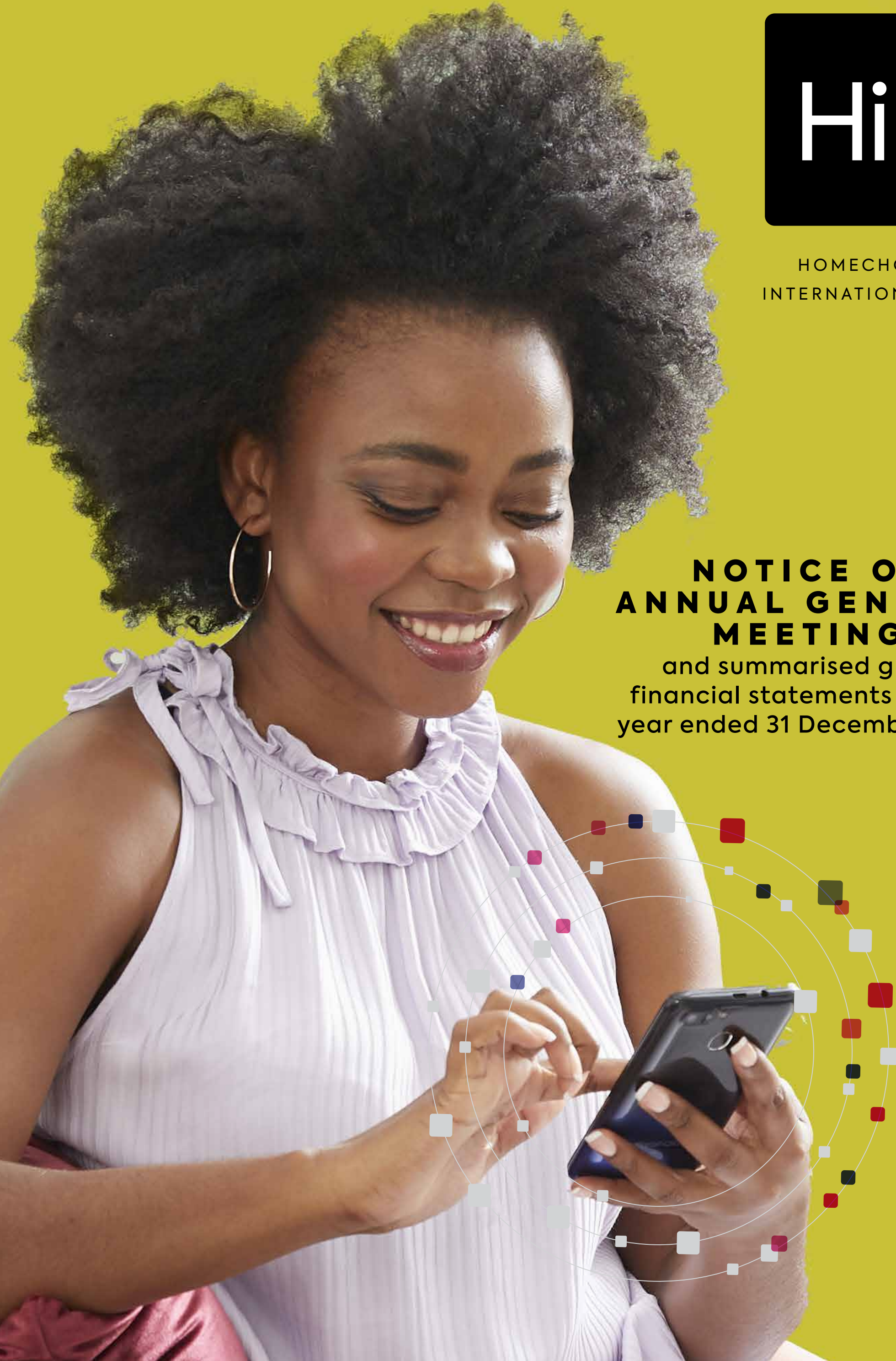
HOMECHOICE
INTERNATIONAL PLC

NOTICE OF ANNUAL GENERAL MEETING

and summarised group financial statements for the year ended 31 December 2020



HOMECHOICE INTERNATIONAL PLC
(Registration number C171926)
(Incorporated in the Republic of Mauritius)
(the "Company")

Dear Shareholder

NOTICE OF ANNUAL GENERAL MEETING

We have pleasure in enclosing the notice of annual general meeting (Notice) and form of proxy for HomeChoice International plc's (Company) 6th annual general meeting (AGM) of Shareholders (Shareholders) to be held through electronic participation only on **Thursday, 10 June 2021 at 13:00 Mauritian time (11:00 South African time)**.

The Company's 2020 integrated annual report has been posted to shareholders and the audited annual financial statements for the year ended 31 December 2020 is available for viewing and downloading on the Company's website: www.homechoiceinternational.com. Shareholders are advised that these documents are also available for inspection at HomeChoice Mauritius, Level 2, Maurice Publicité Ogilvy & Mather House, Inova Riche Terre Business Park, Riche Terre, Mauritius during business hours.

Shareholders are requested to e-mail governance@homechoiceinternational.com to request an electronic copy of the integrated annual report be sent via e-mail.

Yours faithfully

Shirley Maltz
Executive chair

30 April 2021

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (AGM) of Shareholders of the Company will be held **through electronic participation only on Thursday, 10 June 2021 commencing at 13:00 Mauritian time (and 11:00 South African time)** to deal with the matters set out in the agenda below, and to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions set out hereunder, which meeting is to be participated in by Shareholders recorded in the Company's securities register as at the voting record date (defined below).

The record date to receive this Notice of AGM is Friday, 23 April 2021. The integrated annual report for the year ended 31 December 2020 (integrated annual report) and audited annual financial statements for the year ended 31 December 2020 are available on our website at www.homechoiceinternational.com and are incorporated by reference in so far as the information contained therein relates to the resolutions in this Notice.

The record date on which Shareholders must be recorded in the securities register of the Company for purposes of being entitled to attend and vote at this meeting is Friday, 4 June 2021. The last date to trade in order to be entitled to vote at the meeting will therefore be Tuesday, 1 June 2021.

The quorum requirement for the meeting to proceed is 3 (three) Shareholders present in person or by proxy and entitled to vote and holding at least 25% (twenty-five percent) of all voting rights.

Apart from ordinary resolution number 8, the percentage of voting rights required to pass the ordinary resolutions is more than 50% of the voting rights exercised and the percentage of voting rights required to pass the special resolutions is at least 75% of the voting rights exercised thereon.

In terms of the JSE Listings Requirements, ordinary resolution number 8 requires the support of at least 75% of the voting rights exercised thereon.

Equity shares held by a share trust or scheme of the Company, and any unlisted securities, will not have their votes taken into account for the purposes of resolutions passed in terms of the JSE Limited (JSE) Listings Requirements.

Agenda

1. To receive and adopt the annual financial statements of the Company and its subsidiaries (Group), which includes the report of the directors and auditors, for the year ended 31 December 2020.
2. To consider the appointment of Marlisa Harris as an independent non-executive director of the board of directors of the Company (board).
3. To consider the re-election of Pierre Joubert and Robert Hain as independent non-executive directors, who retire in terms of the Company's Constitution (Constitution) and, being eligible for re-election in terms of the Constitution, have made themselves available for re-election.
4. To consider the appointment of Marlisa Harris as member and chairperson of the audit and risk committee and the reappointment of Amanda Chorn and Pierre Joubert as members of the audit and risk committee.
5. To consider the reappointment of PricewaterhouseCoopers as the Company's external auditors.
6. To present the Social and Ethics Report.
7. To provide the board with a general authority to issue shares.
8. To provide the board with a general authority to issue shares for cash, as contemplated in terms of the JSE Listings Requirements.
9. To authorise the payment of the non-executive directors' fees for their services as non-executive directors on the board.
10. To consider, by way of separate non-binding advisory votes, the Group's remuneration policy and implementation report as set out on pages 93 to 104 of the integrated annual report.
11. To provide the board with a general authority to repurchase shares, as contemplated in terms of the JSE Listings Requirements.
12. To consider any other matters raised by Shareholders which are appropriate to be raised and discussed at an AGM.

Resolutions and advisory votes

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

Presentation and adoption of annual financial statements

Ordinary resolution number 1

"It is hereby resolved that the annual financial statements of the Group, incorporating the report of the directors and audit report, for the year ended 31 December 2020, are hereby adopted and approved."

Explanatory information in respect of ordinary resolution number 1

The annual financial statements of the Group for the year ended 31 December 2020, which incorporate the report of the directors and audit report, have been distributed as required and will be presented to the Shareholders. The financial statements are available at www.homechoiceinternational.com.

Appointment of independent non-executive director of the board

Ordinary resolution number 2

"It is hereby resolved, in accordance with the provisions of Article 34.5.1.1 of the Company's Constitution, that Marlisa Harris be and is hereby appointed as an independent non-executive director of the Company with effect from 23 February 2021".

A brief biography of Marlisa Harris is set out in annexure 1 to this Notice.

Explanatory information in respect of ordinary resolution number 2

As the Mauritian operations are scaling and will continue to grow, the board agreed that it was in the best interest to review its composition again in order to bolster the appropriate diversity, skills and expertise, and to manage and provide oversight for the operations. In conjunction with the nominations committee, the board recommends for approval by shareholders the appointment of Marlisa Harris with effect from 23 February 2021.

Re-election of directors

Ordinary resolution number 3.1

"It is hereby resolved that Pierre Joubert, who retires by rotation in terms of the Constitution, is re-elected as an independent non-executive director of the Company."

Ordinary resolution number 3.2

"It is hereby resolved that Robert Hain, who retires by rotation in terms of the Constitution, is re-elected as an independent non-executive director of the Company."

Explanatory information in respect of ordinary resolution numbers 3.1 and 3.2

Article 34.4.1.3 of the Constitution requires one-third of the Company's non-executive directors to retire by rotation.

The nominations committee has reviewed the performance of the directors up for re-election and is of the view that the directors proposed in terms of ordinary resolution numbers 3.1 and 3.2 remain suitable candidates for re-election. The candidates, being eligible, offer themselves for re-election pursuant to article 34.4.1.3 of the Constitution. Brief curricula vitae of Pierre Joubert and Robert Hain are set out in annexure 1 to this Notice. The board supports the re-election of the candidates.

Appointment of audit and risk committee members

The audit and risk committee is required to be elected by Shareholders at each annual general meeting. In terms of King IV™ all the members of the audit and risk committee must be independent non-executive directors. Having regard to the above requirement, the nominations committee considered the expertise, experience and independence requirements of the members and recommended to the board to propose the following candidates to Shareholders.

Ordinary resolution number 4.1

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

Ordinary resolution number 4.2

"It is hereby resolved that, subject to the passing of ordinary resolution number 2, Marlisa Harris is appointed as the chairperson of the audit and risk committee."

Ordinary resolution number 4.3

"It is hereby resolved that, subject to the passing of ordinary resolution number 3.1, Pierre Joubert is reappointed as a member of the audit and risk committee."

Explanatory information in respect of ordinary resolution numbers 4.1 to 4.3

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

Appointment of external auditors

Ordinary resolution number 5

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

Explanatory information in respect of ordinary resolution number 5

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

Report by the social and ethics committee

Ordinary resolution number 6

"It is hereby resolved that the report by the social and ethics committee for the year ended 31 December 2020, is adopted."

Explanatory information in respect of ordinary resolution number 6

The Company's social and ethics committee report, included on pages 108 to 111 of the integrated annual report published on the Company's website at www.homechoiceinternational.com, will serve as the social and ethics committee's report to the Shareholders on the matters within its mandate at the AGM. Any specific questions to the committee may be sent to the company secretary prior to the AGM at governance@homechoiceinternational.com.

Issue of shares

Ordinary resolution number 7

"It is hereby resolved that, in accordance with Article 13.10.2 of the Constitution, the board is authorised, as it in its discretion deems fit, to allot, issue and grant options or any other rights exercisable for authorised but unissued shares in the Company from time to time on such terms as may be determined by the board in its discretion, for such monetary or other consideration (whether payable in cash or otherwise) and to such person or persons as it in its discretion deems fit, but subject to the JSE Listings Requirements. Such authority shall be valid until the next AGM."

Explanatory information in respect of ordinary resolution number 7

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

Issue of shares for cash

Ordinary resolution number 8

"It is resolved that, subject to the passing of ordinary resolution number 7, the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's shares (and/or any options or convertible securities that are convertible into an existing class of securities) for cash as they in their discretion may deem fit, subject to the provisions of the Company's Constitution, the Mauritian Companies Act and the JSE Listings Requirements, provided that:

- the approval shall be valid until the date of the next AGM of the Company, provided it shall not extend beyond 15 months from the date of this resolution;
- the general issue of shares for cash under this authority may not exceed, in the aggregate, 15% of the Company's issued share capital,

excluding treasury shares, as at the date of this Notice of AGM. The calculation of the Company's listed equity securities is a factual assessment of the listed equity securities as at the date of this Notice of AGM, excluding treasury shares. As at the date of this Notice of AGM, 15% of the issued shares of the Company, excluding treasury shares, amounts to 15 776 200 shares. Any shares issued under this authority prior to this authority lapsing shall be deducted from the 15 776 200 shares the Company is authorised to issue in terms of this authority for the purpose of determining the remaining number of shares that may be issued in terms of this authority. In the event of a subdivision or consolidation of shares, prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;

- in determining the price at which an issue of shares will be made in terms of this authority, the price (taking into consideration both the nominal value and the premium) shall not be lower than 90% of the volume weighted average traded price of such shares over the 30-business-day period prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded daily over such 30-business-day period;
- any such general issue will only be made to public Shareholders, as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements, and not to related parties;
- any such general issues are subject to exchange control regulations and approval at that point in time;
- any such issue will only comprise securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis within the period of this authority, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service."

In terms of the JSE Listings Requirements, in order for ordinary resolution number 8 to be adopted, the support of at least 75% of the total number of votes cast by Shareholders, present in person or by proxy, is required to pass this resolution.

Explanatory information in respect of ordinary resolution number 8

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or duly approved share incentive schemes), it is necessary for the board of the Company to obtain the prior authority of the Shareholders in accordance with the JSE Listings Requirements and the Constitution. Accordingly, the reason for ordinary resolution number 8 is to obtain a general authority from Shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the Constitution.

The resolution authorises the board, subject to the Constitution, the JSE Listings Requirements and the Mauritian Companies Act, to issue, or grant rights exercisable for, the shares of the Company. Such authority shall endure until the next AGM of the Company (at which time this authority shall lapse, unless it is renewed at the aforementioned AGM), provided that the authority shall not endure beyond 15 months after the date of this resolution.

Directors' fees

Ordinary resolution number 9

"It is hereby resolved that payment of fees to each non-executive director for his/her services as director is hereby authorised up to a maximum amount of US Dollars 40 000.00 (forty thousand US Dollars) per annum for the year ending 31 December 2022."

Explanatory information in respect of ordinary resolution number 9

The resolution obtains the advance approval of the Shareholders for the maximum fees that may be paid to the non-executive directors for their services as directors of the Company.

Remuneration policy and implementation report

Ordinary resolution number 10

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

For details of the remuneration policy, please refer to pages 96 to 101 of the integrated annual report.

Ordinary resolution number 11

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

For details of the remuneration implementation report, please refer to pages 102 to 104 of the integrated annual report.

Explanatory information in respect of ordinary resolution number 10 and ordinary resolution number 11

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

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

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

General authority to repurchase shares

Special resolution number 1

"It is hereby resolved, as a special resolution, that the board be and is hereby authorised, by way of a renewable general authority, to approve the repurchase from time to time of its own issued ordinary shares by the Company, or approve the purchase of ordinary shares in the Company by any subsidiary of the Company upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but always subject to the provisions of the Mauritian Companies Act, the Constitution and the JSE Listings Requirements, when applicable, and any other relevant authority, provided that:

- a resolution has been passed by the board confirming that the board has authorised any proposed repurchase, that the Company and its subsidiaries passed the solvency and liquidity test as set out in section 6 of the Mauritian Companies Act and that, since the application of such test, there have been no material changes to the financial position of the Group;
- the authority hereby granted shall be valid only until the next AGM or for 15 months from the date of this special resolution, whichever period is the shorter;
- the general repurchase of shares will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited);
- repurchases may not be made at a price greater than 10% above the weighted average of the market value of the Company's shares over the five business days immediately preceding the date of the repurchase of such ordinary shares by the Company. The JSE should be consulted for a ruling if the Company's securities have not traded in such five-business-day period;
- the repurchase of ordinary shares in aggregate in any one financial year does not exceed 5% of the Company's issued ordinary share capital as at the beginning of that financial year;
- the Company or subsidiaries are not repurchasing securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements, unless the Company has in place a repurchase programme, as contemplated in paragraph 5.72(h) of the JSE Listings Requirements, where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the

JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;

- when the Company has cumulatively repurchased 3% of the initial number (the number of that class of shares in issue at the time that the general authority from Shareholders is granted) of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement in compliance with paragraph 11.27 of the JSE Listings Requirements shall be published on the Stock Exchange News Service;
- at any point in time, the Company will only appoint one agent to effect any repurchase(s) on its behalf;
- any such general repurchases are subject to exchange control regulations and approval at that point in time; and
- the number of shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 5% in the aggregate of the number of issued shares in the Company at the relevant times."

Reason and effect

The purpose of this resolution is to authorise the Company and any of its subsidiaries, by way of general approval, to repurchase the Company's issued shares on the terms and conditions and in such amounts to be determined from time to time by the directors, subject to the limitations set out above.

Statement of board's intention

The directors have no specific intention to effect the provisions of this special resolution but will continually review the Group's position. Any consideration to effect the provisions of the special resolution will take into account the prevailing circumstances and market conditions.

Statement of directors

As per the JSE Listings Requirements, the Company's directors, after considering the effect of the maximum repurchase, are of the opinion that:

(a) the Company and the Group will be in a position to repay their debts in the ordinary course of business for a period of 12 months following the date of the Notice of AGM;

(b) the assets of the Company and the Group, being fairly valued in accordance with International Financial Reporting Standards, will be in excess of the liabilities of the Company and the Group for a period of 12 months following the date of the Notice of AGM (for this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the Company's latest audited annual group financial statements);

(c) the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes for a period of 12 months following the date of the Notice of AGM; and

(d) the available working capital will be adequate for ordinary business purposes of the Company and the Group for a period of 12 months following the date of the Notice of AGM.

Other disclosure in terms of paragraph 11.26 of the JSE Listings Requirements

The JSE Listings Requirements require the following disclosure in support of this special resolution number 1:

- Major shareholders of the Company:

  In so far as is known to the Company, the name of any Shareholder, other than a director, that, directly or indirectly, is beneficially interested in 5% or more of a class of securities issued by the Company, together with the amount of each such Shareholder's interest, is set out in the table below:

	2020	
	Number of shares	%
GFM Limited	**73 449 531**	**68.8**
ADP II Holdings 3 Limited	**23 031 927**	**21.6**
	96 481 458	**90.4**

The total authorised and issued share capital of the Company can be found on page 51 of the annual financial statements.

Directors' responsibility statement

The directors, whose names are given on page 36 of this Notice, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 1 contains all information required by law and the JSE Listings Requirements.

No material changes to report

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the financial position or trading position of the Company and its subsidiaries since the date of signature of the audit and risk report for the financial year ended 31 December 2020 and up to the date of this Notice of AGM.

General

Shareholders are informed that:

- a Shareholder entitled to attend and vote at the AGM is entitled to appoint a proxy (or more than one proxy) to attend, participate in and speak and vote at the AGM in the place of the Shareholder, and Shareholders are referred to the form of proxy included with this notice of AGM;
- a proxy need not also be a Shareholder of the Company;
- the proxy may delegate the authority granted to him/her/it as proxy, subject to any restriction in the form of proxy itself;
- a Shareholder entitled to vote may appoint more than 1 (one) proxy to exercise voting rights attached to different shares held by that Shareholder entitled to vote in respect of any Shareholders' meeting and may appoint more than 1 (one) proxy to exercise voting rights attached to different shares held by the Shareholder which entitle him/her/it to vote;
- Shareholders who wish to appoint proxies are required to complete and return the form of proxy to reach the registered office of the Company and/or via the company secretary: governance@homechoiceinternational.com **at least 48 hours** before the appointed time of the meeting, that is Tuesday, 8 June 2021 at 13:00 Mauritian time (11:00 South African time). Alternatively, the form of proxy may be handed to the chairman of the AGM at any time prior to the commencement of the AGM; and
- any person attending or participating in a meeting of Shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as Shareholder or as proxy for a Shareholder) has been reasonably verified. Acceptable forms of identification include valid identity documents, driver's licences and passports.

Electronic participation

Shareholders are advised that they, or their proxies, will be able to participate in the AGM by way of electronic communication.

Shareholders who wish to participate by way of electronic communication must register such request in writing with the company secretary (governance@homechoiceinternational.com) by no later than **Monday, 7 June 2021** and provide their e-mail and cell phone contact details.

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

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

By order of the board

Sanlam Trustees International Limited
Company Secretary

Mauritius

30 April 2021

Annexure 1

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

Amanda Chorn (62)

Independent non-executive director
BA, LLB, LLM
Member of the audit and risk committee

Appointed 12 November 2014

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

Marlisa Harris (47)

Independent non-executive director
BBusSci (Hons), CA(SA), Dip Intl Tax

Appointed 23 February 2021

Marlisa is a chartered accountant, holds a business science degree and a diploma in international tax. Marlisa is the chief executive officer of a Family Office, providing financial advisory and management services to the family and their private corporations and non-profit organisations across Africa, Europe and the US. She was previously the Group CFO of Econet Global and has over 20 years' experience in managing financial functions across international jurisdictions.

Pierre Joubert (55)

Independent non-executive director
BCom, CA(SA)
Member of the audit and risk committee

Appointed 9 May 2019

Executive director and CEO of Universal Partners Limited, an investment holding company listed on the Mauritian Stock Exchange and JSE AltX, South Africa.

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

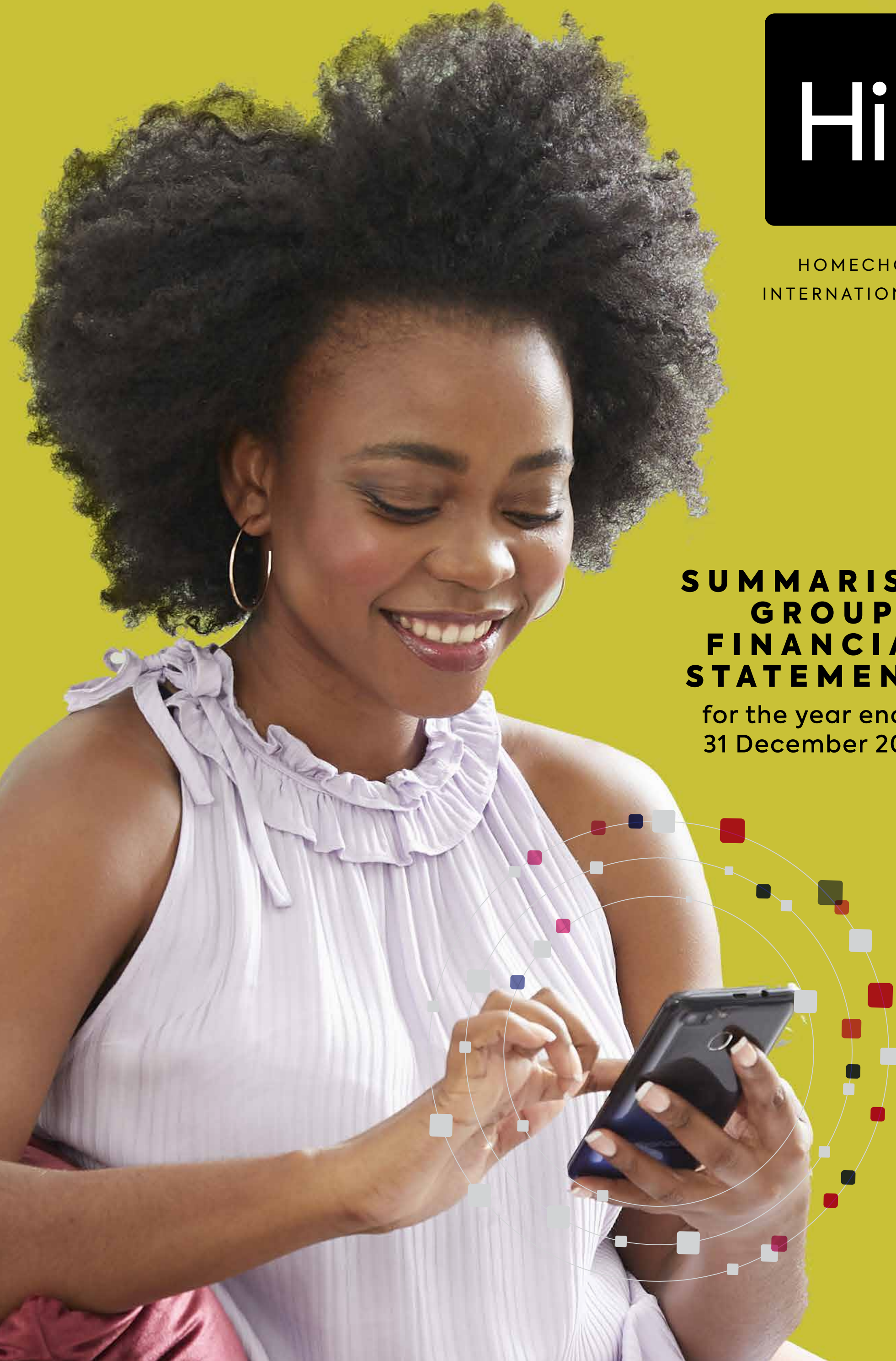
Pierre held various executive positions at Connection Group Holdings Limited including that of chief executive officer of Connection Group for four years, leading the successful turnaround of the business that culminated in the group being acquired by JD Group Limited.

Robert Hain (68)

Independent non-executive director
BA (Social Sciences), MLitt (Social Sciences)
Member of the audit and risk committee

Appointed 12 November 2014

Robert has enjoyed a career in the personal financial services business in the United Kingdom, North America and Europe and is the former chief executive officer of Invesco Perpetual. In addition, he has had senior executive responsibilities with asset management businesses in Canada and Europe, and was responsible for significant acquisitions, integrations and innovations throughout his career. He serves on the boards of several financial services companies in the UK, Europe and the United States, and is a graduate of the University of Toronto and Oxford University.



HOMECHOICE INTERNATIONAL PLC

SUMMARISED GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2020

HomeChoice International plc is an investment holding company listed on the JSE Limited. The group is a leading participant in the retail homeware and financial services sectors to the urban middle-income mass market in southern Africa. It has serviced this market for 35 years and has built up a loyal, primarily female, customer base of more than 905 000 active customers. The group operates through two trading operations, Retail and Financial Services.

Cash on hand
up >100% to

R415 million

(2019: R80 million)

>50%

of transactions on digital platforms

Digital Retail sales
contribution now

25%

(2019: 14%)

Revenue
down 6.0% to
R3.3 billion

Loan disbursements
curtailed by 15.3% to
R1.9 billion

Retail sales
down 8.1% to
R1.8 billion

Headline earnings per share
down 62.3% to
164.2 cents

270 000
new customers acquired

Operating profit
decreased by 60.2% on impact of Covid-19 and lower gross profit margin

COMMENTARY

Digital acceleration with robust cash management

The Retail business is an omni-channel retailer with considerable expertise in both merchandise and credit management to the mass market.

Financial Services is a diversified FinTech business offering a range of digital personal lending, value-added services and insurance products on digital platforms.

		31 Dec 2020	31 Dec 2019	% change
Group				
Revenue	(Rm)	**3 275**	3 484	(6.0)
Operating profit	(Rm)	**270**	679	(60.2)
Operating profit margin	(%)	**8.2**	19.5	
Earnings per share (EPS)	(cents)	**160.4**	436.0	(63.2)
Headline EPS (HEPS)	(cents)	**164.2**	436.0	(62.3)
Cash generated from operations	(Rm)	**630**	437	44.2
Cash conversion	(%)	**177.0**	58.2	
Total dividend	(cents)	**–**	87.0	<100.0
Retail				
Retail sales	(Rm)	**1 792**	1 951	(8.1)
Revenue	(Rm)	**2 440**	2 613	(6.6)
Gross profit margin	(%)	**44.9**	47.4	
Operating profit	(Rm)	**60**	325	(81.5)
Operating profit margin	(%)	**2.5**	12.4	
Financial Services				
Loan disbursements	(Rm)	**1 919**	2 266	(15.3)
Revenue	(Rm)	**835**	871	(4.1)
Operating profit	(Rm)	**165**	286	(42.3)
Operating profit margin	(%)	**19.8**	32.8	

Performance significantly impacted by Covid-19

Financial performance for the year was negatively impacted by Covid-19. Decisive action taken to control the risk included reducing loan disbursement by R700 million, curtailing access to new credit and accelerating our digital platforms. This proved effective in managing the credit risk of the group and conserving cash.

Group revenue was down 6.0% to R3.3 billion, with a decline in Retail sales of 8.1% and a 15.3% decrease in loan disbursements. Finance income was adversely impacted by a 300 bps drop in the repo rate.

We were disappointed with the drop in gross profit margin from 47.4% to 44.9%. The margin declined to 40.0% in H2 after strong performance of 50.9% in the first half. This was due to rapid growth in appliances and electronics categories and a below expectation performance in bedding. Actions have already been taken to address this decline and we are now achieving a much-improved margin.

Group debtor costs increased by 21.9% to R874 million, of which R126 million is attributable to the deterioration from Covid-19 impacts. Early actions were taken to tighten credit criteria by reducing limits and shortening terms. Provisions were increased to reflect a deterioration in the books' performance. The most recent vintages indicate an improvement to pre-Covid-19 levels.

Trading expenses increased by 7.3%. A move to digital marketing and the suspension of the printed catalogue reduced marketing expenses by 1.8%. However, continued investment in staff and future-focused projects resulted in staff and technology costs increasing by 9.5%. Insurance costs increased by 49.3% due to Covid-19-related retrenchment and funeral claims and higher provisions raised in anticipation of claims arising from the second wave. Covid-19-related operational and capital expenditure of R22 million was incurred during the year. Ensuring the health and well-being of our staff meant that costs were incurred for personal protective equipment, health and safety protocols were implemented in the head office, and additional computer equipment and data packages were purchased to enable staff to work from home.

The impact of lost revenue and a lower gross profit margin resulted in operating profit decreasing by 60.2% to R270 million. Headline earnings per share decreased by 62.3% to 164.2 cents.

Against a background of ongoing uncertainty around the impact of Covid-19, the board has withheld the final dividend and has agreed to reinvest it in the group to take advantage of attractive growth opportunities in the year ahead.

Resilient balance sheet despite Covid-19

The result of early decisive actions in the initial lockdown and a deliberate focus on cash management delivered a cash conversion rate of 177.0% (2019: 58.2%) and a very healthy cash balance of R415 million at year-end (Dec 2019: R80 million).

Our net debt (excluding group-owned properties) has reduced to R332 million (2019: R512 million) and the net debt:equity ratio (excluding property) stands at 10.7% (2019: 18.1%). This provides the group opportunity to accelerate growth when economic circumstances are more favourable.

The group's banking facilities were successfully refinanced and upsized during the lockdown period to R1.05 billion. Unutilised facilities of R655 million are available to support future growth and protect against any further shocks from Covid-19.

Change in accounting estimate relating to debtor write-off point

IFRS 9 requires companies to consider that expected credit losses should more accurately align with actual credit losses. A review of the Financial Services credit losses necessitated a R31 million favourable adjustment to debtor costs as a result of changing the write-off point from month four to month six. This has had the effect of reducing the Financial Services debtor costs percentage to revenue from 41.8% to 38.1%. A similar review of the Retail credit losses was performed with no adjustment required.

homechoice

Retail digital transformation accelerated while margins disappointed

Performance in Retail was challenging, negatively impacted by Covid-19 and exacerbated by a misalignment in product strategies to drive top-line growth. After a decrease in retail sales of 10% in H1, the second half showed recovery with only a 3% decrease, ending 8.1% down on 2019. Price cuts in appliances and electronics, which drove strong demand in these lower-margin items, and discounting required for overstock bedding categories, resulted in a 250 bps decrease in gross profit margin to 44.9%. Debtor costs were up 28.7% mainly due to the impact of Covid-19. Trading expenses increased by 0.2%. Operating profit decreased by 81.5% to R60 million.

Despite the challenges caused by Covid-19 we acquired 241 000 new customers in the year, a decline of only 3% from 2019. A cautious approach to customer acquisition in the first half was followed by a release in demand during H2 to customers with acceptable credit risk. Our channels for customer acquisition have shifted to more digital platforms with 28% (2019: 8%) of new customers acquired digitally.

Pleasingly, digital sales for the year grew by 70% as Covid-19 pushed us to further accelerate our digital transformation. Digital sales now contribute 25.4% (2019: 13.7%) to total sales and is becoming firmly entrenched in our Retail business. Traffic to the website is up 54.5% with 23 million sessions during the year. Our social media platforms have 1 million Facebook followers, 105 000 Instagram followers and 75 000 users on the HomeChoice App. Monetisation of social media continues to grow as we increase our social media engagement to attract new customers and drive demand.

Use of our Click and Collect delivery option, from our own locations, has increased by 122% as customers enjoy the convenience and flexibility it offers. 12.1% (2019: 4.8%) of deliveries are now collected at our 12 (2019: 9) showrooms and 11 (2019: 8) ChoiceCollect containers.

We have developed a comprehensive recovery plan to improve profitability of the Retail business and anticipate showing substantial improvement in 2021.

Financial Services' growth momentum disrupted by Covid-19

Financial Services revenue decreased by 4.1% to R835 million, mainly due to curtailed loan disbursements and the impact of the 300 bps drop in the repo rate. Higher Covid-19-related insurance claims, combined with the operational costs of our continued investment in arrears collections and second-half customer acquisition recovery, resulted in trading expenses increasing by 23.8% (13.4% excluding insurance). Debtor costs increased by 11.6% (post the previously mentioned write-off point adjustment) and 22.5% pre-WOPA due to higher bad debts in the first half due to the hard lockdown. Operating profit decreased by 42.3% to R165 million.

Loans were deliberately cut by R700 million to conserve cash and protect the book at the onset of Covid-19. Loans to new customers were stopped from March to May and the credit limits for existing customers were reduced and terms shortened. Direct feedback via our mobi site from more than 80% of customers on their employment status provided complementary industry and employer-based data to facilitate a confident recovery in the granting of credit to more financially stable customers. This drove disbursement levels in the second half to be in line with the same period in 2019. According to data from the National Credit Regulator, the Financial Services business increased its market share of disbursements of up to 36 months in tenure from 4.9% to 6.0%, as the business deliberately extended credit to stably employed customers.

55 000 new customers were acquired during the year. 53% of those new customers are external to the group, primarily from digital sources. Using data-driven acquisition models, the external customers are performing at acceptable and stable credit risk rates.

Our digital-only FinChoice MobiMoney™ three-month facility product is increasingly becoming a cornerstone product for the division. Active MobiMoney accounts increased by 44% in the year to 121 000 customers and 33.4% of disbursements are from these accounts, up from 29.2% in 2019. This product delivers strong cash conversion and results in the average disbursed term reducing from 14.2 months to 12.2 months. MobiMoney drives our digital engagement, which now sits at 90% of repeat business conducted online. The growing popularity of the product and our expanded MobiMoney wallet functionality will be leveraged to deliver an appealing and convenient financial product range to our customers and further entrench the FinTech business model.

We continue to grow our stand-alone personal insurance business with policies in force up 13% and 42 600 new customers. As experienced in the rest of the market, we have seen a jump in the number of Covid-19-related retrenchment and funeral claims of 86% and 135% respectively. Conservative IBNR provisions have been raised in anticipation of higher claims in 2021.

Curtailed credit and a strong focus on collections

Gross trade and loan receivables decreased by 2.6% to R3.7 billion, primarily due to the curtailment of loan disbursements and lower sales. Group debtor costs increased by 21.9% to R874 million. Covid-19 negatively impacted debtor costs with R126 million worsening from higher bad debts and increased provisions. The credit books are healthy with vintages for both Retail and Financial Services now below pre-Covid-19 levels.

Credit performance for the period is summarised below:

		31 Dec 2020	31 Dec 2019	% change
Group				
Gross trade and loans receivable	(Rm)	**3 685**	3 784	(2.6)
Credit impairment costs as a % of revenue*	(%)	**26.7**	20.6	
Retail				
Number of active accounts		**564 359**	581 818	
Active accounts able to purchase	(%)	**64.8**	67.1	
Gross trade receivable	(Rm)	**1 923**	1 947	(1.2)
Credit impairment costs as a % of revenue	(%)	**22.8**	16.5	
Provision for impairment	(Rm)	**406**	366	10.9
Provision for impairment as a % of gross receivables	(%)	**21.1**	18.8	
Stages 2 and 3 loans cover	(%)	**56.4**	50.2	
Financial Services				
Number of active accounts		**239 956**	223 742	
Active accounts able to reloan	(%)	**74.3**	76.3	
Gross loans receivable	(Rm)	**1 762**	1 837	(4.1)
Credit impairment costs as a % of revenue	(%)	**38.1**	32.7	
Provision for impairment	(Rm)	**269**	254	5.9
Provision for impairment as a % of gross receivables	(%)	**15.3**	13.8	
Stages 2 and 3 loans cover	(%)	**71.4**	57.6	

** Credit impairment costs include bad debts written off net of recoveries, as well as movements in provisions.*

Retail credit book impacted by Covid-19

Debtor costs increased by 28.7% to R556 million, R71 million attributable to Covid-19.

A controlled approach to customer acquisition was managed by tightening credit-granting criteria, reducing credit limits and cutting acceptance rates. These restrictions were eased in over time and credit limits were increased to proven repeat customers. Terms were shortened to manage risk, resulting in a decrease from 16.9 months to 16.1 months. There was a strong focus on collections, particularly digital payments via debit orders. Debit order collections have increased to 35% (2019: 29%).

Impairment provisions were increased to 21.1% of gross receivables to reflect book performance at December 2020. Stages 2 and 3 loans cover have increased to 56.4% (2019: 50.2%).

Redomiciliation and changes to board composition

As previously announced to shareholders, the redomiciliation of the group from Malta to Mauritius was successfully completed on 7 May 2020.

Arising from the redomiciliation, shareholders were advised on 21 May 2020 of the following changes to the board:

- Stanley Portelli (board chairman) and Charles Rapa (chairman of the audit and risk committee) resigned with effect from 31 May 2020;
- Shirley Maltz was appointed executive chair from 1 June 2020;
- Pierre Joubert was appointed as the lead independent non-executive director and the chairman of the audit and risk committee with effect from 1 June 2020; and
- the company secretary was changed from George Said to Sanlam Trustees International.

Marlisa Harris was appointed as an independent non-executive director to the board on 22 February 2021. Marlisa is based in Mauritius and brings a wealth of financial services knowledge and experience to the board.

Effective 28 February 2021, the Retail chief executive officer, Gerhard Hayes, resigned from the group. Chris de Wit has been appointed the new Retail CEO.

Financial Services write-off point adjustment benefits debtor costs

Debtor costs increased by 11.6% to R318 million, R55 million due to Covid-19. The required IFRS change in the WOPA from month four to month six reduced debtor costs by R31 million but increased the provision for impairment.

Credit to new customers was curtailed in H1 and subsequently opened up to new customers working for proven employers and stable employment sectors. The average disbursement term was reduced from 14.2 months to 12.2 months and a reduction of credit limits reduced the average balances to R7 100 (2019: R8 628).

The provision for impairment has decreased marginally to 15.3% (June 2019: 15.5%), pre-WOPA 13.6% reflecting the improved quality of the debtor book. Stages 2 and 3 loans cover have increased to 71.4% (2019: 57.6%).

Outlook

The socio-economic outlook for South Africa remains challenging with high levels of unemployment and an uncertain growth path as the country recovers from and manages the devastating impact of Covid-19.

Our customers have shown her resilience during this period and we will continue to pursue our strategy to provide them with exciting products, new merchandise categories and providing loans to stably employed customers.

We will drive the growth momentum in Financial Services and "course correct" the Retail business by balancing product and margin strategy and right-sizing the cost base.

We will continue to accelerate our digital transformation and aggressively use digital marketing and social media to capture market share. Financial Services will expand the MobiMoney wallet and payment functionality.

We believe that the group has a defensive business model and is well positioned for growth with a strong cash position to support it.

S Maltz
Executive Chair

G Lartigue
Chief Executive Officer

Mauritius, 24 March 2021

Summarised group statement of financial position

	Notes	2020 Rm	% change	2019 Rm
Assets				
Non-current assets				
Property, plant and equipment		**476**	1.1	471
Intangible assets		**210**	24.3	169
Right-of-use assets		**60**	(10.4)	67
Financial assets at fair value through profit or loss		**34**	41.7	24
Deferred taxation		**45**	>100.0	2
		825	12.6	733
Current assets				
Inventories	2	**315**	(9.7)	349
Taxation receivable		**13**	>100.0	1
Trade and other receivables	3	**3 024**	(5.1)	3 188
Trade receivables – Retail		**1 517**	(4.0)	1 581
Loans receivable – Financial Services		**1 493**	(5.7)	1 583
Other receivables		**14**	(41.7)	24
Cash and cash equivalents		**415**	>100.0	80
		3 767	4.1	3 618
Total assets		**4 592**	5.5	4 351
Equity and liabilities				
Equity attributable to equity holders of the parent				
Stated and share capital		**1**	–	1
Share premium		**3 014**	0.1	3 010
Reorganisation reserve		**(2 961)**	–	(2 961)
		54	8.0	50
Treasury shares		**(33)**	83.3	(18)
Other reserves		**47**	42.4	33
Retained earnings		**3 048**	5.8	2 881
Total equity		**3 116**	5.8	2 946
Non-current liabilities				
Interest-bearing liabilities		**933**	73.7	537
Lease liabilities		**48**	(15.8)	57
Deferred taxation		**69**	35.3	51
Other payables		**4**	–	4
		1 054	62.4	649
Current liabilities				
Interest-bearing liabilities		**39**	(90.0)	391
Lease liabilities		**22**	22.2	18
Taxation payable		**12**	(25.0)	16
Trade and other payables		**349**	23.3	283
Bank overdraft		**–**	(100.0)	48
		422	(44.2)	756
Total liabilities		**1 476**	5.1	1 405
Total equity and liabilities		**4 592**	5.5	4 351

Summarised group statement of profit or loss and other comprehensive income

	Notes	2020 Rm	% change	2019 Rm
Revenue		**3 275**	(6.0)	3 484
Retail sales	4	**1 792**	(8.1)	1 951
Finance income		**1 038**	(5.0)	1 093
Fees from ancillary services	5	**445**	1.1	440
Cost of Retail sales		**(987)**	(3.9)	(1 027)
Other operating costs		**(2 020)**	13.2	(1 785)
Credit impairment losses	6	**(874)**	21.9	(717)
Other trading expenses	7	**(1 146)**	7.3	(1 068)
Other net gains and losses		**(8)**	>100.0	(1)
Other income		**10**	25.0	8
Operating profit		**270**	(60.2)	679
Interest income		**5**	25.0	4
Interest expense		**(93)**	(7.9)	(101)
Profit before taxation		**182**	(68.7)	582
Taxation		**(15)**	(88.2)	(127)
Profit and total comprehensive income for the year		**167**	(63.3)	455
Earnings per share (cents)				
Basic	8	**160.4**	(63.2)	436.0
Diluted		**158.6**	(63.0)	428.7
Headline earnings per share (cents)				
Basic	8	**164.2**	(62.3)	436.0
Diluted		**162.4**	(62.1)	428.7

Summarised group statement of changes in equity

	Stated and share capital Rm	Share premium Rm	Treasury shares Rm	Reorganisation reserve Rm	Other reserves Rm	Retained earnings Rm	Equity attributable to owners of the parent Rm
Balance at 1 January 2019	1	3 005	(3)	(2 961)	18	2 624	2 684
Change on initial application of IFRS 16	–	–	–	–	–	(3)	(3)
Restated equity at the beginning of the year	1	3 005	(3)	(2 961)	18	2 621	2 681
Changes in equity							
Profit and total comprehensive income for the year	–	–	–	–	–	455	455
Shares issued	–	5	–	–	–	–	5
Dividends paid	–	–	–	–	–	(195)	(195)
Share incentive schemes	–	–	–	–	15	–	15
Shares purchased	–	–	(15)	–	–	–	(15)
Total changes	–	5	(15)	–	15	260	265
Balance at 1 January 2020	**1**	**3 010**	**(18)**	**(2 961)**	**33**	**2 881**	**2 946**
Changes in equity							
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**167**	**167**
Shares issued	**–**	**4**	**–**	**–**	**–**	**–**	**4**
Share incentive schemes	**–**	**–**	**–**	**–**	**15**	**–**	**15**
Shares purchased	**–**	**–**	**(16)**	**–**	**–**	**–**	**(16)**
Forfeitable shares vested	**–**	**–**	**1**	**–**	**(1)**	**–**	**–**
Total changes	**–**	**4**	**(15)**	**–**	**14**	**167**	**170**
Balance at 31 December 2020	**1**	**3 014**	**(33)**	**(2 961)**	**47**	**3 048**	**3 116**

Summarised group statement of cash flows

	Notes	2020 Rm	% change	2019 Rm
Cash flows from operating activities				
Operating cash flows before working capital changes		**315**	(56.1)	718
Movements in working capital		**315**	<(100.0)	(281)
Cash generated from operations	9	**630**	44.2	437
Interest received		**5**	25.0	4
Interest paid		**(93)**	–	(93)
Taxation paid		**(56)**	(67.8)	(174)
Net cash inflow from operating activities		**486**	>100.0	174
Cash flows from investing activities				
Additions of property, plant and equipment		**(46)**		(44)
Additions of intangible assets		**(71)**		(72)
Financial assets at fair value through profit or loss		**–**		11
Net cash outflow from investing activities		**(117)**	11.4	(105)
Cash flows from financing activities				
Proceeds from the issuance of shares		**4**		5
Purchase of shares to settle forfeiture share scheme obligations		**(16)**		(15)
Proceeds from interest-bearing liabilities		**781**		315
Repayments of interest-bearing liabilities		**(737)**		(243)
Principal elements of lease payments		**(18)**		(12)
Dividends paid		**–**		(195)
Net cash inflow/(outflow) from financing activities		**14**	<(100.0)	(145)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts		**383**		(76)
Cash and cash equivalents and bank overdrafts at the beginning of the year		**32**		108
Cash and cash equivalents and bank overdrafts at the end of the year		**415**	>100.0	32

Group segmental information

		2020 Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intra-group Rm
Segmental revenue		3 275	2 440	835	48	–	(48)
Retail sales		1 792	1 792	–	–	–	–
Finance income		1 038	468	570	–	–	–
Fees from ancillary services		445	180	265	48	–	(48)
EBITDA		356	145	235	22	(30)	(16)
Depreciation and amortisation		(86)	(85)	(8)	–	–	7
Interest income		2	–	8	–	65	(71)
Interest expense		(67)	–	(70)	–	(68)	71
Segmental operating profit*		205	60	165	22	(33)	(9)
Interest income		3	3	–	–	–	–
Interest expense		(26)	(21)	–	(12)	–	7
Profit before taxation		182	42	165	10	(33)	(2)
Taxation		(15)	7	(26)	(3)	7	–
Profit after taxation		167	49	139	7	(26)	(2)
Segmental assets		4 592	2 621	1 850	353	1 515	(1 747)
Segmental liabilities		1 476	1 376	917	269	678	(1 764)
Gross profit margin	(%)	44.9	44.9				
Segmental results margin	(%)	6.3	2.5	19.8	45.8		
Operating cash flows before working capital changes		315	112	224	22	(27)	(16)
Movements in working capital		315	176	143	(3)	(5)	4
Cash generated/(utilised) by operations		630	288	367	19	(32)	(12)
Capital expenditure							
Property, plant and equipment		46	42	2	2	–	
Intangible assets		71	50	21	–	–	

* *Refer to note 10 for further details on segments and segmental results.*

2019					
Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intra-group Rm
3 484	2 613	871	61	–	(61)
1 951	1 951	–	–	–	–
1 093	482	611	–	–	–
440	180	260	61	–	(61)
751	442	362	36	(34)	(55)
(73)	(117)	(11)	–	–	55
3	–	3	–	72	(72)
(68)	–	(68)	–	(72)	72
613	325	286	36	(34)	–
1	1	–	–	–	–
(32)	(22)	–	(20)	–	10
582	304	286	16	(34)	10
(127)	(68)	(55)	(5)	1	–
455	236	231	11	(33)	10
4 351	2 359	1 725	340	1 211	(1 284)
1 405	1 035	840	253	561	(1 284)
47.4	47.4				
17.6	12.4	32.8	59.0		–
718	415	355	36	(33)	(55)
(281)	(72)	(212)	–	3	–
437	343	143	36	(30)	(55)
44	43	1	–	–	–
72	49	23	–	–	–

Notes to the summarised group financial statements

1. Basis of presentation and accounting policies

1.1 Basis of presentation

The group annual financial statements for the year ended 31 December 2020 and these summary group financial statements have been prepared by the group's finance department, acting under the supervision of P Burnett, CA(SA), the finance director of the group.

The summary group financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34, Interim Financial Reporting*.

The accounting policies applied in the preparation of the group financial statements from which the summary group financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous group annual financial statements, other than as outlined below.

1.2 Changes in accounting policies and accounting estimates

1.2.1 Amendments to IFRS 16 – Covid-19-related rent concessions

IFRS 16 was amended to provide a practical expedient for lessees' accounting for rent concessions that arise as a direct consequence of the Covid-19 pandemic and satisfy the following criteria:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In most cases, this results in the concessions being treated as variable lease payments in the period in which they are granted.

The group applied the practical expedient to all Covid-19 rent concessions and therefore was not required to assess whether the rent concessions were lease modifications. This resulted in the group accounting for the concessions as variable lease payments.

Decreases in lease liabilities during the current year which resulted from Covid-19-related rent concessions amount to R0.3 million and are included in profit or loss. The principal elements of lease payments in the statement of cash flows have decreased by the same amount.

1.2.2 *Change in accounting estimate – IFRS 9 Write-off point adjustment (WOPA)*

The group assesses the methods and assumptions used for estimating the expected credit losses on a regular basis in order to reduce any differences between estimates and actual credit loss experience. As part of the group's ongoing assessment of credit losses and recoveries trends and in accordance with IFRS 9, the Financial Services segment has moved its write-off point (at which there is no reasonable expectation of future recovery) out by two billing cycles during the current year. A similar assessment performed by the Retail segment did not result in any changes to the write-off point.

This change in estimate has resulted in an increase in the size of the non-performing loans in proportion to total loans as loans which would historically have been written off are held on book for a longer period. There has been a corresponding increase in the provision for impairment against the non-performing loans.

The effect of the change in estimate on the current year is as follows:

	2020 Rm
Decrease in credit impairment losses	**31**
Increase in taxation expense	**(3)**
Increase in profit after tax	**28**
Increase in gross loans receivable	**71**
Increase in provision for impairment	**(40)**
Increase in taxation payable	**(5)**
Increase in deferred tax asset	**2**
Increase in retained earnings	**28**

Management is unable to estimate the effect of the WOPA on future periods because the amount of debt and the related provision for impairment for future periods cannot be reliably estimated.

2. Inventories

	2020 Rm	% change	2019 Rm
Merchandise for resale	**293**	(5.5)	310
Provision for inventory obsolescence	**(29)**	61.1	(18)
Goods in transit	**51**	(10.5)	57
	315	(9.7)	349

The total amount of inventories expensed to cost of Retail sales during the year was R828 million (2019: R827 million). Inventory sold at less than cost during the current year amounted to R24 million (2019: R25 million) and inventory write-downs recognised as an expense during the year amounted to R11 million (2019: R3 million).

3. Trade and other receivables

		2020 Rm	% change	2019 Rm
Group				
Trade and loan receivables		**3 685**	(2.6)	3 784
Provision for impairment		**(675)**	8.9	(620)
Other receivables		**14**	(41.7)	24
		3 024	(5.1)	3 188
Provision for impairment as a % of gross receivables	(%)	**18.3**	11.6	16.4
Credit impairment costs as a % of revenue	(%)	**26.7**	29.6	20.6
Credit impairment costs as a % of gross receivables	(%)	**23.7**	25.4	18.9
Retail				
Gross carrying amount		**1 923**	(1.2)	1 947
Performing (stage 1)		**1 203**	(1.2)	1 218
Underperforming (stage 2)		**359**	(13.9)	417
Non-performing (stage 3)		**361**	15.7	312
Provision for impairment		**(406)**	10.9	(366)
Performing		**(78)**	(24.3)	(103)
Underperforming		**(129)**	10.3	(117)
Non-performing		**(199)**	36.3	(146)
Net carrying amount		**1 517**	(4.0)	1 581
Performing		**1 125**	0.9	1 115
Underperforming		**230**	(23.3)	300
Non-performing		**162**	(2.4)	166
Provision for impairment as a % of gross receivables	(%)	**21.1**		18.8
Performing	(%)	**6.5**		8.5
Underperforming	(%)	**35.9**		28.1
Non-performing	(%)	**55.1**		46.8
Credit impairment costs as a % of revenue	(%)	**22.8**		16.5
Credit impairment costs as a % of gross receivables	(%)	**28.9**		22.2

3. Trade and other receivables (continued)

		2020 Rm	% change	2019 Rm
Financial Services				
Gross carrying amount		**1 762**	(4.1)	1 837
Performing (stage 1)		**1 385**	(0.8)	1 396
Underperforming (stage 2)		**181**	(26.7)	247
Non-performing (stage 3)		**196**	1.0	194
Provision for impairment		**(269)**	5.9	(254)
Performing		**(76)**	16.9	(65)
Underperforming		**(66)**	(25.8)	(89)
Non-performing		**(127)**	27	(100)
Net carrying amount		**1 493**	(5.7)	1 583
Performing		**1 309**	(1.7)	1 331
Underperforming		**115**	(27.2)	158
Non-performing		**69**	(26.6)	94
Provision for impairment as a % of gross receivables	(%)	**15.3**		13.8
Performing	(%)	**5.5**		4.7
Underperforming	(%)	**36.5**		36.0
Non-performing	(%)	**64.8**		51.5
Credit impairment costs as a % of revenue	(%)	**38.1**		32.7
Credit impairment costs as a % of gross receivables	(%)	**31.6**		15.5

3. Trade and other receivables (continued)

	2020 Rm	% change	2019 Rm
Movements in the provision for impairment were as follows:			
Retail			
Opening balance	**(366)**	1.9	(359)
Movement between stages[1]	**(72)**	53.2	(47)
New financial assets originated or purchased[2]	**(297)**	46.3	(203)
Change in risk[3]	**1**	<(100.0)	(7)
Debt review portfolio sold	**5**		–
Other[4]	**–**	(100.0)	3
Loans and advances settled in the current year[5]	**51**	0.0	51
Write-offs[6]	**272**	38.8	196
Closing balance	**(406)**	10.9	(366)
Financial Services			
Opening balance	**(254)**	0.8	(252)
Movement between stages[1]	**(27)**	0.0	(27)
New financial assets originated or purchased[2]	**(102)**	(1.9)	(104)
Change in risk[3]	**(57)**	(30.5)	(82)
Write-off point adjustment	**(40)**		–
Debt review portfolio sold	**109**	25.3	87
Other[4]	**7**	(56.3)	16
Loans and advances settled in the current year[5]	**18**	20.0	15
Write-offs[6]	**77**	(17.2)	93
Closing balance	**(269)**	5.9	(254)

The loss allowance reconciliation has been expanded when compared to the 2019 Annual Financial Statements. Consequently, movements have been reallocated from the reconciling items presented in 2019. The 2019 numbers have been restated to ensure consistency of the reconciling item classification between the current and comparative figures. Refer below to the footnotes for the definitions of the reconciling items.

1 *Movement between stages results in increased loss allowances as the movement to the underperforming and non-performing stages carry higher loss allowances.*
2 *Includes credit advanced during the year to customers who were not on book at the beginning of the year.*
3 *Includes transfers to debt review and other extended payment terms.*
4 *Includes movements in the loss allowance resulting from changes in the activity of debtors due to: retrenchments, disabilities, debt administration, death, fraud and cancellations.*
5 *Includes the reversal of opening loss allowances for trade and loans receivable repaid during the year.*
6 *Includes the release of allowances held against all accounts that were written off during 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 R683 million (2019: R972 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.

Included in trade and loan receivables as at 31 December 2020 is a refund liability for expected returns of R10 million (31 December 2019: R10 million).

4. Retail sales

	2020 Rm	% change	2019 Rm
Disaggregation of retail sales by product type is as follows:			
Homeware	**1 231**	(12.1)	1 400
Appliances and electronics	**437**	8.4	403
Fashion and footwear	**51**	(29.2)	72
Furniture	**73**	(3.9)	76
Total	**1 792**	(8.1)	1 951
Disaggregation of retail sales by channel is as follows:			
Contact centre	**1 117**	(19.1)	1 380
Digital	**462**	57.1	294
Showroom and ChoiceCollect	**161**	(9.0)	177
Sales agents	**52**	(48.0)	100
	1 792	(8.1)	1 951

Retail sales are settled at a point in time.

5. Fees from ancillary services

	2020 Rm	% change	2019 Rm
Retail	**180**	–	180
Service fees	**170**	6.3	160
Insurance fees	**7**	16.7	6
Other	**3**	(78.6)	14
Financial Services	**265**	1.9	260
Service fees	**100**	(2.0)	102
Insurance fees	**162**	9.5	148
Other	**3**	(70.0)	10
	445	1.1	440

6. Credit impairment losses

	2020 Rm	% change	2019 Rm
Trade receivables – Retail	**556**	28.7	432
Loans receivable – Financial Services	**318**	11.6	285
Total credit impairment losses	**874**	21.9	717

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

7. Other trading expenses

	2020 Rm	% change	2019 Rm
Expenses by nature			
Auditor's remuneration	**6**	20.0	5
Audit-related services	**5**	0.0	5
Other non-audit services	**1**		–
Amortisation of intangible assets	**25**	31.6	19
Depreciation of property, plant and equipment and right-of-use assets	**61**	13.0	54
Marketing costs	**253**	0.0	253
Staff costs: short-term employee benefits	**448**	3.2	434
Total staff costs	**523**	2.8	509
Less: disclosed under cost of Retail sales	**(34)**	(2.9)	(35)
Less: staff costs capitalised to intangibles	**(41)**	2.5	(40)
Other costs	**353**	16.5	303
Total other costs	**476**	3.0	462
Less: disclosed under cost of retail sales	**(123)**	(22.6)	(159)
Total other trading expenses	**1 146**	7.3	1 068

8. Basic and headline earnings per share

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

	2020 Rm	% change	2019 Rm
Profit for the period	**167**	(63.3)	455
Adjusted for the effect of:			
Impairment of intangible assets	**5**		–
Taxation effect	**(1)**		–
Headline earnings for the period	**171**	(62.5)	455
Weighted average number of ordinary shares in issue ('000)	**104 128**		104 364
Weighted average number of diluted shares in issue ('000)	**105 291**		106 125
Earnings per share (cents)			
Basic	**160.4**	(63.2)	436.0
Headline	**164.2**	(62.3)	436.0
Basic – diluted	**158.6**	(63.0)	428.7
Headline – diluted	**162.4**	(62.1)	428.7

9. Reconciliation of cash generated from operations

	2020 Rm	% change	2019 Rm
Profit before taxation	**182**	(68.7)	582
Deduct finance income earned	**(1 038)**	(5.0)	(1 093)
Add back finance income received	**987**	(6.4)	1 055
Profit from insurance cells	**(10)**	(9.1)	(11)
Depreciation and amortisation	**86**	17.8	73
Impairment of intangible assets	**5**		–
Share-based employee share expense	**15**	–	15
Interest expense	**93**	(7.9)	101
Interest income	**(5)**	25.0	(4)
Operating cash flows before working capital changes	**315**	(56.1)	718
Movements in working capital	**315**	<(100.0)	(281)
Decrease/(increase) in inventories	**34**	<(100.0)	(45)
Decrease/(increase) in trade receivables – Retail	**101**	<(100.0)	(47)
Decrease/(increase) in loans receivable – Financial Services	**104**	<(100.0)	(226)
Decrease in other receivables	**10**	(61.5)	26
Increase in trade and other payables	**66**	>100.0	14
Decrease in provisions	**–**	(100.0)	(3)
	630	44.2	437

10. Group segmental analysis

The group's operating segments are identified as being Retail, Financial Services, 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 executive directors. The group's reportable segments are unchanged from the previous reporting date.

Retail consists of the group's HomeChoice operations, whereas Financial Services represents the group's FinChoice operations. The group's property company, which owns commercial properties utilised mainly 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.

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 Financial Services and Other segments based on a measure of operating profit after interest income and interest expense.

11. Related party transactions and balances

Related party transactions, similar to those disclosed in the group's annual financial statements for the year ended 31 December 2020, took place during the period and related party balances exist at the reporting date. Related party transactions include key management personnel compensation and intragroup transactions which have been eliminated on consolidation.

12. Capital commitments for property, plant and equipment and intangible assets

	2020 Rm	% change	2019 Rm
Approved by the directors	**18**	>100.0	6

13. Fair value of financial instruments

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

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	**2020 Rm**	2019 Rm	**2020 Rm**	2019 Rm
Financial assets at fair value through profit or loss The investments comprise shares in Guardrisk Insurance Company Limited and Guardrisk Life Limited. The investments are valued at the net asset values of the investees at the reporting date	Level 3	**34**	24	**34**	24

The gain from the investment for the year amounts to R10 million (2019: R11 million) and is recognised in profit or loss.

14. Contingent liabilities

The group had no contingent liabilities at the reporting date.

15. Financial impact of Covid-19 and going concern

Covid-19 has had a negative impact on the financial performance of the group during the 2020 financial year. Loan disbursements were curtailed by R700 million, lost Retail sales amounted to R264 million and debtor costs were R124 million higher due to higher bad debts and increased provisions. Group debtor costs increased by 21.9% to R874 million. As a result, operating profit was R270 million, 60.2% lower than the 2019 financial year. Management applied additional overlays to the provisions of R16 million to account for the short-term economic outlook.

At the onset of Covid-19 the group took immediate decisive action – conserving cash, curtailing credit and accelerating activity on digital platforms. Loan disbursements were significantly reduced, credit limits were lowered for existing customers and loans to new customers were stopped, resulting in a reduction in disbursements. Credit-granting criteria for retail customers were tightly managed and lower credit limits allocated. A strong focus on collections and incentivising customers to make use of digital payment options, resulted in an increase of group digital payments. As a result of the strong focus on cash management, the group increased its cash conversion rate to 177.0% (2019: 58.2%) and achieved a very healthy cash balance of R415 million (2019: R32 million).

The group incurred additional Covid-19-related capital and operating expenditure of R22 million to enable the business to operate during lockdown. This included personal protective equipment, hygiene and deep-cleaning costs, additional computer equipment and data to enable staff to work from home. The group also negotiated rental relief from landlords as a result of stores being closed during the lockdown period.

During lockdown the group successfully refinanced and upsized the banking facilities to R1 050 million with unutilised facilities amounting to R655 million excluding cash, at year-end. Despite the negative impact of Covid-19 on operations, the group's healthy cash on hand and borrowing capacity have remained available to sustain and grow operations. There is sufficient liquidity for the group to meet its obligations. The directors confirm that the group did not breach any bank covenants during the 2020 financial year.

The group assessed the going concern assumption at year-end as a result of the current economic, trading and operational conditions on the group consolidated annual financial statements, as well as the financial statements of each statutory entity. The directors are comfortable, based on the forecast evaluation and current financial position, that the group will continue to operate as a going concern for the 12 months after year-end.

The group has performed a line-by-line assessment on the annual financial statements for the year ended 31 December 2020 for the impact of the Covid-19 pandemic on the business and its financial and operating performance. The following material financial statement line items were considered and appropriate disclosures have been made.

15. Financial impact of Covid-19 and going concern (continued)

Impairment of trade and other receivables

Management actively managed the risk scorecard and customer payments and therefore the criteria used to assess significant increase in credit risk (SICR) was not amended for Covid-19. Customers experiencing negative impacts resulting from Covid-19 were permitted to apply for payment relief. No blanket payment holidays were offered.

It is one of the fundamental principles of IFRS 9 that the expected credit loss (ECL) allowance for potential future losses takes into account changes in the economic environment in the future.

Because the current economic stress is so severe, the impact of historical macroeconomic relationships on the group's trade and loan receivables is not expected to be linear. For example, higher inflation and higher interest rates equated to higher impairments pre-Covid-19. During 2020 the SARB dropped interest rates by 3.0% but this cannot lead to a drop in the aggregate ECL even though it may reduce the severity of the increase in the ECL. Management therefore tested this statistical relevance and concluded that a statistical model based on macroeconomic variables cannot be used to determine the impact of forward-looking information based on the ECL model.

The group expects similar customer challenges in 2021 to the 2020 financial year because of the likely time required to roll out the vaccine and achieve herd immunity. In order to allow for a distressed macroeconomic environment similar to 2020, the model was calibrated using 2020 data. The model estimates are set based on 2020 data and therefore represent the stress experienced in 2020.

Trade and loan receivables written off

Management introduced new credit-granting criteria using employer and industry-based data to determine more acceptable levels of risk for new customers. In addition, the increase in percentage of collections using debit orders provides more certainty that customers will be able to pay their accounts. Bad debts written off increased by 15.7% during the year ended 31 December 2020.

Net realisable value of inventory

Annually, the group assesses all inventory categories for possible write-down to net realisable value, should this be lower than cost.

As a result of the ongoing Covid-19, the group, in its assessment of the net realisable value of inventory, considered future sales patterns and resultant impact on the net realisable value of inventory. This resulted in higher-than-normal (82%) stock levels transferred to obsolete status, which attracts a higher obsolete stock provision rate.

The additional provision for obsolete stock as at 31 December 2020 amounts to R11 million.

Leases

Refer to note 1.2.1.

Share-based payments

The group has taken into account the effect that Covid-19 has had on the economic environment in determining the number of shares likely to vest and, consequently, the number of share options which are likely to be exercised. The fair value of shares and options are determined at grant date using economic indicators applicable at the date of the grant.

15. Financial impact of Covid-19 and going concern (continued)

Impairment of non-financial assets

The group has assessed the impact of Covid-19 on the assumptions and significant judgements made in the valuation of non-financial assets. HomeChoice has a Covid-19 response plan in place to mitigate the pandemic's effects on its people and businesses as far as is practically possible to do so. In this context, management does not anticipate that the effects of Covid-19 will have a lasting impact on the productivity of the group's property, plant and equipment, intangible assets and right-of-use assets. In assessing the potential future impact of Covid-19 on the value of these non-financial assets, the following factors were considered:

- that the group's Retail and Financial Services segments will be permitted to operate during all levels of potential future lockdowns. While the retail business was impacted by operational challenges in the harshest lockdown level 5, it remained profitable during 2020. Given the anticipated benefits of new initiatives and the expected return to normal trading in the short and medium term, no adverse effects on the present value of future cash flows of the non-financial assets are foreseen;
- the group is a going concern and plans to continue using its property, plant and equipment, intangible assets and right-of-use assets to support its revenue-generating activities. Consequently, there is no significant negative impact on the planned productivity of the non-financial assets. Management expects that any changes in the carrying amounts of non-financial assets will be immaterial in the medium term; and
- the group has forecast positive cash flows for the Retail and Financial Services segments, in line with an improvement of the GDP growth rate over the short to medium term.

16. Events after the reporting date

HomeChoice International plc acquired an 85% interest in the issued share capital of a financial services company for consideration of R45 million on 1 March 2021. No other event material to the understanding of these financial statements has occurred between the end of the year ended 31 December 2020 and the date of approval.

17. Audit opinion

This summarised report is extracted from audited information, but is not itself audited. The group annual financial statements were audited by PricewaterhouseCoopers, who expressed an unmodified opinion thereon. The audited group annual financial statements and the auditor's report thereon are available for inspection at the company's registered office.

The directors take full responsibility for the preparation of these summary group financial statements and that the financial information has been correctly extracted from the underlying group annual financial statements.

Administration

Country of incorporation
Republic of Mauritius

Date of incorporation
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
Butterfield Bank (Jersey) Limited

JSE listing details
Share code: HIL
ISIN: MT0000850108

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited

Directorate

Executive directors
S Maltz (Chair)*, G Lartigue (Chief Executive Officer), P Burnett

Non-executive directors
A Chorn, A Ogunsanya* (alternate), E Gutierrez-Garcia*, R Hain, M Harris, P Joubert (Lead Independent Director)

* Non-independent

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