have been discussed with management, and the external auditors and the committee is of the view that they are appropriately dealt with in the annual financial statements.

After discussions, the committee is satisfied that the consolidated annual financial statements have addressed the critical judgements and key estimates of the key matter.

Internal financial controls and reporting procedures

The committee reviewed the written assessment performed by internal audit on the design, implementation and effectiveness of the group's internal financial controls.

Based on this, the committee is of the opinion that the internal financial controls are adequate and effective, and form a sound basis for the preparation of reliable financial statements.

Internal audit

The committee has engaged Deloitte & Touche South Africa to provide the internal audit function to the group.

The internal audit function provides assurance to the board on the adequacy and effectiveness of the group's internal controls and internal financial controls through assessments conducted throughout the year.

During the year the committee:

- reviewed and approved the annual internal audit coverage plan and charter;
- received confirmation from Deloitte & Touche that the internal audit team has conformed to the applicable ethics and independence principles;
- considered the internal audit reports on the group's systems of internal controls, including financial controls, governance and risk management;
- reviewed material issues raised by the internal audit processes and the adequacy of corrective action by management;
- met with the internal audit team independently of management; and
- assessed the performance of the internal audit function.

Expertise of the finance director and finance function

The committee has considered the appropriateness of the expertise and experience of the group finance director, Paul Burnett.

The committee believes that Paul possesses the appropriate expertise and experience to meet his responsibilities. He is adequately supported by the collective expertise, resources and experience of the group's finance function.

King IV™ report

During the year, internal audit conducted a review of the group's application to the principles of King IV™.

The review indicated that the group follows the King IV™ principles with no misalignment noted.

The committee approved the publication of the FY2022 King IV™ assessment, which is available on the group's website www.homechoiceholdings.com

Integrated annual report

The integrated annual report is reviewed by the committee and recommended to the board for approval.

The committee will in due course review the disclosures in the integrated annual report and be 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 integrated annual report and agreed not to obtain independent assurance on the whole report at this time. Some elements in the report are externally assured and are highlighted as such.

The integrated annual report will be made available on the group's website by the end of April 2023.

Committee evaluation

The board and committee evaluations have been held over to 2023 and will be reported on in the FY2023 report.

Recommendation and approval

The committee reviewed the group's consolidated and company's annual financial statements, including the audit and risk committee report, for the year ended 31 December 2022 and recommended them to the board for approval.

The board subsequently approved the annual financial statements which will be made available at the upcoming annual general meeting.

Roderick Phillips
Chairman of the audit and risk committee

Mauritius,
14 March 2023

REPORT OF THE DIRECTORS

for the year ended 31 December 2022

Nature of business

HomeChoice International plc is a diversified digital consumer services group incorporated in Mauritius and listed on the JSE Limited. The group has developed considerable expertise in the provision of financial services and retail products targeted to the mass market who are increasingly adopting the use of mobile phones to engage with the group digitally.

Weaver Fintech has been established to spearhead a stable of consumer fintech businesses using the strength of its digital platforms. It provides quick, seamless and secure personal lending, digital payment solutions, value-added services and insurance products using innovative mobile-first platforms through the FinChoice brand.

A digital payment platform offering a Buy Now, Pay Later product through the PayJustNow brand offers customers a seamless, risk-free, interest-free digital payment process while merchants experience increased brand awareness and upliftment in sales and conversion rates.

Our omni-channel retailer, HomeChoice, delivers innovative, quality own-brands and sought-after external brands across homeware categories. The growing online channel provides a convenient shopping experience on customers' mobile phones.

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 4 to 6.

Directors and changes to board composition

The following directors held office during the year:

- Shirley Maltz – Executive Chairman
- Gregoire Lartigue – Chief Executive Officer (resigned 15 December 2022)
- Sean Wibberley – Chief Executive Officer (appointed 15 December 2022)
- Paul Burnett – Finance Director
- Amanda Chorn – Independent Non-executive Director (resigned 15 December 2022)
- Rod Phillips – Independent Non-executive Director (appointed 15 December 2022)
- Pierre Joubert – Independent Non-executive Director
- Marlisa Harris – Independent Non-executive Director
- Eduardo Gutierrez-Garcia – Non-executive Director
- Adefolarin Ogunsanya – Alternate Non-executive Director

Changes to the board composition during the year

As a result of the board changes, the following amendments took place in respect of the composition of the audit and risk committee, social and ethics committee and remuneration and nominations committee as follows:

- Marlisa Harris remained an independent non-executive director but has stepped down from her roles as chair of the audit and risk committee and chair of the remuneration and nominations committee, whilst remaining a member of both committees;
- Pierre Joubert, lead independent non-executive director, was appointed as chair of the remuneration and nominations committee;
- Rod was appointed as chair of the audit and risk committee. Rod was also appointed as a member of the social and ethics committee, replacing Shirley Maltz who was acting in an interim capacity; and
- Paul Burnett stepped down as a member of the social and ethics committee and Sean was appointed as a member replacing Paul.

Rotation of directors

Pierre Joubert and Marlisa Harris, who retire in terms of article 34.4.1.3. of the Constitution, have made themselves available for re-election as directors at the annual general meeting.

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 R356 million (2021: R176 million).

Capital and financial risk management

The capital management strategy of the group continues to be focused on investing in growth through innovative Retail and Weaver Fintech 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.

Distribution to shareholders

Interim

The directors paid an interim dividend of 64.0 cents per share (2021: 47.0 cents).

Final

The directors declared a final dividend of 77.0 cents per share (2021: 20.0 cents), which will be paid on Monday, 17 April 2023, to shareholders recorded in the books of the company at the close of business on Friday, 14 April 2023.

Stated 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 group has 2 424 196 treasury shares held by HomeChoice Proprietary Limited. 258 961 shares were purchased during the year in settlement of the group's share forfeiture scheme and 492 886 shares vested. Further details are contained in note 13 to the group annual financial statements. The percentage of issued shares held as treasury shares is 2.3%.

Share incentive schemes

The group has two share incentive schemes – a share option scheme and a share forfeiture scheme. No allocations have been made from the option scheme since March 2020 – vesting is conditional on the participant remaining in the group at vesting date.

Awards from the share forfeiture scheme are made to senior employees in the group and are forfeited should the employee leave the group prior to the conclusion of the four-year vesting period.

Borrowing powers

The borrowing powers of the group are not limited in terms of the company's constitution.

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 2023 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.

Auditors

The external auditors of the group are PricewaterhouseCoopers Inc. Mauritius, with Mr Olivier Rey as the designated audit partner.

PricewaterhouseCoopers Inc. Mauritius have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the annual general meeting to be held in June 2023.

By order of the board

Sean Wibberley
Chief Executive Officer

P Burnett
Finance Director

14 March 2023

COMPANY SECRETARY'S REPORT

HomeChoice International plc

Under section 166(d) of the Companies Act 2001

We certify that, based on our records and information made available to us by the directors and shareholders of the company, the company has filed with the Registrar of Companies, for the reporting period ended 31 December 2022, all such returns as are required of the company under the Mauritian Companies Act 2001.

Sanlam Trustees International Limited
Labourdonnais Village
Mapou
Republic of Mauritius
Company Secretary

14 March 2023

INDEPENDENT AUDITOR’S REPORT

to the shareholders of HomeChoice International p.l.c

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of HomeChoice International p.l.c (the “company”) and its subsidiaries (together the “group”) and of the company standing alone as at 31 December 2022, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in compliance with the Mauritian Companies Act 2001.

What we have audited

The financial statements of HomeChoice International plc set out on pages 16 to 87 comprise:

- the group statement of financial position as at 31 December 2022;
- the company statement of financial position as at 31 December 2022;
- the group statement of profit or loss and other comprehensive income for the year then ended;
- the company statement of profit or loss and other comprehensive income for the year then ended;
- the group statement of changes in equity for the year then ended;
- the company statement of changes in equity for the year then ended;
- the group statement of cash flows for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 Consolidated and Separate 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 in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (the “IESBA Code”). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Basis for opinion (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate 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.

Key audit matter – group

Expected credit losses (ECLs) on trade and loans receivables

Refer to note 1.18 (Impairment of financial assets), note 1.29 (Significant accounting judgements, estimates and assumptions), note 3.3 (Credit risk management), note 21 (Credit impairment losses) and note 10 (Trade and other receivables) to the consolidated financial statements.

The group has recognised gross trade receivables amounting to R2.033 billion and gross loan receivables amounting to R3.290 billion at reporting date.

Included in the trade and loans receivables balances are provisions for impairment amounting to R1.202 billion.

In calculating the ECLs on trade and loans receivables, which is calculated in terms of *International Financial Reporting Standard 9, Financial Instruments* (IFRS 9), the key areas of significant management judgement and estimation included:

- determining whether there has been a significant increase in credit risk (SICR) since initial recognition of the financial instrument;
- the accuracy of the inputs, assumptions and estimation techniques within the IFRS 9 ECL models;
- determining the impact of forward-looking information; and
- determining the write-off point.

In determining the ECLs on trade and loans receivables, the following has been considered by management:

Significant increase in credit risk (SICR)
The impairment methodology applied depends on whether there has been a SICR since the time of initial recognition of the financial instrument.

How our audit addressed the key audit matter

Making use of our actuarial expertise, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on trade and loans receivable as follows:

We obtained an understanding of and tested the relevant controls relating to the origination and approval of trade and loans receivables, and subsequent monitoring and evaluation of credit risk.

Significant increase in credit risk (SICR)
Our approach involved the following procedures:

- We tested the accuracy of the model inputs used, such as the type of product and the client credit status used in determining whether there has been a SICR, by comparing the inputs to underlying documentation or the relevant criteria to assess status.
- We tested the staging of the raw data against the most recent customer payment data.
- We reperformed the application of the SICR criteria and compared it to the actual exposures where SICR was triggered.
- We assessed the reasonability of the SICR criteria by comparing the volume of accounts for which SICR was triggered to historical trends.

Basis for opinion (continued)

Key audit matter – group	How our audit addressed the key audit matter
SICR is assessed on a monthly basis 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 two months. This is where the instalment is 30 days past due; • 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 acting as a backstop measure. 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 accuracy of the inputs, assumptions and estimation techniques within the IFRS 9 ECL models** The IFRS 9 ECL models are based on a cash flow model approach. The ECLs are calculated by multiplying the probability of a default event happening (PD), the exposure of the asset at the default event (EAD) and the associated losses given the default occurring (LGD). These losses include balances written off due to delinquency, retrenchments, death, fraud and debt administration. The projection of the ECL is estimated separately for accounts in Stage 1, 2 or 3 at the reporting date. For all trade and loans receivable, the latest 6-month average of a rolling 12-month history of data is used to calculate the associated PDs. The PD is determined by the probability that any account which is not in default will reach a default state over the next 12 months and reflects recent performance of the book. Further to this, the lifetime ECL is measured for an account that experienced a significant increase in credit risk or was credit impaired during the reporting period and is considered to have a 100% PD. The group assesses the latest 60 months of data to calculate the segmented LGDs. Sixty months is used for the assessment in order to get a representative level of inclusion of completed accounts to reflect an accurate LGD. During the observation period each default event is considered and the related outstanding balance in the month of default is determined. The cash flows recognised from the point of default to the account's conclusion are discounted by the prevailing effective interest rate (EIR) back to the origination date. The difference between the discounted cash flows and balance at default represents the future expected losses in the event of default. **Forward-looking information** During the current reporting period the impact of historic macroeconomic conditions on the observed default rates were used to adjust the impairment model PD. The correlations were used to incorporate the expectation of future economic indicators into the current risk expectation. The highest correlating factors include gross domestic product, the price of electricity, the unemployment rate and consumers' private consumption.	**The accuracy of the inputs, assumptions and estimation techniques within the IFRS 9 ECL models** We inspected and assessed the methodology applied by management in their IFRS 9 model documentation which forms the basis of the ECL calculation. We made use of our actuarial expertise to assess whether the model methodology is consistent with the requirements of IFRS 9. We independently recalculated management's impairment estimates based on the historic account level data. We assessed the principles underlying the ECL calculation through independent recalculation, the practical implementation of these principles as well as consistency with current industry best practices, regulatory expectations and the requirements of IFRS 9. We independently extracted the data from the system and compared it to the data used by management. We selected a sample of accounts with various key input fields, such as customer transaction data, that included recoveries and sales transactions and other fees or charges. We compared these to relevant underlying documentation and the data used in the model. We independently recalculated the PD and LGD. **Forward-looking information** We tested the performance and sensitivity of the forward-looking model in order to evaluate whether the chosen macroeconomic factors and model structure provides a reasonable representation of the impact of macroeconomic changes on the ECL.

Basis for opinion (continued)

Key audit matter – group	How our audit addressed the key audit matter
Write-off point 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, have been unable to recover outstanding balances. Where receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. The group performs an ongoing assessment of credit losses and recoveries trends in accordance with IFRS 9 in order to reduce any differences between estimates and actual credit loss experience. We considered the impairment of trade and loans receivables to be a matter of most significance to our current-year audit due to the following: • the degree of judgement and estimation applied by management in determining the impairment; and • the magnitude of the impairment recognised in the consolidated financial statements.	**Write-off point** Through recalculation we tested the application of the IFRS 9 write-off policy. We also evaluated the partial write-off policy and whether post write-off recoveries have been appropriately excluded from the LGD calculation and therefore do not impact on ECL. We have also assessed the appropriateness of management's write-off criteria by comparing the amount of historical post write-off recoveries based on the write-off criteria.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate 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 consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and in compliance with the Mauritian Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the 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 and/or the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the group's and company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 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 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 consolidated and separate 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/or the company to cease to continue as a going concern.

Auditor's responsibilities for the audit of the consolidated and separate financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 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 the directors 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 the directors 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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

Mauritian Companies Act 2001

The Mauritian Companies Act 2001 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

(a) we have no relationship with or interests in the company or any of its subsidiaries other than in our capacity as auditor and tax advisers of the company and some of its subsidiaries;

(b) we have obtained all the information and explanations we have required; and

(c) in our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

Other matter

This report, including the opinion, has been prepared for and only for the company's shareholders, as a body, in accordance with section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Olivier Rey
Licensed by FRC
14 March 2023

GROUP STATEMENT OF FINANCIAL POSITION

at 31 December 2022

	Notes	2022 Rm	2021 Rm
Assets			
Non-current assets			
Property, plant and equipment	4	**421**	448
Intangible assets	5	**187**	192
Right-of-use assets	6	**32**	49
Other investments	7	**93**	55
Deferred taxation	8	**115**	85
		848	829
Current assets			
Inventories	9	**403**	264
Taxation receivable		**2**	3
Trade and other receivables	10	**4 212**	3 528
Trade receivables – Retail		**1 341**	1 364
Loans receivable – Weaver Fintech		**2 782**	2 102
Other receivables		**89**	62
Cash and cash equivalents	11	**116**	203
		4 733	3 998
Total assets		**5 581**	4 827
Equity and liabilities			
Equity attributable to equity holders of the parent			
Stated and share capital	12.1	**1**	1
Share premium	12.2	**3 039**	3 039
Reorganisation reserve		**(2 961)**	(2 961)
Treasury shares	13	**(45)**	(47)
Other reserves	15	**49**	64
Retained earnings		**3 386**	3 168
Equity attributable to equity holders of the parent		**3 469**	3 264
Non-controlling interest		**(7)**	(1)
Total equity		**3 462**	3 263
Non-current liabilities			
Interest-bearing liabilities	16	**1 483**	1 060
Lease liabilities	6	**19**	23
Deferred taxation	8	**50**	44
Other payables	17	**22**	4
		1 574	1 131
Current liabilities			
Interest-bearing liabilities	16	**44**	44
Lease liabilities	6	**19**	33
Taxation payable		**20**	18
Trade and other payables	18	**360**	338
Bank overdraft	11	**102**	–
		545	433
Total liabilities		**2 119**	1 564
Total equity and liabilities		**5 581**	4 827

These financial statements were approved for issue by the board of directors and authorised for issue on 14 March 2023. The directors have the power to amend and reissue the financial statements.

S Wibberley
Chief Executive Officer

P Burnett
Finance Director

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	2022 Rm	2021 Rm
Revenue		**3 656**	3 432
Retail sales	19	**1 610**	1 706
Finance income		**1 378**	1 185
Fees from ancillary services	20	**627**	530
Buy Now, Pay Later fees		**41**	11
Cost of Retail sales		**(859)**	(936)
Other operating costs		**(2 340)**	(2 208)
Credit impairment losses	21	**(1 081)**	(975)
Other trading expenses	22	**(1 259)**	(1 233)
Other net gains and losses	23	**9**	(43)
Other income	24	**16**	18
Operating profit		**482**	263
Interest income		**3**	6
Interest expense	25	**(129)**	(93)
Profit before taxation		**356**	176
Taxation	26	**(54)**	(9)
Profit and total comprehensive income for the year		**302**	167
Profit and total comprehensive income for the period attributable to:			
Owners of the parent		**308**	170
Non-controlling interest		**(6)**	(3)
		302	167
Earnings per share (cents)			
Basic	27.1	**289.4**	159.8
Diluted	27.2	**282.7**	155.7

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Stated and share capital Rm	Share premium Rm	Treasury shares Rm	Reorgan-isation reserve Rm	Other reserves Rm	Retained earnings Rm	Non-controlling interest Rm	Total Rm
Balance at 1 January 2021	1	3 014	(33)	(2 961)	47	3 048	–	3 116
Changes in equity								
Acquisition of subsidiary	–	–	–	–	–	–	2	2
Profit and total comprehensive income for the year	–	–	–	–	–	170	(3)	167
Shares issued	–	25	–	–	–	–	–	25
Dividends paid	–	–	–	–	–	(50)	–	(50)
Share incentive schemes	–	–	–	–	17	–	–	17
Shares purchased	–	–	(14)	–	–	–	–	(14)
Total changes	–	25	(14)	–	17	120	(1)	147
Balance at 1 January 2022	**1**	**3 039**	**(47)**	**(2 961)**	**64**	**3 168**	**(1)**	**3 263**
Changes in equity								
Transfer to medium-term incentive scheme liability*	**–**	**–**	**–**	**–**	**(16)**	**–**	**–**	**(16)**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**308**	**(6)**	**302**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(90)**	**–**	**(90)**
Share incentive schemes	**–**	**–**	**–**	**–**	**10**	**–**	**–**	**10**
Shares purchased	**–**	**–**	**(7)**	**–**	**–**	**–**	**–**	**(7)**
Forfeitable shares vested	**–**	**–**	**9**	**–**	**(9)**	**–**	**–**	**–**
Total changes	**–**	**–**	**2**	**–**	**(15)**	**218**	**(6)**	**199**
Balance at 31 December 2022	**1**	**3 039**	**(45)**	**(2 961)**	**49**	**3 386**	**(7)**	**3 462**
Notes	12.1	12.2	13		15			

* *During the year there were amendments to the short and medium-term incentive schemes whereby the majority of participants on the forfeiture share scheme were offered and have elected to be cash settled in future. The amendment did not have a material impact on profit or loss. Refer to note 17 for details.*

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	2022 Rm	2021 Rm
Cash flows from operating activities			
Operating cash flows before working capital changes	28	**556**	392
Movements in working capital	28	**(770)**	(422)
Cash used in operations	28	**(214)**	(30)
Interest received		**3**	6
Interest paid	25	**(129)**	(92)
Taxation paid	29	**(75)**	(58)
Net cash outflow from operating activities		**(415)**	(174)
Cash flows from investing activities			
Additions of property, plant and equipment	4	**(15)**	(18)
Additions of intangible assets	5	**(41)**	(31)
Other investments	7	**(18)**	(5)
Acquisition of subsidiary, less cash acquired		**–**	(23)
Net cash outflow from investing activities		**(74)**	(77)
Cash flows from financing activities			
Purchase of shares to settle forfeiture share scheme obligations		**(7)**	(14)
Proceeds from interest-bearing liabilities	16	**552**	355
Repayments of interest-bearing liabilities	16	**(129)**	(224)
Principal elements of lease payments	30	**(26)**	(28)
Dividends paid		**(90)**	(50)
Net cash inflow from financing activities		**300**	39
Net decrease in cash and cash equivalents and bank overdrafts		**(189)**	(212)
Cash and cash equivalents and bank overdrafts at the beginning of the year		**203**	415
Cash and cash equivalents and bank overdrafts at the end of the year	11	**14**	203

Interest received has been included in cash generated from operations. Refer to note 28 for further details. Cash and cash equivalents comprise cash balances of R116 million and an overdraft balance of R102 milion.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

Group segmental information

	2022					
	Total Rm	Retail Rm	Weaver Fintech Rm	Property Rm	Other Rm	Intragroup Rm
Segmental revenue	**3 656**	**2 209**	**1 447**	**41**	**–**	**(41)**
Retail sales	1 610	1 610	–	–	–	–
Finance income	1 378	414	964	–	–	–
Fees from ancillary services	627	185	442	41	–	(41)
Buy Now, Pay Later fees	41	–	41	–	–	–
EBITDA	**591**	**194**	**459**	**13**	**(35)**	**(40)**
Depreciation and amortisation	(107)	(114)	(21)	–	–	28
Impairment of assets	(2)	(2)	–	–	–	–
Interest income	–	–	–	–	46	(46)
Interest expense	(109)	–	(106)	–	(49)	46
Segmental operating profit/(loss)*	**373**	**78**	**332**	**13**	**(38)**	**(12)**
Interest income	3	–	3	–	–	–
Interest expense	(20)	(21)	–	(11)	–	12
Profit/(loss) before taxation	**356**	**57**	**335**	**2**	**(38)**	**–**
Taxation	(54)	(10)	(42)	1	(3)	–
Profit/(loss) after taxation	**302**	**47**	**293**	**3**	**(41)**	**–**
Segmental assets	**5 581**	**2 297**	**3 903**	**347**	**1 537**	**(2 503)**
Segmental liabilities	**2 119**	**1 200**	**1 513**	**257**	**687**	**(1 538)**
Gross profit margin (%)	46.6	46.6				
Segmental results margin (%)	10.2	3.5	22.9	31.7		
Capital expenditure						
Property, plant and equipment	15	10	5	–	–	–
Intangible assets	41	18	23	–	–	–
Significant expenses included in operating profit						
Credit impairment losses	1 081	483	598			
Marketing costs	273	224	49	–	–	–
Staff costs	528	358	157	–	13	–

* *Refer to note 1.28 for further details on segments and segmental results.*

	2021					
	Total Rm	Retail Rm	Weaver Fintech Rm	Property Rm	Other Rm	Intragroup Rm
	3 432	2 326	1 104	39	–	(37)
	1 706	1 706	–	–	–	–
	1 185	429	756	–	–	–
	530	191	337	39	–	(37)
	11	–	11	–	–	–
	433	135	360	13	(34)	(41)
	(104)	(116)	(17)	–	(1)	30
	(66)	(62)	(4)	–	–	–
	1	–	–	–	66	(65)
	(72)	–	(69)	–	(68)	65
	192	(43)	270	13	(37)	(11)
	5	5	–	–	–	–
	(21)	(25)	–	(10)	–	14
	176	(63)	270	3	(37)	3
	(9)	22	(32)	(1)	3	(1)
	167	(41)	238	2	(34)	2
	4 827	2 275	2 415	347	1 596	(1 806)
	1 564	1 155	1 363	260	611	(1 825)
	45.1	45.1				
	5.6	(1.8)	24.5	33.3		
	18	16	2	–	–	–
	49	21	28	–	–	–
	975	563	412			
	245	204	41	–	–	–
	522	391	123	–	8	–

1. Accounting policies

1.1 Presentation of annual financial statements

The consolidated and separate annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the SAICA Financial Reporting Guides issued by the Accounting Practices Committee, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the exchange operated by the JSE Limited (JSE) and the requirements of the Mauritian Companies Act 2001.

Note 2.2 sets out standards and interpretations that are not yet effective in terms of IFRS issued by the International Accounting Standards Board (IASB) but relevant to the group.

The significant accounting policies applied in the preparation of the separate and consolidated financial statements are set out below:

1.2 Basis of consolidation

The consolidated annual financial statements include those of the company, its subsidiaries and trusts over which the company exerts control. The capital reorganisation of HomeChoice Holdings Limited to HomeChoice International plc in 2014 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 except for financial assets at fair value through profit or loss. The consolidated and separate financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) except when otherwise indicated. The principal accounting policies applied in the preparation of these annual financial statements 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 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 Cell captive insurance contracts

The group has an arrangement with Guardrisk, a licensed insurance company, in insurance cells within South Africa and Mauritius. These "cells" issue certain contracts that transfer insurance risk. The risks and rewards associated with these contracts are transferred to the company through a cell agreement. Weaver Fintech PCC (Weaver Fintech) is able to recapitalise the cell if required.

Mauritian insurance cell

The group entered into a shareholders' agreement for insurance cells domiciled in Mauritius. In terms of the shareholders' agreement, the Mauritian cells are protected (all assets and liabilities are protected from all other cells and the promoter's non-cellular assets cannot be used to settle cell liabilities). However, in terms of the Protected Cell Companies Act 1999, to the extent that the cellular assets attributable to a cell may be insufficient, the protected cell company's non-cellular assets shall be secondarily liable. The likelihood of non-cellular assets becoming secondarily liable is remote as the cell has been consistently profitable and the promoter, i.e. Guardrisk, has since incorporation of the cell maintained an insignificant value of non-cellular assets. Thus, in substance, the cell meets the definition of a "deemed separate entity" per IFRS 10 and, as such, the results of the insurance cells are included in the consolidated annual financial statements.

If at any point the minimum capital adequacy ratio or solvency ratio of the cell is not met, Weaver Fintech is required to recapitalise the cell by taking up additional shares until the situation is remedied.

South African insurance cell

The group has an economic interest in insurance cells domiciled in South Africa. The net investment in the cells is shown under other investments in the statement of financial position. In determining the net insurance result from the cell captive contracts, the group insurance accounting policies are applied.

The net profit or loss after tax is accounted for in profit or loss. 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. Dividends are payable to the group in terms of the contract subject to certain liquidity and solvency requirements of the insurance cell.

Basis of accounting for underwriting activities

Premiums arising from insurance business

Gross written premiums comprise the premiums on insurance contracts entered into during the year. Premiums are disclosed gross of commission payable to intermediaries and exclude taxes and levies based on premiums. Insurance premiums are recognised on a straight-line basis over the period of the contract.

Claims arising from insurance business

Claims incurred in respect of insurance contracts consist of claims and claims-handling expenses paid during the financial year together with the movement in the provision for incurred but not reported claims. Provisions for incurred but not reported claims comprise provisions for claims arising from insured events that occurred before the reporting date, but which had not been reported to the group by that date.

Provision for outstanding claims

Provision is made for the estimated final cost of all claims that had not been settled by the reporting date, less amounts already paid. Liabilities for unpaid claims are estimated, using the input of assessments for individual cases reported to the group and statistical analyses, to estimate the expected cost of claims that may be affected by external factors. The group does not discount its liabilities for unpaid claims.

1.6 Property, plant and equipment

Property, plant and equipment are initially recognised at cost. 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 losses. 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 or 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 and residual values are reviewed on an annual basis. The effect of changes to useful lives or residual values will be accounted for prospectively in profit or loss. The annual rates applied for depreciation are as follows:

Buildings*	0.0%
Furniture and fittings	10% – 20%
Office equipment	10% – 33.3%
Computer equipment	20% – 33.3%
Plant and machinery	10% – 20%

* *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 or 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 (refer to note 1.8).

1.7 Intangible assets

Intangible assets are initially recognised at cost. All of the group's intangible assets are assessed as having finite useful lives and are amortised over their 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 are reviewed annually. The amortisation expense is recognised in profit or loss. Intangible assets include licences and computer software (including development costs). The annual amortisation rates applied are as follows:

Licences	12.5% – 100%
Computer software	12.5% – 33.3%

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

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

Directly attributable costs that are capitalised as part of the software product include 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 disposal proceeds, if any, and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Goodwill is measured as described in note 1.11. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. Only the Weaver Fintech segment currently benefits from the business combination and as such goodwill has been allocated to the Weaver Fintech segment.

1.8 Impairment of non-financial assets

At each reporting date the group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount, 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 or 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 or loss.

Goodwill is considered to have an indefinite useful life and is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

1.9 Inventory

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

1.10 Leases – lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Assets and liabilities arising from the lease are initially measured on a present value basis of the contractual lease payments, including any payments to be made under reasonably certain extension options.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the expected useful lives of the asset. The annual rates applied for depreciation are as follows:

Buildings	20% – 33.33%

The group subsequently measures right-of-use assets at cost, less any accumulated depreciation and any accumulated impairment losses.

The group subsequently measures lease liabilities by:

(a) increasing the carrying amount to reflect interest on the lease liability; and

(b) reducing the carrying amount to reflect the lease payments made.

1.11 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity,

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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, financial assets at fair value through profit or loss, trade and other payables and interest-bearing borrowings. Trade receivables are defined as sales made through the retail channel whilst loan receivables are defined as loans granted through fintech. 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 or 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.

Loan consolidations are treated as a derecognition of the loans as the contractual cash flows from the financial asset expire. In instances where the group reschedules a credit agreement, the cash flows are renegotiated with the client and the effective interest rate is affected by the modification of the agreement.

Classification and subsequent measurement

(i) Financial assets

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or 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.

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.

Fair value through profit or 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 or loss.

(ii) *Financial liabilities*
Financial liabilities are classified as subsequently measured at amortised cost.

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 Trade and other payables

Liabilities for trade and other payables are classified as financial liabilities and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and the interest through the amortisation process. The group has no obligation to fulfil warranties for products sold to customers.

1.16 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 profit or loss 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.

1.17 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.

1.18 Impairment of financial assets

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 as trade and loan receivables contain a significant financing component with terms of business varying from 1 to 36 months. 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 1.29 provides more detail of how the group determines a significant increase in credit risk and how the expected credit loss allowance is measured.

1.19 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 represents 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 are shown in equity as a deduction from share premium, net of any taxation effect.

Reorganisation reserve

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

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

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 or 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, is credited to retained earnings.

1.20 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.

1.21 Share-based payments

Equity-settled share-based compensation plan

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

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 or 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 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.

Cash-settled incentive compensation plan

The group operates cash-settled incentive compensation plans under which the entity rewards employees for delivering services at or above performance expectations. The value of the employee services received in exchange for the cash award is recognised as an expense over the life of the award. The total amount to be expensed is determined by reference to the fair value of the cash award 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 cash awards that are expected to vest based on vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to the cash liability. When cash awards vest, the company recognises the payment against the accrued cash liability.

1.22 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.

1.23 Revenue recognition

The group earns revenue from the following revenue streams:

- Retail sales (in the scope of IFRS 15)
- Finance income (in the scope of IFRS 9)
- Service fees (in the scope of IFRS 15)
- Insurance fees (in the scope of IFRS 4)
- Dividends (in the scope of IFRS 9)
- Buy now pay later fees (in the scope of IFRS 9)
- Late payment fees (in the scope of IFRS 15)
- Merchant account subscription fees (in the scope of IFRS 15)
- Transaction fees (in the scope of IFRS 9)

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. Contract liabilities are not recognised as the group does not have an unconditional right to receive consideration for orders (in advance of performance) at year-end.

The transaction price of contracts with customers is the selling price of merchandise disclosed via our catalogue or digital channels. The only variable consideration is the refund liability which has been separately accounted for under note 1.29.

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

Retail sales
Retail sales comprise revenue from the sale and delivery of merchandise and are recognised when control of the merchandise has transferred, usually on delivery of the merchandise to the customer. Customers have a right to return goods within 14 days and the group records a liability for estimated returns. The group does not operate any loyalty programmes.

Finance income
Finance income includes finance charges and delinquent interest earned on trade receivables for all credit sales made and on loans receivable for all loans disbursed to customers. 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.

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

Buy Now, Pay Later fees are derived from the difference between a customer's underlying order value processed and the amount paid to merchants. Merchants are paid upfront the net amount of orders less the merchant transaction fee which consists of fixed and variable rates set per merchant agreements. The group assumes all non-repayment risk from the customer. There is no interest or fees charged to customers, other than late fees, which are incurred as described below.

Buy Now, Pay Later fees are recognised in the consolidated statement of comprehensive income using the effective interest rate (EIR) method in accordance with *IFRS 9, Financial Instruments* discounting the merchant fees over the average period from initial payment to the merchant to the final instalment paid by the customer. Merchant fees are deferred over the average time it takes for the collection of the receivables to occur, with the average weighted duration to collect end-customer payments being approximately 55 days.

Late payment fees are charged to compensate for the costs incurred in the continuous attempts to collect the outstanding amounts due from customers who have missed agreed instalments due. Late fees are applied after the customer misses a scheduled instalment.
Late payment fees are recognised when they become payable (at a point in time) and it is probable the fee will be recovered.

Merchant account subscription fees are fees charged for management of the merchants' accounts. The fees are fixed monthly fees charged to merchants. The fees are recognised when they become payable monthly (at a point in time) and it is probable the fees will be recoverable.

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

1.24 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, warehousing and subsequent distribution, including staff costs. 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.

1.25 Employee benefits

Retirement obligations

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

Bonus scheme

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

1.26 Taxation

The income tax expense is determined based on taxable income for the year and includes deferred tax and capital gains tax. Tax is recognised in profit or 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. Management considers uncertain tax positions and tax-related contingencies in accordance with IFRIC 23. 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, 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.

1.27 Foreign currency transactions

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

1.28 Segmental reporting

The group's operating segments are identified as being Retail, Weaver Fintech, Property and Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, being HomeChoice International plc's board of directors. The group's reportable segments are unchanged from the previous reporting date.

The group's operating segments are identified as being Retail, Weaver Fintech , Property and Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, being HomeChoice International plc's board of directors. The group's reportable segments are unchanged from the previous reporting date.

Retail consists of the group's HomeChoice operations, Weaver Fintech consists of personal loans, insurance products and value-added services (sold digitally under the FinChoice brand) and Buy Now, Pay Later and payments solutions (sold digitally under the PayJustNow brand). The group's property company, which owns commercial properties utilised within the group, are included in the Property segment. The Other segment relates mainly to the results of the holding companies, as well as those of the HomeChoice Development Trust.

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 based on the domicile of the customer.

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 Retail and Property segments based upon a measure of operating profit and Weaver Fintech and Other segments based on a measure of operating profit after interest income and interest expense. This is consistent with how retailers and financial services businesses monitor financial performance.

1.29 Significant accounting judgements, estimates and assumptions

The preparation of the group's annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the asset or liability affected in the future. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of liability for merchandise returns

Retail customers have the right to return merchandise within 14 days. The group records a refund liability for expected returns using a six-month rolling historical return rate for each major product category. The rates used to estimate the underlying refund liability are reassessed at each reporting date. There has not been a significant change in the return rate over the reporting period. The refund liability has been included in trade and other payables. Refer to note 18 for the liability for expected returns at year-end.

Measurement of expected credit loss (ECL) allowance

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. Refer to note 3.3 for detailed movements in the loss allowance for the year. 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 of 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 two months. This is where the instalment is 30 days past due

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 monthly at a portfolio level for both Retail and Weaver Fintech. 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 when a customer has not met his or her minimum contractual obligation for a period of four months. A customer is considered credit impaired when meeting one or more of the following criteria:

Retail
- Where a customer has not met his or her minimum contractual obligations for a period of four months.

Default occurs when the instalment is 90 days past due

Weaver Fintech

- Where a customer has not met his or her minimum contractual obligations for two 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.

During the previous reporting period, the group adopted a cash flow model approach for measuring impairment in loans and receivables. The ECL is calculated by multiplying the Probability of a Default event happening (PD), the Exposure of the asset At the Default event (EAD) and the associated Losses Given the Default occuring (LGD). These losses include balances written off due to delinquency, retrenchments, death, fraud and debt administration. The projection of the ECL is estimated separately for accounts in Stage 1, 2 or 3 at the reporting date.

For each division, the latest 6-month average of a rolling 12-month history of data is used to calculate the associated PDs. The PD is determined by the probability that any account which is not in default will reach a default state over the next 12 months and reflects recent performance of the book. Further to this, the lifetime ECL is measured for an account which experienced a significant increase in credit risk or was credit impaired during the reporting period and is considered to have a 100% PD.

The group uses a minimum of the latest 60 months of data to calculate the segmented LGDs. A minimum of 60 months is used for the assessment in order to get a representative level of inclusion of completed accounts to reflect an accurate LGD. During the observation period each default event is considered and the related outstanding balance in the month of default is determined. The cash flows recognised from the point of default to the account's conclusion are discounted by the prevailing effective interest rate (EIR) back to the origination date. The difference between the discounted cash flows and balance at default represents the future expected losses in the event of default.

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

It is one of the fundamental principles of IFRS 9 that the ECL impairment provision for potential future losses takes into account changes in the economic environment in the future. These economic indicators are sourced from the Bureau of Economic Research (BER) on a quarterly basis.

During the current reporting period the impact of historic macroeconomic conditions on the observed default rates were used to adjust the impairment model PD. Where possible correlations were used to incorporate the expectation of future economic indicators into the current risk expectation. The highest correlating factors include gross domestic product and expenditure, the price of fuel and the unemployment rate. Where no meaningful correlations were apparent a pure overlay was provided for.

Using a weighted average of the base, upside and downside scenarios, an overall ECL impact is determined based on the future economic variables mentioned above.

Scenario	Probability	PD adjustment*	ECL adjustment** (Rm)
Baseline	46%	102%	1
Downside	36%	104%	2
Upside	18%	100%	–
Total	100%	103%	3

* *Scalar applied to PD percentage.*

** *Only applicable to Stage 1. There is no future-looking information adjustment for Stages 2 and 3 as these stages are considered to be at 100% PD.*

(e) *Event-driven management credit estimates*

The Credit Amendment Bill will allow a customer who earns less than R7 500 per month and has total unsecured debt outstanding of less than R50 000 to apply for debt relief through administration channels not yet fully clarified by the Bill. This will impact the Group's collection of cash flows from clients who meet these criteria. The expected implementation date for the Credit Amendment Bill is currently uncertain. The group's ECL for this event is R4 million (2021: R15.8 million). Management's areas of judgement include assumptions for eligible customers, manner in which relief is granted to customers, take-up rate and the legislation implementation date.

The impact of any sensitivities has been assessed as immaterial.

(f) *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 have been unable to recover outstanding balances. Where receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. 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 eight months and has not made any payment at all within the last 90 days; or

Weaver Fintech

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

If one or more of the above-mentioned conditions are met, the accounts are handed over to recoveries collection agencies. In this case Weaver Fintech would write off 80% (2021: 80%) of the outstanding balance. Retail would write off 75% (2021: 80%) of the outstanding balance. The remaining balance is written off in full if there is no reasonable expectation of future recovery.

Leases

When the entity has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

Subsequent to the commencement date of lease agreements, lease terms are reassessed when there is a significant event or change in circumstances that is within the group's control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Refer to note 6 for movements in the right-of-use assets and lease liabilities for the year.

Assessment of control and significant influence

The group has considered whether it controls certain entities, despite not owning a majority of shareholder rights, in accordance with the requirements of *IFRS 10, Consolidated Financial Statements*. The board has determined that the group controls the HomeChoice Development Trust.

The HomeChoice Development Trust was established in 2005. The Trust is a benevolent foundation and registered Public Benefit Organisation in South Africa established for the upliftment of underprivileged communities through focusing on early childhood development. The Trust has developed and maintains long-standing partnerships with non-profit organisations with a sustainable track record in the early childhood development sector. Whilst the Trust is governed by independent trustees and no group company has any right to appoint or remove trustees, the Trust receives administrative support from the group and its activities have been funded exclusively by the group to date. On this basis, management has assessed that the economic dependence of the Trust on the group results in effective control over the key activities of the Trust which affect the intangible returns for the group arising from the Trust's activities.

Recognition of deferred tax assets on assessed losses

Deferred taxation assets are recognised to the extent that it is probable that taxable income will be available in the future against which these can be utilised. Future taxable profits are estimated based on business plans that include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces. Refer to note 8.

Impairment of intangible assets

Goodwill and intangible assets that have an indefinite useful life, or are not yet ready for use, are assessed annually for impairment. Investments, property, plant and equipment, right-of-use assets and finite intangibles are only tested if an impairment indicator is identified. Refer to notes 4 and 5 for detail of impairment of assets where applicable. The impairment review requires estimation uncertainty (refer to note 5). The group evaluates, among other things, losses incurred, duration and the extent of losses and near-term business outlook.

Mauritian insurance cell

The group entered into a shareholders' agreement for insurance cells domiciled in Mauritius. In terms of the shareholders' agreement, the Mauritian cells are protected (all assets and liabilities are protected from all other cells and the promoter's non-cellular assets cannot be used to settle cell liabilities). However, in terms of the Protected Cell Companies Act 1999, to the extent that the cellular assets attributable to a cell may be insufficient, the protected cell company's non-cellular assets shall be secondarily liable. The likelihood of non-cellular assets becoming secondarily liable is remote as the cell has been consistently profitable and the promoter, i.e. Guardrisk, has since incorporation of the cell maintained an insignificant value of non-cellular assets. Thus, in substance, the cell meets the definition of a "deemed separate entity" per IFRS 10 and, as such, the results of the insurance cells are included in the consolidated annual financial statements.

If at any point the minimum capital adequacy ratio or solvency ratio of the cell is not met, Weaver Fintech is required to recapitalise the cell by taking up additional shares until the situation is remedied.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current period

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

- *IFRS 16, Leases – Covid-19-Related Rent Concessions* Amendment
- Amendments to *IAS 37, Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to *IAS 16, Property, Plant and Equipment – Proceeds Before Intended Use*
- Amendment to *IFRS 3, Business Combinations*: asset or liability in a business combination clarity

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 2023 or later periods:

New standard	Nature of the change	Impact
IFRS 17, Insurance Contracts	The IASB issued *IFRS 17, Insurance Contracts* and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17 the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. In response to some of the concerns and challenges raised, the board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments are not intended to change the fundamental principles of the standard or unduly disrupt implementation already under way.	The group has assessed that the simplified premium allocation approach (PAA) will be followed for measurement of insurance contracts. The terms of credit life, funeral and other policies sold from the life insurance cell allow for a review of premiums on at least an annual basis. On this basis the life cell insurance product policy terms are deemed eligible for the PAA due to the coverage period being one year or less. Non-life insurance products are monthly products and as such the liability for remaining coverage can be valued using the PAA. The group, as the cell owner of the insurance cell structures, assessed that the implementation will not have a material impact on the financial statements. Transition is expected on 1 January 2023.

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 Amendments	In response to some of the concerns and challenges raised, the board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17 and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already under way.	The group is currently assessing the impact of IFRS 17. Transition is expected on 1 January 2023.
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.	The amendments are not expected to have a material impact on future financial statements. Transition is expected on 1 January 2024.
Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	The amendments are not expected to have a material impact on future financial statements. Transition is expected on 1 January 2023.
Amendment to IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	*IAS 12, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*: These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	The amendments are not expected to have a material impact on future financial statements. Transition is expected on 1 January 2023.

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 and IAS 28 – Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform: IBOR "Phase 2"

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.

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 group's medium-term target is for net debt to remain below 60% of total equity.

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. 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 or loss Rm	At amortised cost Rm	Non-financial assets Rm	Total Rm
Assets					
2022					
Current assets					
Trade receivables – Retail	10	**–**	**1 341**	**–**	**1 341**
Loans receivable – Weaver Fintech	10	**–**	**2 782**	**–**	**2 782**
Other receivables	10	**–**	**2**	**87**	**89**
Other investments	7	**30**	**–**	**63**	**93**
Cash at bank	11	**–**	**116**	**–**	**116**
Total		**30**	**4 241**	**150**	**4 421**
Maximum exposure to credit risk		**30**	**4 241**		
2021					
Current assets					
Trade receivables – Retail	10	–	1 364	–	1 364
Loans receivable – Weaver Fintech	10	–	2 102	–	2 102
Other receivables	10	5	2	55	62
Other investments	7	11	–	44	55
Cash at bank	11	–	203	–	203
Total		16	3 671	99	3 786
Maximum exposure to credit risk		16	3 671		

3. Risk management and financial instrument disclosure (continued)

3.2 Financial risk management (continued)

	Notes	At amortised cost Rm	Non-financial liabilities Rm	Total Rm
Liabilities				
2022				
Non-current liabilities				
Mortgage bonds	16	**150**	**–**	**150**
Suspensive sale agreements	16	**20**	**–**	**20**
Commercial term loan facilities	16	**1 313**	**–**	**1 313**
Non-current other payables	17	**–**	**22**	**22**
Current liabilities				
Trade payables	18	**151**	**–**	**151**
Other payables	18	**70**	**139**	**209**
Mortgage bonds	16	**28**	**–**	**28**
Suspensive sale agreements	16	**16**	**–**	**16**
Bank overdraft	11	**102**	**–**	**102**
Total		**1 850**	**161**	**2 011**
2021				
Non-current liabilities				
Mortgage bonds	16	178	–	178
Suspensive sale agreements	16	36	–	36
Commercial term loan facilities	16	846	–	846
Non-current trade and other payables	17	4	–	4
Current liabilities				
Trade payables	18	169	–	169
Other payables	18	86	83	169
Mortgage bonds	16	26	–	26
Suspensive sale agreements	16	18	–	18
Total		1 363	83	1 446

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 Retail purchases in South Africa, Botswana, Namibia, Lesotho and the Kingdom of eSwatini, while Weaver Fintech loans are available to customers in South Africa and Botswana.

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the group. There is no 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. The group customer base has a strong female bias. Females have proven to be better credit risk than their male counterparts.

In assessing applications for credit, affordability criteria are applied together with in-house developed scorecards based on credit bureau data. Fraud detection tools are used to identify potentially fraudulent applications. 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.

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 Weaver Fintech. 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. External collection agents are used to supplement collections activities to recover outstanding balances. The group does not hold any collateral against receivable balances.

The group assesses on a forward-looking basis the expected credit losses (ECLs) 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 ECLs. 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 ECLs. The group recognises in profit or loss, as an impairment gain or loss, the amount of ECLs (or reversal) that is required to adjust the loss allowance at the end of the reporting period.

Note 1.29 provides more detail of how the group determines significant increase in credit risk, forward-looking and event-driven management credit estimates on the ECL model.

The group establishes an allowance for impairment that represents its estimate of incurred losses using cash flow 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.

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.

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

Company internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision (lifetime vs 12 months)	Gross carrying amount at 31 Dec Rm	Net carrying amount at 31 Dec Rm	Basis for calculation of interest revenue
2022					
Retail					
Performing	**12.6%**	12-month expected credit loss	**1 004**	**877**	Gross carrying amount
Underperforming	**43.1%**	Lifetime expected credit loss	**371**	**211**	Gross carrying amount
Non-performing	**61.6%**	Lifetime expected credit loss	**658**	**253**	Net carrying amount
Totals			**2 033**	**1 341**	
Non-performing comprises:					
Active*	**57.3%**	Lifetime expected credit loss	**485**	**207**	Net carrying amount
Handed over to recoveries collection agencies	**73.4%**	Lifetime expected credit loss	**173**	**46**	Net carrying amount
Weaver Fintech					
Performing	**4.5%**	12-month expected credit loss	**2 553**	**2 439**	Gross carrying amount
Underperforming	**31.6%**	Lifetime expected credit loss	**215**	**147**	Gross carrying amount
Non-performing	**62.5%**	Lifetime expected credit loss	**522**	**196**	Net carrying amount
Totals			**3 290**	**2 782**	
Non-performing comprises:					
Active*	**63.3%**	Lifetime expected credit loss	**444**	**163**	Net carrying amount
Handed over to recoveries collection agencies	**57.7%**	Lifetime expected credit loss	**78**	**33**	Net carrying amount

* *Pre-legal accounts that have not been partially written off.*

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

Company internal credit rating	Expected credit loss rate	Basis for recognition of expected credit loss provision (lifetime vs 12 months)	Gross carrying amount at 31 Dec Rm	Net carrying amount at 31 Dec Rm	Basis for calculation of interest revenue
2021					
Retail					
Performing	11.4%	12-month expected credit loss	1 041	922	Gross carrying amount
Underperforming	42.5%	Lifetime expected credit loss	381	219	Gross carrying amount
Non-performing	63.0%	Lifetime expected credit loss	603	223	Net carrying amount
Totals			2 025	1 364	
Non-performing comprises:					
Active*	58.9%	Lifetime expected credit loss	467	192	Net carrying amount
Handed over to recoveries collection agencies	77.2%	Lifetime expected credit loss	136	31	Net carrying amount
Weaver Fintech					
Performing	3.6%	12-month expected credit loss	1 905	1 836	Gross carrying amount
Underperforming	27.9%	Lifetime expected credit loss	197	142	Gross carrying amount
Non-performing	66.3%	Lifetime expected credit loss	368	124	Net carrying amount
Totals			2 470	2 101	
Non-performing comprises:					
Active*	64.2%	Lifetime expected credit loss	296	106	Net carrying amount
Handed over to recoveries collection agencies	75.0%	Lifetime expected credit loss	72	18	Net carrying amount

* *Pre-legal accounts that have not been partially written off.*

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 ECL 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

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

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

	Performing		Underperforming		Non-performing		Total	
Description	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm
Opening loss allowance as at 1 January 2021	122	67	118	55	438	165	678	287
New financial assets originated or purchased[1]	50	28	69	20	68	108	187	156
Movement between stages[2]								
Remain in same stage	9	4	7	(3)	(30)	–	(14)	–
Stage 1 to Stage 2	(16)	(2)	95	14	–	–	79	12
Stage 1 to Stage 3	(18)	(1)	–	–	117	19	99	18
Stage 2 to Stage 1	9	1	(14)	(9)	–	–	(5)	(8)
Stage 2 to Stage 3	–	–	(26)	(2)	38	4	12	2
Stage 3 to Stage 1	2	–	–	–	(6)	(3)	(4)	(2)
Stage 3 to Stage 2	–	–	11	2	(7)	(9)	4	(7)
Loans and advances settled in the current year[3]	(22)	(23)	(20)	(6)	(29)	(2)	(71)	(32)
Change in risk[4]	–	(2)	–	(8)	–	(12)	–	(22)
Write-off point adjustment	–	–	–	–	–	14	–	14
Debt review portfolio sold	–	–	(23)	–	(11)	(17)	(34)	(17)
Write-offs[5]	(17)	(1)	(54)	(8)	(191)	(23)	(262)	(32)
Other[6]	(1)	–	(1)	–	(7)	(1)	(9)	(1)
Closing loss allowance as at 31 December 2021	119	69	162	55	380	244	661	368

1. *Include closing balances for advances to customers who were not on book at the beginning of the year and reflected in the respective stages at the end of the year.*
2. *Balances move out of a stage based on the opening balance on the book at the start of the year and move into a stage based on the closing balance on the book at the end of the year.*
3. *Includes the reversal of opening balances for trade and loans receivable repaid during the year.*
4. *Includes transfers out of the respective stages at the start of the year into debt review and other extended payment terms. This applies to Weaver Fintech only. For Retail transfer to debt review is included in movements between stages and therefore a customer can start in a specific category and move into debt review.*
5. *Includes the release of opening balances for accounts that were written off during the year. These write-offs were included based on the stage of the receivable at the beginning of the year.*
6. *Includes movements in the loss allowance at the start of the year resulting from changes in the activity of debtors due to retrenchments, disabilities, debt administration, death, fraud, cancellations and deferred fee liability.*

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	Performing		Underperforming		Non-performing		Total	
Description	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm
New financial assets originated or purchased[1]	62	52	75	50	134	61	271	163
Movement between stages[2]								
Remain in same stage	5	18	(3)	(2)	(9)	–	(7)	16
Stage 1 to Stage 2	(14)	(2)	59	27	–	–	45	25
Stage 1 to Stage 3	(17)	(2)	–	–	146	49	129	47
Stage 2 to Stage 1	5	2	(16)	(10)	–	–	(11)	(8)
Stage 2 to Stage 3	–	–	(37)	(2)	61	5	24	3
Stage 3 to Stage 1	1	–	–	–	(4)	(3)	(3)	(3)
Stage 3 to Stage 2	–	–	6	1	(8)	(3)	(2)	(2)
Loans and advances settled in the current year[3]	(22)	(18)	(26)	(11)	(16)	(12)	(64)	(41)
Change in risk[4]	–	(3)	–	(7)	–	(9)	–	(19)
Write-off point adjustment	–	–	–	–	–	63	–	63
Debt review portfolio sold	–	–	–	(20)	–	(13)	–	(33)
Write-offs[5]	(11)	(2)	(59)	(12)	(273)	(54)	(343)	(68)
Other[6]	(1)	–	(1)	(1)	(6)	(2)	(8)	(3)
Closing loss allowance as at 31 December 2022	127	114	160	68	405	326	692	508

1. *Include closing balances for advances to customers who were not on book at the beginning of the year and reflected in the respective stages at the end of the year.*
2. *Balances move out of a stage based on the opening balance on the book at the start of the year and move into a stage based on the closing balance on the book at the end of the year.*
3. *Includes the reversal of opening balances for trade and loans receivable repaid during the year.*
4. *Includes transfers out of the respective stages at the start of the year into debt review and other extended payment terms. This applies to Weaver Fintech only. For Retail transfer to debt review is included in movements between stages and therefore a customer can start in a specific category and move into debt review.*
5. *Includes the release of opening balances for accounts that were written off during the year. These write-offs were included based on the stage of the receivable at the beginning of the year.*
6. *Includes movements in the loss allowance at the start of the year resulting from changes in the activity of debtors due to retrenchments, disabilities, debt administration, death, fraud, cancellations and deferred fee liability.*

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

The significant changes in the gross carrying amount of trade and loan receivables are explained below:

	Performing		Underperforming		Non-performing		Total	
Description	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm	Retail Rm	Weaver Fintech Rm
Opening gross balance as at 1 January 2021	1 174	1 385	353	181	668	214	2 195	1 780
New financial assets originated or purchased[1]	411	1 039	160	83	112	179	683	1 300
Movement between stages[2]								
Remain in same stage	19	111	8	(12)	(42)	–	(15)	98
Stage 1 to Stage 2	(146)	(48)	205	52	–	–	59	4
Stage 1 to Stage 3	(162)	(24)	–	–	192	29	30	5
Stage 2 to Stage 1	76	24	(40)	(28)	–	–	36	(5)
Stage 2 to Stage 3	–	–	(75)	(7)	63	6	(12)	(1)
Stage 3 to Stage 1	19	2	–	–	(9)	(3)	10	(1)
Stage 3 to Stage 2	–	–	24	8	(5)	(12)	19	(5)
Loans and advances settled in the current year[3]	(197)	(487)	(55)	(20)	(44)	(3)	(296)	(510)
Change in risk[4]	–	(47)	–	(27)	–	(15)	–	(89)
Write-off point adjustment	–	–	–	–	–	25	–	25
Debt review portfolio sold	–	–	(36)	–	(16)	(21)	(52)	(21)
Write-offs[5]	(105)	(43)	(146)	(31)	(298)	(29)	(549)	(103)
Other[6]	(48)	(5)	(17)	(1)	(18)	(1)	(83)	(7)
Gross carrying amount as at 31 December 2021	1 041	1 905	381	197	603	368	2 025	2 470

1. *Include closing balances for advances to customers who were not on book at the beginning of the year and reflected in the respective stages at the end of the year.*
2. *Balances move out of a stage based on the opening balance on the book at the start of the year and move into a stage based on the closing balance on the book at the end of the year.*
3. *Includes the reversal of opening balances for trade and loans receivable repaid during the year.*
4. *Includes transfers out of the respective stages at the start of the year into debt review and other extended payment terms. This applies to Weaver Fintech only. For Retail transfer to debt review is included in movements between stages and therefore a customer can start in a specific category and move into debt review.*
5. *Includes the release of opening balances for accounts that were written off during the year. These write-offs were included based on the stage of the receivable at the beginning of the year.*
6. *Includes movements in the loss allowance at the start of the year resulting from changes in the activity of debtors due to retrenchments, disabilities, debt administration, death, fraud, cancellations and deferred fee liability.*

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	Performing		Underperforming		Non-performing		Total	
Description	**Retail Rm**	**Weaver Fintech Rm**	**Retail Rm**	**Weaver Fintech Rm**	**Retail Rm**	**Weaver Fintech Rm**	**Retail Rm**	**Weaver Fintech Rm**
New financial assets originated or purchased[1]	**510**	**980**	**180**	**160**	**173**	**96**	**863**	**1 236**
Movement between stages[2]								
Remain in same stage	**16**	**413**	**(6)**	**(5)**	**13**	**20**	**23**	**428**
Stage 1 to Stage 2	**(121)**	**(66)**	**141**	**86**	**–**	**–**	**20**	**20**
Stage 1 to Stage 3	**(148)**	**(57)**	**–**	**–**	**188**	**78**	**40**	**21**
Stage 2 to Stage 1	**36**	**34**	**(36)**	**(36)**	**–**	**–**	**–**	**(2)**
Stage 2 to Stage 3	**–**	**–**	**(88)**	**(8)**	**79**	**8**	**(9)**	**–**
Stage 3 to Stage 1	**10**	**3**	**–**	**–**	**(7)**	**(4)**	**3**	**(1)**
Stage 3 to Stage 2	**–**	**–**	**15**	**3**	**(13)**	**(4)**	**2**	**(1)**
Loans and advances settled in the current year[3]	**(196)**	**(509)**	**(60)**	**(41)**	**(25)**	**(18)**	**(281)**	**(568)**
Change in risk[4]	**–**	**(74)**	**–**	**(25)**	**–**	**(14)**	**–**	**(113)**
Write-off point adjustment	**–**	**–**	**–**	**–**	**–**	**95**	**–**	**95**
Debt review portfolio sold	**–**	**(1)**	**–**	**(70)**	**–**	**(20)**	**–**	**(91)**
Write-offs[5]	**(94)**	**(65)**	**(140)**	**(44)**	**(334)**	**(80)**	**(568)**	**(189)**
Other[6]	**(50)**	**(10)**	**(16)**	**(2)**	**(19)**	**(3)**	**(85)**	**(15)**
Gross carrying amount as at 31 December 2022	**1 004**	**2 553**	**371**	**215**	**658**	**522**	**2 033**	**3 290**

1. *Include closing balances for advances to customers who were not on book at the beginning of the year and reflected in the respective stages at the end of the year.*
2. *Balances move out of a stage based on the opening balance on the book at the start of the year and move into a stage based on the closing balance on the book at the end of the year.*
3. *Includes the reversal of opening balances for trade and loans receivable repaid during the year.*
4. *Includes transfers out of the respective stages at the start of the year into debt review and other extended payment terms. This applies to Weaver Fintech only. For Retail transfer to debt review is included in movements between stages and therefore a customer can start in a specific category and move into debt review.*
5. *Includes the release of opening balances for accounts that were written off during the year. These write-offs were included based on the stage of the receivable at the beginning of the year.*
6. *Includes movements in the loss allowance at the start of the year resulting from changes in the activity of debtors due to retrenchments, disabilities, debt administration, death, fraud, cancellations and deferred fee liability.*

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

Trade receivables

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, is 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.

	Gross trade receivables		Net trade receivables		Provision as a % of gross trade receivables	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 %**	2021 %
Contractual						
Retail						
Satisfactory paid	**1 167**	1 179	**964**	998	**17.4**	15.4
Current	**842**	849	**737**	756	**12.5**	11.0
Past due less than 30 days	**325**	330	**227**	242	**30.2**	26.7
Past due 31 – 60 days	**136**	156	**77**	92	**43.3**	41.0
Past due 61 – 90 days	**110**	106	**62**	61	**43.6**	42.5
Past due more than 91 days	**620**	584	**238**	213	**61.6**	63.5
	2 033	2 025	**1 341**	1 364	**34.0**	32.6
Trade receivables gross, net (Rm)	**2 033**	2 025	**1 341**	1 364	**(692)**	(661)

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

Loans receivable
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, is 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 loans receivable	
	2022 Rm	2021 Rm	**2022 Rm**	2021 Rm	**2022 %**	2021 %
Recency						
Weaver Fintech						
Current	**2 690**	2 007	**2 507**	1 895	**6.8**	5.6
Not paid 1 – 30 days	**187**	172	**121**	119	**35.3**	30.8
Not paid 31 – 60 days	**83**	68	**46**	34	**44.6**	50.0
Not paid more than 61 days	**330**	223	**108**	54	**67.3**	75.8
	3 290	2 470	**2 782**	2 102	**15.4**	14.9
Loans receivable gross, net (Rm)	**3 290**	2 470	**2 782**	2 102	**(508)**	(368)

	2022 %	2021 %
Loan product weighting		
Weaver Fintech		
1 – 3-month loan	**12.9**	10.0
6-month loan	**5.4**	6.1
12-month loan	**23.8**	26.9
24-month loan	**26.8**	30.4
36-month loan	**24.0**	17.2
Other	**7.1**	9.4
	100.0	100.0

The total loss allowance as a percentage of the trade and loans receivable books in Stage 2 and Stage 3 at the reporting date is:

	2022 %	2021 %
Retail	**67.2**	67.2
Weaver Fintech	**68.9**	65.3

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

Cash and cash equivalents
The group invests surplus cash only with investment-grade 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 and includes contractually charged interest cash flows.

	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
2022									
Non-interest-bearing liabilities									
Non-current trade and other payables		**–**	**–**	**4**	**16**	**1**	**1**	**22**	**22**
Trade and other payables		**92**	**129**	**–**	**–**	**–**	**–**	**221**	**221**
Interest-bearing liabilities									
Mortgage bonds	**9.78**	**–**	**44**	**45**	**92**	**28**	**7**	**216**	**178**
Suspensive sale agreements	**10.87**	**–**	**20**	**13**	**8**	**2**	**–**	**43**	**36**
Commercial term loan facilities	**8.00**	**–**	**119**	**1 362**	**–**	**–**	**–**	**1 481**	**1 313**
Lease liabilities	**9.60**	**–**	**19**	**16**	**6**	**1**	**–**	**42**	**38**
Bank overdraft	**10.30**	**102**	**–**	**–**	**–**	**–**	**–**	**102**	**102**
		194	**331**	**1 440**	**122**	**32**	**8**	**2 127**	**1 910**
2021									
Non-interest-bearing liabilities									
Non-current trade and other payables		–	–	1	1	1	1	4	4
Trade and other payables		106	149	–	–	–	–	255	255
Interest-bearing liabilities									
Mortgage bonds	6.51	–	39	40	41	89	32	241	204
Suspensive sale agreements	7.62	–	21	19	12	7	2	61	54
Commercial term loan facilities	6.70	–	57	206	719	–	–	982	846
Lease liabilities	9.60	–	33	15	12	5	1	66	56
		106	299	281	785	102	36	1 608	1 419

The group has the following borrowing facilities available:

	2022 Rm	2021 Rm
General banking facilities available	**395.0**	375.0
Guarantees	**9.3**	14.2
Suspensive sale agreements facility available	**85.0**	85.0
	489.3	474.2
Amounts drawn against these facilities	**(136.7)**	(83.5)
Unutilised banking and other facilities at 31 December 2022	**352.6**	390.7
Commercial term loan facilities available	**1 800.0**	1 800.0
Amounts drawn against these facilities	**(1 312.9)**	(846.4)
Unutilised borrowing facilities at 31 December 2022	**487.1**	953.6

3. Risk management and financial instrument disclosure (continued)

3.4 Liquidity risk management (continued)

The commercial loan is subject to the following covenants:

	Default limit %	**Actual 2022 %**	Actual 2021 %
Covenant			
Net debt to equity	60.00	**45.80**	29.60
Retail debtors cost as a % of average gross debtors	34.00	**23.80**	26.70
Weaver Fintech debtors cost as a % of average gross debtors	28.00	**20.80**	19.40

The board is satisfied that there is significant headroom between the covenant default limits and actual performance.

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, trade and other payables and cash and cash equivalents.

Other price risk management
The group is exposed to other price risk due to en-commandite partnerships enterered into, established for the purposes of investing in listed shares which are classified as fair value through profit or loss investments.

The sensitivity of the group's profit after taxation due to a change in equity price is immaterial to the group financial statements.

Foreign currency risk management
The group undertakes transactions in foreign currencies, hence exposure to exchange rate fluctuations arises. 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.

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 or loss.

The group had foreign liabilities at 31 December 2022 amounting to R31.7 million (2021: R8.8 million).

The group measures sensitivity to foreign exchange rates as the effect of a change in the US Dollar on profit after taxation based on the group's exposure at 31 December 2022. 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	
	2022 Rm	2021 Rm
15% appreciation in ZAR/USD exchange rates	**3.4**	1.0
15% depreciation in ZAR/USD exchange rates	**(3.4)**	(1.0)

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

	2022 Rm	2021 Rm
Trade and other payables	**10.7**	8.8
Bank overdraft	**21.0**	–

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, borrowings from the bank and suspensive sale agreements. All interest-bearing assets and liabilities are sensitive to fluctuations in interest rates, except for 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 2022. The group regards a 100 basis point (2021: 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	**2022 Rm**	2021 Rm
Cash and cash equivalents	+100	**0.8**	1.5
	-100	**(0.8)**	(1.5)
Bank overdraft	+100	**(0.7)**	–
	-100	**0.7**	–
Borrowings from the bank	+100	**(1.3)**	(1.5)
	-100	**1.3**	1.5
Suspensive sale agreement	+100	**(0.3)**	(0.4)
	-100	**0.3**	0.4
Commercial term loan facilities	+100	**(9.5)**	(6.1)
	-100	**9.5**	6.1

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank (SARB) has indicated their intention to move away from the Johannesburg Interbank Average Rate (JIBAR) and to create an alternative reference rate for South Africa. However, this transition may only be completed in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect the various financial instruments held by the group. The use of an alternative reference rate is not expected to have a material impact on the group's assessment of interest rate risk.

3. Risk management and financial instrument disclosure (continued)

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 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.

A comparison by category of carrying amounts and fair values of the group's financial instruments carried at fair value is set out below:

			Carrying amount		Fair value	
	Fair value hierarchy	**Valuation techniques and key inputs**	**2022 Rm**	2021 Rm	**2022 Rm**	2021 Rm
Other investments	Level 2	Investment in en-commandite partnership based on the underlying investment in a listed company.	**30**	11	**30**	11

The fair values of the following items are not disclosed as these assets and liabilities closely approximate their carrying amount:

- Cash and cash equivalents, trade and other payables: The carrying amounts reported in the statement of financial position approximate fair values because of the short-term maturities of these assets and liabilities.
- Borrowings: 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: 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.

There have been no transfers between the levels during the year.

3. Risk management and financial instrument disclosure (continued)

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.

Mauritian insurance cell

The group underwrites insurance products with the following terms and conditions:

- Credit life covering the risk of the customer being unable to settle the terms of the credit agreement as a result of death, disability or qualifying retrenchment.
- Funeral products covering the death of the insured and, where applicable, specified insured family members.
- Product protection covering the replacement of customers' devices in the event of theft or damage beyond repair. Where the goods are replaced, the cost of the claim is determined with reference to the cost of the device.

The group is exposed to insurance risk through its investment in insurance cell captive arrangements. The insurance risk relates to the risk that there will be insufficient capital available to honour the claims made by the policyholders in the insurance cell captive arrangements.

The risk under any one insurance contract is the possibility that an insured event occurs as well as the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and unpredictable. The frequency and severity of claims can be affected due to unforeseen factors such as pandemics and employment trends.

Underwriting risk is the risk that the group's actual exposure to short-term risks in respect of policy-holding benefits will exceed prudent estimates established using historical claims patterns and actuarial techniques. Insurance events are random and the actual number of claims will vary from year to year from the estimated claims provision established using historical claims patterns and actuarial techniques. The development of insurance claims provisions provides a measure of the group's ability to estimate the ultimate value of the claims. The group does not underwrite long-term risks and, consequently, the uncertainty about the amount and timing of claim payments is limited. Regular estimates of claims are performed in reviewing the adequacy of the insurance claims provisions. Claims development is reviewed by management on a regular basis. Insurance claim provisions will generally be settled within one year. The frequency and severity of claims can be affected due to unforeseen factors such as patterns of crime, pandemic and employment trends. The group manages these risks through its underwriting strategy and proactive claims handling. Where appropriate, the above risks are managed by senior management and directors. The geographical spread of the group ensures that the underwritten risks are well diversified. The group does not only sell credit life insurance products, but also funeral policies which also adds diversification to the portfolio. No significant concentrations of insurance risk exist.

In determining the value of insurance liabilities, assumptions need to be made regarding future rates of mortality and morbidity, termination rates, expenses and investment performance. The investment in insurance assets is more sensitive to the rates of the mortality and termination applied in the valuation of the underlying insurance liabilities. The assumptions are informed by past claims experience and by Guardrisk's extensive industry-level insight and experience, and are assessed annually.

The uncertainty of these rates may result in actual experience being different from that assumed and hence actual cash flows being different from those projected. In the extreme, actual claims and benefits may exceed liabilities.

In estimating the provision for claims reported but not yet paid, the notified claims at balance sheet date are reviewed and predetermined formulae based on experience are applied.

The sensitivity analysis on net profit after tax should the incurred but not reported (IBNR) claims increase or decrease by 10% is immaterial to the group's financial statements.

South African insurance cell

The group has determined that it does not have control of its short-term or life insurance cell captive arrangements as the current insurance legislative framework regards all the assets and liabilities in the cell as that of the insurer. Therefore the cell captive is not considered to be a silo in accordance with IFRS 10. The group has therefore not consolidated the cell captives.

4. Property, plant and equipment

	2022			2021		
	Cost Rm	Accumulated depreciation Rm	Carrying value Rm	Cost Rm	Accumulated depreciation Rm	Carrying value Rm
Land and buildings	**353**	**(12)**	**341**	353	(12)	341
Computer equipment	**92**	**(78)**	**14**	84	(70)	14
Equipment	**52**	**(41)**	**11**	51	(36)	15
Furniture and fittings	**110**	**(70)**	**40**	107	(53)	54
Plant and machinery	**74**	**(59)**	**15**	73	(49)	24
Total	**681**	**(260)**	**421**	668	(220)	448

Analysis of movements

	Opening balance Rm	Additions Rm	Disposals Rm	Depreciation Rm	Impairment Rm	Closing balance Rm
2022						
Land and buildings	**341**	**–**	**–**	**–**	**–**	**341**
Computer equipment	**14**	**9**	**(1)**	**(8)**	**–**	**14**
Equipment	**15**	**2**	**(1)**	**(5)**	**–**	**11**
Furniture and fittings	**54**	**3**	**–**	**(17)**	**–**	**40**
Plant and machinery	**24**	**1**	**–**	**(9)**	**(1)**	**15**
Total	**448**	**15**	**(2)**	**(39)**	**(1)**	**421**
2021						
Land and buildings	341	–	–	–	–	341
Computer equipment	19	3	–	(8)	–	14
Equipment	22	1	–	(7)	(1)	15
Furniture and fittings	61	13	–	(16)	(4)	54
Plant and machinery	33	1	–	(10)	–	24
Total	476	18	–	(41)	(5)	448

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 2022 was R32 million (2021: R48 million).

Included in property, plant and equipment are assets with a cost of R98 million (2021: R85 million) that are in use but fully depreciated.

Land and buildings include a carrying value of R341 million (2021: R341 million) currently encumbered as shown in note 16.

5. Intangible assets

	2022 Cost Rm	2022 Accumulated amortisation and impairment Rm	2022 Carrying value Rm	2021 Cost Rm	2021 Accumulated amortisation and impairment Rm	2021 Carrying value Rm
Licences	**18**	**(16)**	**2**	16	(16)	–
Computer software	**347**	**(195)**	**152**	308	(149)	159
Goodwill	**33**	**–**	**33**	33	–	33
Total	**398**	**(211)**	**187**	357	(165)	192

Analysis of movements

	Opening balance Rm	Additions Rm	Amortisation Rm	Impairment Rm	Closing balance Rm
2022					
Licences	**–**	**2**	**–**	**–**	**2**
Computer software	**159**	**39**	**(45)**	**(1)**	**152**
Goodwill	**33**	**–**	**–**	**–**	**33**
Total	**192**	**41**	**(45)**	**(1)**	**187**
2021					
Licences	1	–	(1)	–	–
Computer software	209	49	(38)	(61)	159
Goodwill	–	33	–	–	33
Total	210	82	(39)	(61)	192

Additions are split between the following categories:	2022	2021
Internal development	**39**	19
Acquisition of business	**–**	51
Third-party acquisitions	**2**	12
Total	**41**	82

5. Intangible assets (continued)

Included in intangibles is internally generated software with a carrying value of R127 million (2021: R113 million). Included in intangible assets are assets with a cost of R77 million (2021: R68 million) that are in use but fully amortised, and development costs of R10 million (2021: R6 million) incurred on assets which are not yet available for use by the group and have not been amortised. The gross amount of software not yet in use was evaluated for impairment at the reporting date.

During the year a derecognition of R2 million (2021: R61 million) was recognised. Derecognition includes information technology legacy software that is no longer fit for purpose and does not generate future value for the group.

The group acquired an 85% interest in the issued share capital of a financial services company, PayJustNow Proprietary Limited (PJN), for a consideration of R45 million on 1 March 2021. R33 million goodwill was recognised as part of the business combination.

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 reporting period the recoverable amount of the cash-generating unit (PJN) was determined based on a value-in-use calculation which requires the use of assumptions. The calculation uses cash flow projections based on financial forecasts approved by management covering a four-year period. Cash flows beyond the four-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which PJN operates.

The following are key assumptions used in the valuation of PJN for purposes of testing whether goodwill has suffered impairment at 31 December 2022:

Customer growth rate	12.8
Long-term growth rate	6.9
Discount rate	26.8

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	**Approach used to determining values**
Customer growth rate	Average annual growth rate over the four-year forecast period; based on past performance and management's expectations of growth.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	The pre-tax discount rates are derived from the group's weighted average cost of capital, taking into account the cost of capital, lease liabilities and borrowings, to which specific market-related premium adjustments are made.

In the current year management incorporated the cash flow benefit from cost synergies that will realise for the Weaver Fintech business cross-selling into the PJN customer base. Management has performed sensitivity analyses on the key assumptions used in the impairment model using reasonable changes in these key assumptions based on recent market movements including discount rates, customer growth rates and long-term growth rates:

- An increase of one percentage point in the discount rate would have no impact on the impairment for the current or prior year.
- A decrease of one percentage point in the long-term growth rate would have no impact on the impairment for the current or prior year.
- A decrease of one percentage point in the customer growth rate would have no impact on the impairment for the current or prior year.

6. Right-of-use assets and lease liabilities

The group has lease contracts for various land and buildings consisting mainly of showroom leases and a distribution centre used in its operations. Leases for land and buildings have, on average, a lease term of five years. The majority of the leases include an option to renew the lease for an additional period of the same duration after the end of the contract term. The group includes extension options when determining the lease term when it is reasonably certain that the renewal option will be exercised.

	2022 Rm	2021 Rm
Right-of-use assets		
Buildings	**32**	49
Lease liabilities		
Current	**19**	33
Non-current	**19**	23
	38	56
Analysis of movements – Right-of-use assets		
Opening balance on 1 January	**49**	60
Additions	**6**	16
Derecognition	**–**	(3)
Depreciation	**(23)**	(24)
Closing balance on 31 December	**32**	49
Analysis of movements – Lease liabilities		
Opening balance on 1 January	**56**	70
Additions for new leases	**6**	16
Remeasurement due to lease modification	**2**	(3)
Interest on lease liabilities	**4**	5
Lease payments	**(30)**	(32)
Closing balance on 31 December	**38**	56
The statement of comprehensive income shows the following amounts relating to leases:		
Depreciation charge of right-of-use assets	**23**	24
Interest expense (included in finance cost)	**4**	5
	27	29
The group is exposed to the following potential future undiscounted cash outflows which are not included in the measurement of lease liabilities:		
Extension and termination options not reasonably assured	**130**	125

The prior year previously presented (R224 million) was restated to accurately reflect renewal options exercisable by the group.

No significant leases are due to contractually terminate in the next 12-month period.

7. Other investments

	2022 Rm	2021 Rm
Other investments	**93**	55

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 their net asset value at the reporting date.

	2022 Rm	2021 Rm
Investment in insurance cells		
Opening balance	**44**	34
Investment	**6**	–
Movement in insurance cell assets	**13**	10
Closing balance	**63**	44

The gain from the insurance investments for the year amounts to R13 million (2021: R10 million) and is recognised in profit or loss.

During the current and prior year the group entered into en-commandite partnerships established for the purposes of investing in a data specialist company listed on the Johannesburg Stock Exchange. The group's financial exposure to the partnerships is limited to the capital contribution made. The investments are summarised below as follows:

	2022 Rm	2021 Rm
Investment in partnership		
Opening balance	**11**	–
Capital contribution	**12**	5
Gain on investment	**7**	6
Closing balance	**30**	11

The gain from the investments in the partnerships amounted to R7 million (2021: R6 million) and is recognised in profit or loss.

8. Deferred taxation

	2022 Rm	2021 Rm
The analysis of deferred tax assets and liabilities is as follows:		
Deferred tax assets	**115**	85
Deferred tax liabilities	**(50)**	(44)
Net deferred tax asset	**65**	41
The gross movements on the deferred income tax account are as follows:		
At 1 January	**41**	(24)
Charged to profit or loss	**24**	65
At 31 December	**65**	41

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	Tax loss carry-forward Rm	Debtors' provisions and allowances Rm	Other Rm	Total Rm
Deferred tax assets					
At 1 January 2021	7	13	8	4	32
Charged to profit or loss	5	27	13	1	46
At 31 December 2021	12	40	21	5	78
Charged to profit or loss	2	56	(21)	(3)	34
At 31 December 2022	**14**	**96**	**–**	**2**	**112**

	Accelerated tax wear and tear allowances Rm	Debtors' provisions and allowances Rm	Total Rm
Deferred tax liabilities			
At 1 January 2021	(56)	–	(56)
Charged to profit or loss	19	–	19
At 31 December 2021	(37)	–	(37)
Charged to profit or loss	–	(10)	(10)
At 31 December 2022	**(37)**	**(10)**	**(47)**

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

	2022 Rm	2021 Rm
Merchandise for resale	**371**	243
Provision for inventory obsolescence	**(15)**	(28)
Goods in transit	**47**	49
	403	264

The total amount of inventories expensed to cost of Retail sales during the year ended 31 December 2022 was R693 million (2021: R768 million). Inventory sold at less than cost during the year ended 31 December 2022 amounted to R27 million (2021: R51 million) and net inventory write-downs recognised as an expense during the year ended 31 December 2022 amounted to R6 million (2021: R1 million).

10. Trade and other receivables

	2022 Rm	2021 Rm
Group		
Trade and loan receivables	**5 323**	4 495
Provision for impairment	**(1 200)**	(1 029)
Other receivables	**89**	62
	4 212	3 528

Refer to note 3.3 for detailed credit risk disclosure and a reconciliation of the movement in the provision for impairment for the year.

Trade and loan receivables have repayment terms of between 1 and 36 months and attract interest based on rates as determined by the National Credit Act. Included in trade and loan receivables are amounts approximating R1 078 million (2021: R785 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.

Trade and loans receivable are pledged as security under the commercial term loan facilities as described in note 16.

Other receivables include stock prepayments, staff debtors, rent deposit, VAT receivable and foreign exchange contracts receivable.

11. Cash and cash equivalents

	2022 Rm	2021 Rm
Cash at bank	**116**	203
Bank overdraft	**102**	–
Cash at bank earns interest based on daily bank deposit rates.		
Cash and cash equivalents include the following for the purposes of the statement of cash flows:		
Cash and cash equivalents	**116**	203
Bank overdraft	**(102)**	–
	14	203

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

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

Included in cash and cash equivalents is restricted cash of R73 million (2021: R65 million).

Restricted cash includes insurance cell captive cash balances that are consolidated in the group's statement of financial position but not available to the group, as well as insurance premiums collected from customers that are payable to the underlying insurance provider.

12. Stated capital, share capital and share premium

12.1 Stated and share capital

	2022 Rm	2021 Rm
Authorised		
200.0 million (2021: 200.0 million) ordinary shares at one cent par value	**2**	2
Issued		
106.7 million (2021: 106.7 million) ordinary shares at one cent par value	**1**	1
Stated and share capital	**1**	1

	2022 Millions	2021 Millions
Reconciliation of movement in issued shares:		
Number of issued shares at the beginning of the year	**106.7**	105.7
Shares issued	**–**	1.0
Sub-total	**106.7**	106.7
Treasury shares held within the group	**(2.4)**	(2.1)
Number of issued shares, net of treasury shares	**104.3**	104.6
Treasury shares as a % of issued shares	**2.2**	1.9

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

- 101 379 351 HIL shares were issued to the scheme participants in the ratio of 1 (one) HIL share for every 1 (one) HomeChoice Holdings share held; and
- the 72 900 000 HIL shares issued on incorporation were repurchased by HIL at the subscription price paid for such HIL shares at incorporation and cancelled.

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

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

12.2 Share premium

	2022 Rm	2021 Rm
Balance at the beginning of the year	**3 039**	3 014
Share issue	**–**	25
Balance at the end of the year	**3 039**	3 039

13. Treasury shares

	2022 Rm	2021 Rm
Reconciliation of movement in treasury shares:		
Balance at the beginning of the year	**(47)**	(33)
Purchase of shares to settle forfeiture share scheme obligations	**(7)**	(14)
Forfeitable shares vested	**9**	–
Balance at the end of the year	**(45)**	(47)

	Millions	Millions
Number of shares:		
Balance at the beginning of the year	**2.1**	1.6
Purchase of shares to settle forfeiture share scheme obligations	**0.3**	0.5
Balance at the end of the year	**2.4**	2.1

258 916 shares (2021: 502 415) were acquired by HomeChoice Proprietary Limited a subsidiary of the issuer on the market at an average price of R26.79 (2021: R23.44) per share.

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:

	2022		2021	
	Average exercise price per share (cents)	**Number of options**	Average exercise price per share (cents)	Number of options
At 1 January	**2 822**	**1 044 700**	2 956	1 372 000
Options granted during the year	**–**	**–**	–	–
Options forfeited during the year	**2 511**	**(316 000)**	3 382	(327 300)
At 31 December	**2 957**	**728 700**	2 822	1 044 700

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

	2022		2021	
	Average exercise price per share (cents)	**Number of options**	Average exercise price per share (cents)	Number of options
2016	**1 064**	**4 000**	1 064	4 000
2018	**1 444**	**100 000**	1 444	250 000
2019	**3 370**	**162 500**	3 370	175 250
2020	**2 800**	**224 100**	2 800	248 100
2021	**3 500**	**44 500**	3 500	64 500
2022	**4 414**	**29 300**	4 414	60 350
2023	**3 500**	**68 600**	3 500	98 600
2024	**3 199**	**95 700**	3 199	143 900
	2 957	**728 700**	2 822	1 044 700

14. Share incentive schemes (continued)

14.1 Share option incentive scheme (continued)

Analysis of options outstanding:

Date of offer	Vesting date	Grant price (cents)	Fair value at grant date (cents)	Number of options 2022	2021
31 March 2012	Vested	1 064	82	**4 000**	4 000
31 March 2014	Vested	1 444	92	**100 000**	250 000
20 March 2015	Vested	3 370	663	**162 500**	175 250
1 May 2016	Vested	2 800	598	**224 100**	248 100
22 March 2017	Vested	3 500	789	**44 500**	64 500
31 March 2018	31 March 2022	4 414	1 009	**29 300**	60 350
15 May 2019	31 March 2023	3 500	741	**68 600**	98 600
31 March 2020	31 March 2024	3 199	646	**95 700**	143 900
Balance at the end of the year				**728 700**	1 044 700

No options were issued during 2022 or 2021.

The weighted average remaining contractual life of options outstanding at the end of the year is 0.83 years (2021: 1.53 years).

14. Share incentive schemes (continued)

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 before vesting date.

	2022		2021	
	Average market value per share (cents)	**Number of shares**	Average market value per share (cents)	Number of shares
At 1 January	**2 501**	**2 712 069**	3 423	2 339 439
Forfeitable shares awarded during the year	**2 480**	**750 000**	2 000	1 738 300
Forfeitable shares vested during the year	**3 163**	**(385 000)**	3 598	(581 500)
Forfeitable shares forfeited during the year	**2 360**	**(1 345 669)**	3 178	(784 170)
At 31 December	**2 454**	**1 731 400**	2 501	2 712 069

Analysis of shares outstanding:

Date of offer	Vesting date	Market value (cents)	Fair value at grant date (cents)	Number of shares 2022	Number of shares 2021
23 October 2019	31 March 2022	3 757	3 757	**–**	133 800
31 March 2020	31 March 2022	3 199	3 199	**–**	66 300
4 April 2019	31 March 2023	3 800	3 800	**200 000**	291 200
31 March 2020	31 March 2023	3 199	3 199	**–**	58 500
31 March 2020	31 March 2024	3 199	3 199	**166 400**	333 969
1 October 2020	1 October 2024	2 500	2 500	**–**	100 000
1 June 2021	31 March 2022	2 000	2 000	**–**	9 900
1 June 2021	31 March 2023	2 000	2 000	**–**	10 400
1 June 2021	31 March 2024	2 000	2 000	**250 000**	278 000
1 June 2021	31 March 2025	2 000	2 000	**540 000**	1 430 000
16 March 2022	31 March 2023	2 761	2 761	**60 000**	–
16 March 2022	31 March 2024	2 761	2 761	**65 000**	–
16 March 2022	31 March 2025	2 761	2 761	**100 000**	–
17 June 2022	31 March 2025	1 703	1 703	**75 000**	–
17 June 2022	31 March 2026	1 703	2 500	**75 000**	–
30 December 2022	31 March 2025	2 500	2 500	**100 000**	–
30 December 2022	31 March 2026	2 500	2 500	**100 000**	–
Balance at the end of the year				**1 731 400**	2 712 069

Total expenses of R10 million (2021: R17 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 2021	47
Share-based payment charge to profit or loss	17
Forfeitable shares vested	–
Balance at 31 December 2021	**64**
Share-based payment charge to profit or loss	**10**
Forfeitable shares vested	**(9)**
Transfer to cash-settled incentive compensation plan	**(16)**
Balance at 31 December 2022	**49**

16. Interest-bearing liabilities

	2022 Rm	2021 Rm
Long-term portion		
Mortgage bonds	**150**	178
Suspensive sale agreements	**20**	36
Commercial term loan facilities	**1 313**	846
Total non-current interest-bearing liabilities	**1 483**	1 060
Short-term portion payable within one year		
Mortgage bonds	**28**	26
Suspensive sale agreements	**16**	18
Total current interest-bearing liabilities	**44**	44
Total interest-bearing liabilities	**1 527**	1 104

Mortgage bonds
Mortgage bonds include Standard Bank of South Africa Limited facilities, secured by general covering bonds over erf 160341, Wynberg, 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 mortgage bond carries interest at prime less 0.75% and has a remaining repayment term of four years (2021: five years). The FirstRand mortgage bond is repayable over three years (2021: four years) at the one-month JIBAR rate plus 2.80%.

Movements in mortgage bonds were as follows:

	2022 Rm	2021 Rm
Opening balance	**204**	225
Interest and administration fees	**15**	14
Capital payments made	**(26)**	(21)
Interest payments made	**(15)**	(14)
Closing balance	**178**	204

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 R1.8 million (2021: R1.8 million) including interest and capital.

Interest rates are linked to the prime overdraft rate and varied between 10.5% and 11% (2021: 6% and 7.85%) 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.

Movements in suspensive sale agreements were as follows:

	2022 Rm	2021 Rm
Opening balance	**54**	52
Borrowings raised	**2**	20
Interest and administration fees	**4**	4
Capital payments made	**(20)**	(18)
Interest payments made	**(4)**	(4)
Closing balance	**36**	54

Commercial term loan facilities

The facilities consist of a revolving credit facility and a bullet term loan facility and are secured by the first ranking cession of trade and loans receivable, insurances, claims, subordination of intergroup loans and group cash and cash equivalents excluding restricted cash disclosed under note 11.

- The revolving credit facility carries interest at the three-month JIBAR rate plus 2.80% and has quarterly interest payments.
- The bullet term loan facility carries interest at the three-month JIBAR rate plus 3.10% and has quarterly interest payments.
- The facilities mature in 2024.

Movements in commercial term loan facilities were as follows:

	2022 Rm	2021 Rm
Opening balance	**846**	695
Borrowings raised	**550**	335
Interest and administration fees	**95**	54
Capital payments made	**(83)**	(185)
Interest payments made	**(95)**	(55)
Finance-raising costs amortised	**–**	2
Closing balance	**1 313**	846

17. Other payables

Non-current

	2022 Rm	2021 Rm
Amounts owed to customer prize winners payable in excess of 12 months	**4**	4
Medium-term incentive scheme payable*	**18**	–
	22	4

* *During the year members of the forfeitable share scheme were offered the option to convert to a cash-settled medium-term incentive scheme (MTI). The majority of the participants elected to convert their shares to the MTI and were allocated a guaranteed cash pay-out that would be settled over a three-year period. At the time of conversion an initial liability of R16 million was recognised, payable in three annual tranches ending March 2024.*

Further awards were made in terms of the MTI scheme and vest in equal instalments on 31 March 2023, 2024 and 2025 respectively.

	2022 Rm	2021 Rm
18. Trade and other payables		
Current		
Trade payables	**151**	169
Annual leave pay accrual	**12**	13
Value-added taxation and employee-related accruals	**55**	31
Medium-term incentive scheme payable*	**10**	–
Insurance accruals	**32**	19
Accrued expenses	**70**	86
Other payables	**20**	11
Refund liability	**10**	9
	360	338

* *Refer to note 17 for details.*

19. Retail sales

	2022 Rm	2021 Rm
Disaggregation of retail sales by product type is as follows:		
Homeware	**1 008**	1 137
Appliances and electronics	**425**	406
Fashion and footwear	**61**	56
Furniture	**116**	107
	1 610	1 706
Disaggregation of retail sales by channel is as follows:		
Contact centre	**914**	991
Digital	**457**	472
Showroom and ChoiceCollect	**219**	213
Sales agents	**20**	30
	1 610	1 706

Retail sales are settled at a point in time.

20. Fees from ancillary services

	2022 Rm	2021 Rm
Retail	**186**	193
Service fees	**87**	87
Credit life	**88**	94
Other	**11**	12
Weaver Fintech	**441**	337
Service fees	**139**	119
Credit life	**163**	123
Insurance	**108**	87
Other	**31**	8
	627	530

Fees from ancillary services are earned monthly on agreed terms with customers.

	2022 Rm	2021 Rm
21. Credit impairment losses		
Trade receivables – Retail	**483**	563
Loans receivable – Weaver Fintech	**598**	412
Total credit impairment losses	**1 081**	975

There were no significant recoveries in the current year or in the prior year.

Included in the credit impairment losses for the year are the following gains and losses arising from derecognition of financial assets measured at amortised cost:

- gain on sale of the Retail debt review book: RNil (2021: R1.9 million); and
- gain on sale of the Weaver Fintech debt review and other books: R21 million (2021: R10.3 million)

22. Other trading expenses

	2022 Rm	2021 Rm
Expenses by nature		
Auditor's remuneration	**8**	7
Audit-related services	**7**	6
Other non-audit services	**1**	1
Amortisation of intangible assets	**45**	39
Depreciation of property, plant and equipment and right-of-use assets	**62**	65
Marketing costs	**273**	245
Policyholder claims and benefits paid	**51**	73
Customer operations and support	**98**	90
IT costs	**52**	66
Facility expenses	**40**	42
Staff costs: short-term employee benefits	**528**	493
Total staff costs	**585**	547
Less: disclosed under cost of Retail sales	**(34)**	(35)
Less: staff costs capitalised to intangible assets	**(23)**	(19)
Other costs	**102**	112
Total other costs	**234**	266
Less: disclosed under cost of Retail sales	**(132)**	(154)
Total other trading expenses	**1 259**	1 233

23. Other net gains and losses

	2022 Rm	2021 Rm
Impairment of property, plant and equipment	**(1)**	(5)
Impairment of intangible assets	**(1)**	(61)
Foreign exchange gains	**4**	17
Fair value gain	**7**	6
	9	(43)

24. Other income

	2022 Rm	2021 Rm
Prescription of trade and loans receivables	**10**	11
Insurance claim income	**3**	4
Other	**3**	3
	16	18

	2022 Rm	2021 Rm
25. Interest paid		
Bank borrowings	**2**	1
Mortgage bonds	**15**	14
Suspensive sale agreements	**4**	4
Lease liabilities	**4**	5
Commercial term loan facilities	**95**	56
Other	**9**	13
Total interest paid	**129**	93
26. Taxation		
Income taxation		
Current year	**(78)**	(74)
Deferred taxation		
Increase in deferred tax assets	**30**	40
(Decrease)/increase in deferred tax liabilities	**(6)**	25
	(54)	(9)

	%	%
Reconciliation of effective taxation rate:		
Standard rate	**15.0**	15.0
Exempt income[1]	**(9.4)**	(15.4)
Non-deductible expenditure[2]	**2.0**	6.3
Deferred tax asset not realised	**1.8**	1.7
Effect of foreign income tax rates[3]	**5.8**	(2.5)
Effective taxation rate	**15.2**	5.1

1. *Includes profits recognised net of taxation through equity accounting and insurance income subject to a partial exemption in the Republic of Mauritius.*
2. *Comprises impairment of non-financial assets, IFRS 2 share-based payment costs, corporate and other investor relations expenditure.*
3. Includes effect on deferred tax assets and liabilities arising from the change in corporate tax rate in the Republic of South Africa.

27. Earnings per share

27.1 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:

	2022 Rm	2021 Rm
Earnings and headline earnings attributable to owners of the parent		
Profit for the year	**308**	170
Attributable to non-controlling interests	**(6)**	(3)
Earnings attributable to ordinary shareholders	**302**	167
Adjusted for the after-tax effect of:		
Compensation from third parties for damage to property, plant and equipment	**(3)**	(4)
Impairment of property, plant and equipment	**1**	5
Impairment of intangible assets	**1**	61
Taxation effect	**–**	(16)
Headline earnings for the year	**301**	213
Weighted average number of ordinary shares in issue ('000)	**104 337**	104 505
Earnings per share (cents)		
Basic	**289.4**	159.8
Headline	**288.5**	203.5

27.2 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:

	2022	2021
Weighted average number of ordinary shares in issue ('000)	**104 337**	104 505
Number of shares issuable under share-based remuneration schemes for no consideration ('000)	**2 472**	2 778
Weighted average number of diluted shares in issue ('000)	**106 809**	107 283
Earnings per share (cents)		
Diluted	**282.7**	155.7
Diluted headline	**281.8**	198.3

28. Reconciliation of cash generated from operations

	2022 Rm	2021 Rm
Profit before taxation	**356**	176
Deduct finance income earned	**(1 378)**	(1 185)
Add back finance income received	**1 334**	1 143
Profit from insurance cells	**(13)**	(10)
Depreciation and amortisation	**107**	104
Impairment of intangible assets and property, plant and equipment	**2**	66
Cash and equity-settled compensation plan expense	**29**	17
Fair value gain	**(7)**	(6)
Interest expense	**129**	93
Interest income	**(3)**	(6)
Operating cash flows before working capital changes	**556**	392
Movements in working capital	**(770)**	(422)
(Increase)/decrease in inventories	**(139)**	51
Decrease in trade receivables – Retail	**54**	185
Increase in loans receivable – Weaver Fintech	**(667)**	(594)
Increase in other receivables	**(27)**	(48)
Increase/(decrease) in trade and other payables	**9**	(16)
	(214)	(30)

	2022 Rm	2021 Rm
29. Taxation paid		
Amounts owing at the beginning of the year	**(15)**	1
Amounts charged to profit or loss	**(54)**	(9)
Current taxation	**(78)**	(74)
Deferred taxation	**24**	65
Deferred taxation movement	**(24)**	(65)
Amounts owing at the end of the year	**18**	15
	(75)	(58)
30. Net debt reconciliation		
Cash and cash equivalents	**116**	203
Bank overdraft	**(102)**	–
Interest-bearing liabilities	**(1 527)**	(1 104)
Lease liabilities	**(38)**	(56)
	(1 551)	(957)
Net debt reconciliation		
Net debt at the beginning of the year	**957**	627
Movement in interest-bearing loans and borrowings		
Cash flows	**423**	132
Movement in lease liabilities		
Cash flows	**(26)**	(27)
Remeasurement due to lease modification	**2**	(3)
New leases	**6**	16
Net movement in cash and cash equivalents	**87**	212
Net movement in bank overdrafts	**102**	–
Net debt at the end of the year	**1 551**	957
31. Distributions per share		
Distributions proposed/paid (cents per share)	**141.0**	67.0
Interim	**64.0**	47.0
Final	**77.0**	20.0
32. Commitments		
Capital commitments for property, plant and equipment and intangible assets:		
Approved by the directors	**12**	1
	12	1

33. Related party transactions

Holding company
At the reporting date the group's ultimate controlling party is the Maynard Trust.

Subsidiaries 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 and related trusts, refer to note 1 in the company annual financial statements.

Other related parties
Richard Garratt, the founder of HomeChoice and a former director of HomeChoice International plc, has been engaged to provide consulting services in support of group management. Fees paid for these services was R4.7 million (2021: R4.7 million).

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

	2022 Rm	2021 Rm
Contributions to the provident fund	**30**	31

HomeChoice Development Trust
The group's social investment strategy is managed through the HomeChoice Development Trust and is designed to promote early childhood development (ECD) in underprivileged communities in the Western Cape.

	2022 Rm	2021 Rm
Donation made to the Trust	**4**	4

The amount has been eliminated for group reporting purposes.

Interest of directors in the share capital of the company
GFM Holdings Limited is an associate (as contemplated in the Johannesburg Stock Exchange Listings Requirements) of Shirley Maltz, because she is a member of a class of potential discretionary beneficiaries of the Maynard Trust, which is the indirect holder of 100% of the shares in GFM Holdings Limited.

Shirley Maltz, an executive director of HIL, has a direct beneficial interest in 956 659 shares (including 371 550 forfeitable shares) (2021: 978 394 shares).

Sean Wibberley, an executive director of HIL, has a direct beneficial interest in 674 255 shares (including 225 000 forfeitable shares) (2021: 978 394 shares).

Paul Burnett, an executive director of HIL, has a direct beneficial interest in 182 350 shares (including 114 850 forfeitable shares) (2021: 182 350 shares).

Amanda Chorn, an independent non-executive director of HIL (who resigned during the year), has an indirect beneficial interest in 50 000 shares (2021: 50 000 shares).

Pierre Joubert, an independent non-executive director of HIL, has a direct beneficial interest in 100 000 shares (2021: 100 000 shares).

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

Interest of directors in contracts
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 34).

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:

	2022 Rm	2021 Rm
Remuneration	**49**	42
Share-based payment cost	**11**	12
Retirement and other benefits	**3**	4
	63	58

34. Remuneration

The total remuneration, benefits and fees paid to each of the directors, for the company and its subsidiaries, in respect of the year 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	Dividends received R'000	Gains realised on share options vesting R'000
2022										
Executive directors										
Gregoire Lartigue	7	**–**	**–**	**375**	**–**	**–**	**375**	**–**	**–**	**–**
Shirley Maltz		**–**	**–**	**5 436**	**633**	**3 200**	**9 269**	**1 443**	**312**	**–**
Sean Wibberley	5	**–**	**–**	**150**	**73**	**–**	**223**	**–**	**–**	**–**
Paul Burnett		**–**	**–**	**2 443**	**977**	**1 200**	**4 620**	**218**	**96**	**–**
		–	**–**	**8 404**	**1 683**	**4 400**	**14 487**	**1 661**	**408**	**–**
Non-executive directors										
Amanda Chorn	6	**144**	**206**	**–**	**–**	**–**	**350**	**–**	**–**	**–**
Eduardo Gutierrez-Garcia	3	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Pierre Joubert		**682**	**–**	**–**	**–**	**–**	**682**	**–**	**–**	**–**
Marlisa Harris	4	**745**	**–**	**–**	**–**	**–**	**745**	**–**	**–**	**–**
Roderick Phillips	8	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
		1 571	**206**	**–**	**–**	**–**	**1 777**	**–**	**–**	**–**
Total		**1 571**	**206**	**8 404**	**1 683**	**4 400**	**16 264**	**1 661**	**408**	**–**
2021										
Executive directors										
Gregoire Lartigue		–	–	375	–	–	375	–	–	–
Shirley Maltz		–	–	5 273	2 047	3 325	10 645	2 968	–	3 297
Paul Burnett		–	–	2 918	854	1 100	4 872	679	–	440
		–	–	8 566	2 901	4 425	15 892	3 647	–	3 737
Non-executive directors										
Amanda Chorn		132	207	–	–	–	339	–	–	–
Eduardo Gutierrez-Garcia	3	–	–	–	–	–	–	–	–	–
Robert Hain		280	–	–	–	–	280	–	–	–
Pierre Joubert		444	–	–	–	–	444	–	–	–
Marlisa Harris		407	–	–	–	–	407	–	–	–
		1 263	207	–	–	–	1 470	–	–	–
Total		1 263	207	8 566	2 901	4 425	17 362	3 647	–	3 737

Notes

1. *Benefits include retirement fund contributions and expatriate allowances for staff employed in Mauritius.*
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 by 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. *Eduardo Gutierrez, as a representative of ADP II Holdings 3 Limited on the HIL board, does not earn any directors' fees.*
4. *Marlisa Harris spent additional time on remuneration committee activities.*
5. *Sean Wibberley was appointed as the group CEO effective 15 December 2022. His remuneration is disclosed for the period 15 December 2022 to 31 December 2022.*
6. *Amanda Chorn retired from the board effective 15 December 2022.*
7. *Gregoire Lartigue resigned from the board effective 15 December 2022. 2022 fees were kept in line with 2021.*
8. *Roderick Phillips was appointed to the board effective 15 December 2022 and no fees accrued for 2022.*

34. Remuneration (continued)

Share-based incentives outstanding as at 31 December 2022 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 at the end of the year
Shirley Maltz	31 March 2014	31 March 2018	100 000	–	14	–	100 000
	20 March 2015	20 March 2019	40 500	–	34	–	40 500
	1 May 2016	1 May 2020	52 000	–	28	–	52 000
	4 May 2017	4 May 2021	–	–	–	–	–
	23 October 2018	31 March 2022	–	48 300	–	48 300	–
	4 April 2019	31 March 2023	–	120 000	–	–	120 000
	31 March 2020	31 March 2024	–	101 550	–	–	101 550
	30 June 2021	31 March 2025	–	150 000	–	–	150 000
			192 500	419 850		48 300	564 050
Paul Burnett	20 March 2015	20 March 2019	12 000	–	34	–	12 000
	1 May 2016	1 May 2020	12 000	–	28	–	12 000
	23 October 2018	31 March 2022	–	7 500	–	7 500	–
	4 April 2019	31 March 2023	–	20 000	–	–	20 000
	31 March 2020	31 March 2024	–	14 850	–	–	14 850
	1 June 2021	31 March 2025	–	80 000	–	–	80 000
			24 000	122 350		7 500	138 850
Sean Wibberley[1]	16 March 2022	31 March 2022	–	175 000	–	175 000	–
	16 March 2022	31 March 2023	–	60 000	–	–	60 000
	16 March 2022	31 March 2024	–	65 000	–	–	65 000
	16 March 2022	31 March 2025	–	100 000	–	–	100 000
			–	400 000		175 000	225 000

1. *Sean Wibberley received an allocation of shares vesting from 31 March 2022 through to March 2025 on assuming a new role in the Finchoice Africa subsidiary. These shares could only be issued post the closed period.*

35. Going concern

The board has reviewed the cash flow forecast for the next 12 months and is of the opinion that the group has sufficient liquidity to adequately support its working capital requirements and is satisfied that the group will continue as a going concern for the foreseeable future.

As at the reporting date the group had unutilised banking facilities of R487 million (2021: R954 million) and is well within the financial covenants with its financiers. Refer to note 3.4.

36. Events after the reporting date

No material events occurred between the year ended 31 December 2022 and the date of approval of these consolidated group financial statements.


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COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2022

	Notes	2022 Rm	2021 Rm
Assets			
Non-current assets			
Investment in subsidiaries	1	**218.0**	205.8
Intercompany loans	2	**178.9**	254.1
		396.9	459.9
Current assets			
Other receivables		**1.2**	1.0
Cash and cash equivalents	3	**0.4**	0.4
		1.6	1.4
Total assets		**398.5**	461.3
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	4.1	**1.3**	1.3
Share premium	4.2	**3 038.5**	3 038.5
Reorganisation reserve	4.3	**(2 837.3)**	(2 837.3)
Other reserves	5	**74.7**	62.5
Retained earnings		**113.2**	192.9
Total equity		**390.4**	457.9
Current liabilities			
Other payables	6	**1.7**	3.4
Intercompany loans	2	**6.4**	–
Total liabilities		**8.1**	3.4
Total equity and liabilities		**398.5**	461.3

These financial statements were approved by the board of directors on 14 March 2023 and signed on its behalf by:

S Wibberley
Chief Executive Officer

P Burnett
Finance Director

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	**2022 Rm**	2021 Rm
Dividends received		**21.3**	–
Operating expenses	7	**(11.3)**	(5.2)
Profit/(loss) before taxation		**10.0**	(5.2)
Taxation	8	**–**	–
Profit/(loss) and total comprehensive income/(loss) for the year		**10.0**	(5.2)

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Share capital Rm	Share premium Rm	Reorganisation reserve Rm	Other reserves Rm	Retained earnings Rm	Equity attributable to owners of the parent Rm
Balance at 1 January 2021	1.1	3 014.3	(2 837.3)	46.7	248.3	473.1
Changes in equity	0.2	24.2	–	15.8	(55.4)	(15.2)
Loss and total comprehensive loss for the year	–	–	–	–	(5.2)	(5.2)
Shares issued	0.2	24.2	–	–	–	24.4
Share incentive schemes	–	–	–	15.8	–	15.8
Dividends paid	–	–	–	–	(50.2)	(50.2)
Balance at 1 January 2022	**1.3**	**3 038.5**	**(2 837.3)**	**62.5**	**192.9**	**457.9**
Changes in equity	**–**	**–**	**–**	**12.2**	**(79.7)**	**(67.5)**
Profit and total comprehensive profit for the year	**–**	**–**	**–**	**–**	**10.0**	**10.0**
Share incentive schemes	**–**	**–**	**–**	**12.2**	**–**	**12.2**
Dividends paid	**–**	**–**	**–**	**–**	**(89.7)**	**(89.7)**
Balance at 31 December 2022	**1.3**	**3 038.5**	**(2 837.3)**	**74.7**	**113.2**	**390.4**
Notes	4.1	4.2	4.3	5		

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	2022 Rm	2021 Rm
Cash flows from operating activities			
Operating cash flows before working capital changes	14	**(11.3)**	(5.2)
(Increase)/decrease in other receivables		**(0.2)**	(0.2)
Decrease in other payables		**–**	–
Intercompany loans advanced		**4.7**	–
Net cash outflow from operations		**(6.8)**	(5.4)
Dividends received		**21.3**	–
Net cash inflow/(outflow) from operating activities		**14.5**	(5.4)
Cash flows from investing activities			
Intercompany loans advanced		**75.2**	54.1
Net cash inflow from investing activities		**75.2**	54.1
Cash flows from financing activities			
Intercompany loans advanced		**–**	1.7
Dividends paid		**(89.7)**	(50.2)
Net cash outflow from financing activities		**(89.7)**	(48.5)
Net increase in cash and cash equivalents and bank overdrafts		**–**	0.2
Cash and cash equivalents and bank overdrafts at the beginning of the year		**0.4**	0.2
Cash and cash equivalents and bank overdrafts at the end of the period		**0.4**	0.4

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

1. Investment in subsidiaries

	2022 Rm	2021 Rm
Wholly-owned subsidiaries' shares at cost		
HomeChoice South Africa Limited (incorporated in Malta)	**143.3**	143.3
Weaver Fintech PCC (incorporated in Mauritius)	**–**	–
Share incentives issued in subsidiary companies	**74.7**	62.5
	218.0	205.8

The company measures its investment in subsidiaries at cost less accumulated impairment losses.

	% interest held	Number of company shares issued and held 2022	2021
HomeChoice South Africa Limited operating subsidiary companies			
HomeChoice (Pty) Limited (incorporated in South Africa)	100%	**2**	2
HomeChoice Property Company (Pty) Limited (incorporated in South Africa)	100%	**61**	61
HSA Debt Solutions (Pty) Limited (incorporated in South Africa)	100%	**120**	120
Related entities			
The HomeChoice Share Trust (incorporated in South Africa)	100%	**–**	–
The HomeChoice Development Trust (incorporated in South Africa)	100%	**–**	–
HomeChoice South Africa Limited dormant companies			
HomeChoice Nominees (Pty) Limited (incorporated in South Africa)	100%	**120**	120
HomeChoice (Pty) Limited (incorporated in Namibia)	100%	**1**	1
HomeChoice (Pty) Limited (incorporated in Botswana)	100%	**100**	100
HomeChoice Retail (Pty) Limited (previously K2020690686 (South Africa) (Pty) Limited (incorporated in South Africa)	100%	**100**	100
Weaver Fintech 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
Guardrisk International Limited – Weaver Fintech PCC Group Insurance Cell Captive	100%	**–**	–
Guardrisk Life International Limited – Weaver Fintech PCC Group Insurance Cell Captive	100%	**–**	–
PayJustNow (Pty) Limited (incorporated in South Africa)	85%	**8 500 000**	8 500 000
FinChoice SA (Pty) Limited (incorporated in South Africa)	100%	**100**	–
Weaver Fintech PCC dormant companies			
Kwik Logistics (Pty) Limited (incorporated in Botswana)	100%	**100**	100
Weaver Ventures Limited (incorporated in Mauritius)	100%	**100**	100

	2022 Rm	2021 Rm

2. Intercompany loans

	2022 Rm	2021 Rm
Wholly-owned subsidiaries' loans		
HomeChoice (Pty) Limited	**33.4**	34.0
Weaver Fintech PCC	**145.5**	220.1
Intercompany loans receivable	**178.9**	254.1
FinChoice Africa Limited	**(6.4)**	(1.7)
Intercompany loans payable	**(6.4)**	(1.7)

The loans are unsecured, interest-free and repayable on demand and pledged as security under the group's commercial term loan facilities (refer to note 16 of the group annual financial statements). There is no intention to repay the loan within the next 12 months.

As at the reporting date the subsidiaries have sufficient liquid assets and therefore sufficient resources to repay the loans if demanded. The expected credit losses are not considered significant.

	2022 Rm	2021 Rm
Current assets	**–**	–
Non-current assets	**178.9**	254.1
Current liabilities	**(6.4)**	–
	172.5	254.1

3. Cash and cash equivalents

	2022 Rm	2021 Rm
Cash at bank	**0.4**	0.4

4. Share capital, share premium and reorganisation reserve

4.1 Share capital

	2022 Rm	2021 Rm
Authorised		
200.0 million (2021: 200.0 million) ordinary shares at one cent par value	**2.0**	2.0
Issued		
106.7 million (2021: 106.7 million) ordinary shares at one cent par value	**1.3**	1.3
Reconciliation of movement in issued shares:		
Number of issued shares at the beginning of the year	**106.7**	105.7
Shares issued	**–**	1.0
Total	**106.7**	106.7

4.2 Share premium

	2022 Rm	2021 Rm
Balance at the beginning of the year	**3 038.5**	3 014.3
Share issue	**–**	24.2
Balance at the end of the year	**3 038.5**	3 038.5

4.3 Reorganisation reserve

	2022 Rm	2021 Rm
Reorganisation of HomeChoice Holdings Limited into HomeChoice International plc during 2014	**(2 837.3)**	(2 837.3)

	2022 Rm	2021 Rm

5. Other reserves

	2022 Rm	2021 Rm
Share incentive schemes	**74.7**	62.5

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

No options were issued during the year or the prior year.

6. Other payables

	2022 Rm	2021 Rm
Other payables	**1.7**	1.7
Intercompany loans payable (Note 2)	**–**	1.7
	1.7	3.4

Other payables are unsecured, interest-free and repayable on demand. Intercompany loans were previously included under other payables.

7. Operating expenses

	2022 Rm	2021 Rm
Directors' emoluments	**(2.7)**	(1.6)
Auditor's remuneration: audit-related services	**(0.7)**	(0.5)
Other operating expenses	**(7.9)**	(3.1)
	(11.3)	(5.2)

8. Taxation

	2022 Rm	2021 Rm
Current tax expense	**–**	–

	%	%
Reconciliation of effective taxation rate		
Standard taxation rate	**15.0**	15.0
Non-deductible expenditure	**17.4**	(15.0)
Exempt dividend income	**(32.4)**	–
Effective taxation rate	**–**	–

9. Risk management and financial instrument disclosure

9.1 Capital risk management

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

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

In order to maintain or adjust the capital structure the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, repurchase its own shares, or increase or reduce debt.

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

9.2 Financial risk management

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

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

	At amortised cost	
	2022 Rm	2021 Rm
Assets		
Non-current assets		
Loans to subsidiaries	**178.9**	254.1
Current assets		
Other receivables	**1.2**	1.0
Cash and cash equivalents	**0.4**	0.4
	180.5	255.5
Liabilities		
Current liabilities		
Other payables	**1.7**	3.4
Loans from subsidiaries	**6.4**	–
	8.1	3.4

9.3 Credit risk management

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

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

Financial guarantees

The company guarantees banking facilities to the value of R1.8 billion (2021: R1.8 billion) for its subsidiaries at various financial institutions. Based on a review of the cash flows forecast for the 2022 and 2023 financial year, no expected credit loss was recognised on these guarantees. The guarantees have been disclosed as part of the company's liquidity risk below.

While the maximum credit risk is the full extent of the facilities, the extent of the exposure at year-end is R1.3 billion (2021: R846 million). Full details of the facilities are provided in note 16 in the consolidated annual financial statements.

Intercompany loans

These related party loans are unsecured and repayable on demand. Management considered the solvency of subsidiaries and their most recent forecasts and concluded that no default events are probable in the next 12 months. The group has therefore not raised a 12-month expected credit loss allowance on any intercompany loans.

Cash and cash equivalents

The company only deposits short-term cash surpluses with investment grade financial institutions.

9. Risk management and financial instrument disclosure (continued)

9.4 Liquidity risk management

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the group maintains flexibility in funding through the use of committed facilities lines. Management monitors the group's cash flows through the monitoring of the actual inflows and outflows against forecasted cash flows and the utilisation of borrowing facilities.

The maturity profile of undiscounted financial liabilities in respect of the above financial guarantee is R1.8 billion (2021: R1.8 billion) within 0 to 12 months. This represents the maximum potential exposure to credit risk under the financial guarantee contract.

The other payables balance and intercompany loan are interest-free and repayable on demand.

9.5 Market risk management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market prices. 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 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.

There is no significant currency risk.

10. Related parties

As at the reporting date the majority shareholder of the company was GFM Holdings Limited and the ultimate controlling party was the Maynard Trust.

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

	2022 Rm	2021 Rm
Directors' emoluments		
Amanda Chorn	**0.1**	0.1
Robert Hain	**–**	0.3
Pierre Joubert	**0.7**	0.4
Marlisa Harris	**0.8**	0.4
Dividends received		
Weaver Fintech PCC	**21.3**	–

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

11. Distributions per share

	2022 Cents	2021 Cents
Distributions proposed/paid (per share)	**141.0**	67.0
Interim	**64.0**	47.0
Final	**77.0**	20.0
Nature of distributions (per share)		
Dividend proposed/paid	**141.0**	67.0

12. Net asset value per share

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

	2022 Cents	2021 Cents
Net asset value per share	**366**	429

13. Events after the reporting period

Other than the matters noted above, no event material to the understanding of these financial statements has occurred between the year ended 31 December 2022 and the date of approval.

14. Operating cash flows before working capital changes

	2022 Rm	2021 Rm
Profit before taxation	**10.0**	(5.2)
Dividends received	**(21.3)**	–
	(11.3)	(5.2)

APPENDIX

Shareholder analysis

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
Range of shareholding				
2022				
1 – 999	**883**	**86.1**	**19 886**	**0.0**
1 000 – 9 999	**67**	**6.5**	**224 388**	**0.2**
10 000 – 99 999	**49**	**4.8**	**1 437 083**	**1.3**
100 000+	**26**	**2.5**	**105 049 019**	**98.4**
	1 025	**100.0**	**106 730 376**	**100.0**
Non-public				
GFM Holdings Limited	**1**	**0.1**	**73 745 889**	**69.1**
ADP II Holdings 3 Limited	**1**	**0.1**	**23 031 927**	**21.6**
Directors of the company	**5**	**0.5**	**1 963 264**	**1.8**
Directors of subsidiary companies	**2**	**0.2**	**1 181 442**	**1.1**
Related parties	**5**	**0.5**	**2 109 007**	**2.0**
Public	**1 011**	**98.6**	**4 698 847**	**4.4**
	1 025	**100.0**	**106 730 376**	**100.0**
2021				
1 – 999	746	82.6	19 170	0.0
1 000 – 9 999	69	7.7	231 283	0.2
10 000 – 99 999	60	6.6	2 074 341	1.9
100 000+	28	3.1	104 405 582	97.9
	903	100.0	106 730 376	100.0
Non-public				
GFM Holdings Limited	1	0.1	73 745 889	69.1
ADP II Holdings 3 Limited	1	0.1	23 031 927	21.6
Directors of the company	4	0.4	1 310 744	1.2
Directors of subsidiary companies	8	0.9	1 882 314	1.8
Related parties	5	0.6	1 603 405	1.5
Public	884	97.9	5 156 097	4.8
	903	100.0	106 730 376	100.0
Individual shareholders holding more than 5% of the shares in issue				
2022				
GFM Holdings Limited			**73 745 889**	**69.1**
ADP II Holdings 3 Limited			**23 031 927**	**21.6**
			96 777 816	**90.7**
2021				
GFM Holdings Limited			73 745 889	69.1
ADP II Holdings 3 Limited			23 031 927	21.6
			96 777 816	90.7

ADMINISTRATION

Country of incorporation
Republic of Mauritius

Date of incorporation (redomiciled from Malta)
9 April 2020

Company registration number
C171926

Registered office
c/o Sanlam Trustees International Limited
Labourdonnais Village
Mapou
Riviere du Rempart
31803
Mauritius

Company secretary
Sanlam Trustees International (Mauritius)

Auditors
PricewaterhouseCoopers
Republic of Mauritius

Corporate bank
The Mauritius Commercial Bank 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
8 June 2023

Distributions to shareholders
April and September

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

HiL PLC