ANNUAL **FINANCIAL STATEMENTS** 2019

HiL PLC

HOMECHOICE INTERNATIONAL PLC

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DIRECTORS' **APPROVAL**

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

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

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

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

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

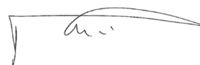
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control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

The financial statements of HomeChoice International plc for the year ended 31 December 2019 are included in the Annual Financial Statements Report 2019, which is published in hard copy printed form and is made available on the company's website at: www.homechoiceinternational.com. The directors are responsible for the maintenance and integrity of the Annual Financial Statements Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

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

- the financial statements give a true and fair view of the financial position of the group and the parent company as at 31 December 2019, and of the financial performance and the cash flows for the year then ended in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB;
- the annual report includes a fair review of the development and performance of the business, the position of the group and the parent company, together with a description of the principal risks and uncertainties that the group and the parent company face;
- the group has adequate resources to continue in operation for the foreseeable future and will therefore continue to prepare the annual financial statements on the going concern basis; and
- no event, material to the understanding of this report, has occurred between the financial year-end and the date of this report.

The financial statements set out on pages 12 to 71 which have been prepared on the going concern basis, were approved by the directors on 12 March 2020 and are signed on their behalf by:



S Portelli
Chairman

P Burnett
Finance Director

AUDIT AND RISK COMMITTEE **REPORT**

The audit and risk committee is pleased to present its report for the financial year ended 31 December 2019 to the shareholders of HomeChoice International plc.

Role of the committee

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

- considered the Key Audit Matters arising from the auditor's report;
- reviewing and recommending to the board the group structure and confirming it has had access to all financial information of the group;
- reviewing the annual financial statements and any other financial information presented to shareholders, ensuring compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRS as issued by the International Accounting Standards Board (IASB) and in accordance with the requirements of the Maltese Companies Act (Cap 386);
- overseeing integrated reporting and considering factors and risks that could impact on the integrity of the integrated report;
- nominating the external auditors for appointment, monitoring and reporting on their independence, approving the terms of engagement and scope of the audit, and fees paid;
- overseeing the group's risk management processes, identifying and reviewing the group's exposure to significant risks and its risk mitigation strategy;
- providing assurance on the adequacy and effectiveness of the group's systems of internal financial and operational control, and compliance with laws and procedures;
- monitoring and supervising the effective functioning and performance of internal audit, ensuring that it operates independently of management and approving the annual audit plan;
- considering the appropriateness of the expertise and experience of the finance director and group's finance function;
- reviewing updates with laws and regulations and ensuring the effectiveness of compliance therewith; and
- reviewing any material litigation in the group and the impact it may have on the external reports.

Committee composition and meetings

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

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

The board is recommending the reappointment of the following individuals as members of the audit and risk committee:

- Charles Rapa;
- Amanda Chorn; and
- Pierre Joubert.

The members 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.)

The company is currently changing the domicile of the company from Malta to Mauritius. This may impact the proposed composition of the audit and risk committee. Further communication to shareholders will be made after the successful conclusion of the redomiciliation.

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

Committee attendance

Member	Number of meetings	Percentage of attendance
Charles Rapa	3	100%
Pierre Joubert	3	100%
Amanda Chorn	2	67%

Activities of the committee

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

Annual financial statements

The committee confirms it has had unrestricted access to all financial information available within the group. The committee reviewed the group's interim and annual financial statements and considered matters such as the selection of accounting policies and disclosure of financial information. The committee is satisfied that the annual financial statements comply with International Financial Reporting Standards and recommended their approval to the board.

Integrated annual report

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

External audit

PricewaterhouseCoopers (Malta) was reappointed at the annual general meeting held in 2019. The committee reviewed the proposed audit plan, terms of engagement and the audit fee. It reviewed the external auditor's opinion on the financial statements and considered any reports on risk exposure and weaknesses in internal controls. The committee also met with the external auditor separately without management being present and approved the nature and extent of any non-audit services.

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

Internal control and risk management

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

Compliance with laws and regulations

The committee reviews the law, regulations and amendments thereto applicable to the business. In the year under review the committee reviewed the potential impact of the Protection of Personal Information Act, the planned introduction of DebiCheck to replace the current Naedo regime, debt intervention, the Data Protection Act (Mauritius) and approved the implementation plans of these projects.

Internal audit

The internal audit function provides assurance to the board on the adequacy and effectiveness of the group's internal control and risk management processes. The committee has ensured that the internal audit department has functioned independently and has the authority to enable it to fulfil its duties. The committee approved the internal audit plan and has reviewed the activities and findings of the internal audit function. The committee has reviewed reports on the controls regarding information technology, security, financial and accounting systems and reporting, and satisfied itself that management maintains an effective control environment and identifies and manages critical risk areas.

Expertise of the finance director and finance function

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

Significant financial reporting matters

The significant financial reporting matters the committee considered in the year are trade and loan receivables and inventory. The committee also considered the adoption of *IFRS 16, Leases*. In doing so, the committee assessed management's assumptions relating to renewal periods and the implicit discount rate and found these to be reasonable. The adoption of this accounting policy is not significant to the group and is disclosed under note 1.29 in the annual financial statements.

The major risk relating to trade and loan receivables is credit risk. Trade and loan receivables have been highlighted as an area where judgement is needed in note 10 of the annual financial statements. The executive team is responsible for assessing credit extended through a process of multiple-level risk filtering. Management applies strict affordability criteria and in-house developed scorecards based on credit bureau data and fraud databases, as well as risk-based variable credit limits. The committee has assessed that these processes are appropriate.

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

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

Key audit findings and matters

JSE thematic review and proactive monitoring

The group participated in the JSE's thematic review process regarding the implementation of IFRS 15 and IFRS 9. Following constructive engagement with the JSE's reviewers, the group has expanded certain disclosures in the annual financial statements for the year ended 31 December 2019.

Going concern

The committee has reviewed management's assessment of the going concern and has recommended to the board that the group will be a going concern for the foreseeable future.

Approval of the audit and risk committee report

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

C Rapa
Chairman of the audit and risk committee

Qormi, Republic of Malta

12 March 2020

REPORT OF THE DIRECTORS

for the year ended 31 December 2019

Nature of business

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

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

Regulatory and supervisory structure

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

Audit and risk committee

The audit and risk committee is governed by a board-approved charter that guides the committee in terms of its authority and objectives. The directors confirm that the audit and risk committee has addressed the specific responsibilities required in terms of this charter. Further details are contained within the audit and risk committee report on pages 2 and 3.

Directors

The following directors held office during the year:

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

Changes to board composition during the year

Pierre Joubert was appointed as an independent director on 10 May 2019.

Richard Garratt, founder of the group, stepped down as non-executive director with effect from 31 December 2019.

Rotation of directors

Amanda Chorn and Eduardo Garcia-Gutierrez, who retire in terms of article 25.4.1 of the articles, have made themselves available for re-election as directors at the annual general meeting.

Company secretary

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

Subsidiary companies

Details of the company's investments in subsidiaries are set out in note 1 to the company annual financial statements. The interest of the company in the aggregate profits before taxation of the subsidiary companies is R577 million (2018: R670 million).

Redomiciliation

The company intends to change its domicile from Malta to Mauritius during the course of 2020. The board obtained shareholder approval for the change in domicile at a special general meeting held on 27 August 2019 and will conclude the administrative processes in due course. Further communication will be made to shareholders on the successful completion of the redomiciliation.

Trading and financial performance

Group revenue increased by 7.3% to R3.5 billion in a challenging retail market. This was boosted by strong loan disbursements growth of 27.0%, Retail sales growth of 4.9% and the acquisition of 217 000 new customers.

Finance charges and initiation fees earned increased by 7.6% to R1.1 billion, driven primarily by growth in the loan books.

In line with the group's diversification strategy to generate additional non-interest-bearing income, fees from ancillary services grew by 18.6%. Stand-alone insurance income grew by a credible 22.2%.

Gross profit margin declined from 49.6% to 47.4%. The 2018 South African Post Office (SAPO) strike meant that we had higher than normal opening stock holdings at the beginning of the year. The decision to aggressively promote and clear the surplus stock resulted in higher markdowns and a reduction in the gross profit margin for the year.

A debt review book of R220 million was sold in the first half of the year. By reinvesting the proceeds in loans to existing Financial Services customers, the sale had the effect of replacing a poor-performing, low-yielding asset with a higher-performing, higher-yielding asset.

Credit impairment losses (debtor costs) increased by 28.7%, despite low bad debt write-offs growth of 4.8%. A higher provision charge, non-comparable with 2018, further increased the debtor costs.

Trading expenses were well controlled, up 7.6% notwithstanding continuing investment in digital transformation, in expanding the retail footprint and in growing the insurance business.

Gains were achieved through effective marketing spend benefiting from the new marketing propensity models developed by our data science and analytics teams. The digitalisation of customer service processes has successfully delivered improvements in customers' experience and cost-efficiencies.

Profit conversion was impacted by the lower gross profit margin and higher debtor provision movements. Operating profit decreased by 11.0% to R679 million.

Headline earnings decreased by 14.0% to R455 million and HEPS decreased by 14.1% to 436.0 cents.

Capital and financial risk management

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

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

Distributions to shareholders

Interim

The directors declared an interim dividend of 87 (2018: 95) cents per share, which was paid on Monday, 23 September 2019, to shareholders recorded in the books of the company at the close of business on Friday, 20 September 2019.

Final

The directors declared a final dividend of 79 (2018: 99) cents per share, which will be paid on Monday, 25 May 2020, to shareholders recorded in the books of the company at the close of business on Friday, 22 May 2020.

Stated and share capital

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

Treasury shares and share buy-back transactions

The company has 600 000 treasury shares held by the HomeChoice Development Trust and purchased 375 000 shares during the year in settlement of the group's share forfeiture scheme. Further details are contained in note 13 to the group annual financial statements. The percentage of called up share capital held as treasury shares is 0.6%.

Share incentive schemes

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

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

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

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

Borrowing powers

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

Going concern

The annual financial statements have been prepared on the going concern basis. The directors have reviewed the group's cash flow forecast for the 12 months to 31 December 2020 and, in the light of this review and the current financial position, they are satisfied that the group has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

Events subsequent to the reporting date

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

Auditors

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

By order of the board

G Lartigue
Chief Executive Officer

P Burnett
Finance Director

12 March 2020

INDEPENDENT AUDITOR'S **REPORT**

to the shareholders of HomeChoice International plc

Report on the audit of the financial statements

Our opinion

In our opinion:

- HomeChoice International plc's group financial statements and parent company financial statements (the financial statements) give a true and fair view of the group's and the parent company's financial position as at 31 December 2019, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with IFRSs as issued by the International Accounting Standards Board; and
- the financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

HomeChoice International plc's financial statements, set out on pages 12 to 71, comprise:

- the group and company statements of financial position as at 31 December 2019;
- the group and company statements of comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

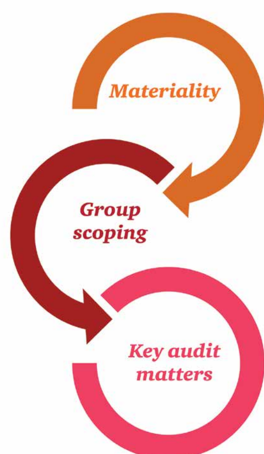
Independence

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

pwc

Our audit approach

Overview



Overall group materiality
R29 100 000 which represents 5% of profit before tax.

Group audit scope
The components in the group include retail, financial services, property and intermediate holding company components. We performed full scope audits over three of the ten components. For the remaining components, we performed a combination of audit of certain account balances and analytical review procedures.

Key audit matter
Impairment of trade and loans receivables in accordance with *IFRS 9, Financial Instruments.*

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

Materiality

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

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

Overall group materiality	R29 100 000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

We agreed with the audit committee that we would report to them misstatements identified during our audit above R1 455 000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITOR'S REPORT

to the shareholders of HomeChoice International plc (continued)

Key audit matters

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

The key audit matter below relates to the group financial statements. We have determined that there are no key audit matters to report in respect of the parent company financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade and loans receivables in accordance with *IFRS 9, Financial Instruments*	
Refer to notes 1.17 – Impairment of financial assets; 1.28 – Significant accounting judgements, estimates and assumptions; 3.3 – Credit risk management and 10 – Trade and other receivables.	
The group has recognised trade receivables at reporting date amounting to R1.6 billion and loans receivable of R1.6 billion. Included in the trade and loans receivables balance are provisions for impairment amounting to R620 million. The impairment of trade and loans receivables was considered to be a matter of most significance to the current year audit due the judgement applied by management and the audit team in assessing the following: • the accuracy of the inputs, assumptions and estimates within the IFRS 9 expected credit loss (ECL) model; • determining whether there has been a significant increase in credit risk (SICR); • assessing the reasonability of the write-off point; and • the assumptions around determining the macro economic variables for forward-looking information. In determining the ECLs on trade and loans receivables, the following has been considered by management: **The accuracy of the inputs, assumptions and estimates within the IFRS 9 ECL model** The IFRS 9 ECL model is based on the loss rate approach, where the loss rate statistics are developed on the basis of the exposure written off over the life of the financial assets rather than using the separate probability of default and loss given default statistics. The estimated exposure at write-off (EAW) is discounted back to the reporting date to calculate the ECL. The projection of the EAW is based on a transition matrix and estimated separately for accounts in Stage 1, 2 or 3 at the reporting date. For each division, the most recent 12 months of data is used to construct the transition matrices. Risk states in the transition matrix provides the probability of accounts moving into various risk states in the next period. The matrices are multiplied out over a 240-month period, post the reporting date, to estimate the EAW. The discount rate is calculated to ensure that the discounted write-off values are equivalent to the difference between the gross carrying amount and the present value of recovery cash flows at the original EIR.	Our audit addressed the impairment of trade and loans receivables as follows: We obtained an understanding of and tested the relevant controls relating to the process over customer approvals and the controls over the review of the ECL model and parameters. **The accuracy of the inputs, assumptions and estimates within the IFRS 9 ECL model** We inspected and assessed the methodology applied by management in their IFRS 9 model documentation which forms the basis of the ECL calculation. We have made use of our actuarial expertise to assess whether the model methodology is in line with the requirements of IFRS 9. We independently recalculated management's impairment estimates based on the historic account level data. The approach was accepted as reasonable, and no material differences were noted in the recalculation. We utilised our actuarial expertise to assess the following: • reasonability of the key assumptions, i.e. effective interest rate, projected credit losses, SICR and forward-looking information applied in the ECL calculation; and • accuracy and completeness of the data used in the calculation. We assessed the principles underlying the ECL calculation, the practical implementation of these principles as well as consistency with current industry best practices, regulatory expectations and the requirements of the standard. To evaluate on the accuracy and completeness of the data, we independently extracted the data from the system and compared it to the data used by management, noting no inconsistencies. Our data testing involved extracting a sample of accounts with various key input fields, such as customer transaction data, including recoveries and sales transactions and other fees or charges and comparing these to the data used in the model. No material exceptions were noted. The EAW was independently reperformed and no material differences were noted.

Key audit matter	How our audit addressed the key audit matter
Significant increase in credit risk (SICR) The impairment methodology applied depends on whether there has been a SICR since initial recognition. SICR is assessed on a monthly basis at a portfolio level for all customers. A financial instrument is considered to have experienced SICR since initial recognition when one or more of the following quantitative, qualitative or backstop criteria has been met: • the customer has not met his or her minimum contractual obligations for at least one month; • the customer applies for or enters into debt review, the customer is allocated a higher risk score category based on the group's various behaviour scorecards, or where the customer has demonstrated a SICR on other group credit products; and • the borrower is more than 30 days past due on their contractual payments. Where a SICR has been identified, the ECL is measured at an amount equal to the lifetime ECL of the receivable. Where there is no SICR the ECL is measured at an amount equal to a 12-month ECL of the receivable. **Write-off policy** The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. This is usually the case when the group's in-house collection department and external collection companies which supplement the group's collection activities are unable to recover outstanding balances. **Forward-looking information** The group has performed historical analysis and identified certain macroeconomic variables correlating with credit losses.	**Significant increase in credit risk (SICR)** Our approach involved an assessment and a full independent reperformance of the following procedures: • As per the data testing above, the model inputs used such as the type of product and the client status were found to be consistent with management's application in the model and methodology. • We tested the staging of the raw data against the most recent customer payment data and noted no material inconsistencies. • We reperformed the application of the SICR criteria, compared it to the actual exposures where SICR was triggered, and found no material variances. • We assessed the reasonability of the SICR criteria by comparing the volume of accounts for which SICR was triggered to historical trends and noted that the volume of accounts triggered for SICR purposes was materially aligned to the historical risk of the portfolio. **Write-off policy** To determine the accuracy of the write-off point, we evaluated management's assessment of historical post write-off recoveries to determine the point at which there was no reasonable expectation of further recovery. Through recalculation, we tested the application of the IFRS 9 write-off policy, including the exclusion of post write-off recoveries from the credit loss estimate. The write-off point was found to be consistent with reference to the post write-off recoveries. **Forward-looking information** We evaluated the reasonability of the key judgemental inputs as well as the statistical validity of the variables used against historical data, in the forward-looking models and different economic scenarios applied, and did not note material differences.

How we tailored our group audit scope

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

The group comprises ten components, of which two are included in the retail operating segment and five are included in the financial services operating segments. The remaining components are spread across the other operating segments. We performed full scope audits over three of the ten components, being one retail and two financial services components. In addition, we performed a combination of audits of certain account balances or analytical review procedures over the remaining operating segments. This, together with additional procedures performed at the group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

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

pwc

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual financial statements for the year ended 31 December 2019, which we obtained prior to the date of this auditor's report and the integrated annual report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

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

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

PricewaterhouseCoopers
78 Mill Street
Qormi
Malta

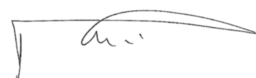
Joseph Camilleri
Partner
12 March 2020

GROUP STATEMENT **OF FINANCIAL POSITION**

at 31 December 2019

	Notes	2019 Rm	2018 Rm
Assets			
Non-current assets			
Property, plant and equipment	4	**471**	464
Intangible assets	5	**169**	116
Right-of-use asset	6	**67**	–
Financial assets at fair value through profit and loss	7	**24**	24
Deferred taxation	8	**2**	1
		733	605
Current assets			
Inventories	9	**349**	304
Taxation receivable		**1**	–
Trade and other receivables	10	**3 188**	2 903
Trade receivables – Retail		**1 581**	1 506
Loans receivable – Financial Services		**1 583**	1 347
Other receivables		**24**	50
Cash and cash equivalents	11	**80**	108
		3 618	3 315
Total assets		**4 351**	3 920
Equity and liabilities			
Equity attributable to equity holders of the parent			
Stated and share capital	12.1	**1**	1
Share premium	12.2	**3 010**	3 005
Reorganisation reserve		**(2 961)**	(2 961)
		50	45
Treasury shares	13	**(18)**	(3)
Other reserves	15	**33**	18
Retained earnings		**2 881**	2 624
Total equity		**2 946**	2 684
Non-current liabilities			
Interest-bearing liabilities	16	**537**	756
Lease liabilities	6	**57**	–
Deferred taxation	8	**51**	66
Other payables	17	**4**	6
		649	828
Current liabilities			
Interest-bearing liabilities	16	**391**	92
Lease liabilities	6	**18**	–
Taxation payable		**16**	46
Trade and other payables	18	**283**	267
Provisions	19	**–**	3
Bank overdraft	11	**48**	–
		756	408
Total liabilities		**1 405**	1 236
Total equity and liabilities		**4 351**	3 920
Additional information			
Rand/Euro exchange rate at 31 December		**0.0635**	0.0607

These financial statements were approved by the board of directors, authorised for issue on 12 March 2020 and signed on its behalf by:



S Portelli
Chairman

P Burnett
Finance Director

GROUP STATEMENT **OF COMPREHENSIVE INCOME**

for the year ended 31 December 2019

	Notes	**2019 Rm**	2018 Rm
Revenue		**3 484**	3 247
Retail sales	20	**1 951**	1 860
Finance income		**1 093**	1 016
Fees from ancillary services	21	**440**	371
Cost of Retail sales		**(1 027)**	(938)
Other operating costs		**(1 785)**	(1 550)
Credit impairment losses	22	**(717)**	(557)
Other trading expenses	22	**(1 068)**	(993)
Other net gains and losses	23	**(1)**	(5)
Other income	24	**8**	9
Operating profit		**679**	763
Interest income		**4**	3
Interest expense		**(101)**	(89)
Share of loss of associates		**–**	(1)
Profit before taxation		**582**	676
Taxation	26	**(127)**	(148)
Profit and total comprehensive income for the year		**455**	528
Earnings per share (cents)			
Basic	27.1	**436.0**	506.8
Diluted	27.2	**428.7**	499.8

GROUP STATEMENT **OF CHANGES IN EQUITY**

for the year ended 31 December 2019

	Stated and share capital Rm	Share premium Rm	Treasury shares Rm	Reorgan-isation reserve Rm	Other reserves Rm	Retained earnings Rm	Equity attributable to owners of the parent Rm
Balance at 1 January 2018	1	3 003	(3)	(2 961)	13	2 320	2 373
Change on initial application of IFRS 9						(11)	(11)
Restated equity at the beginning of the period	1	3 003	(3)	(2 961)	13	2 309	2 362
Changes in equity							
Profit and total comprehensive income for the year	–	–	–	–	–	528	528
Shares issued	–	2	–	–	–	–	2
Dividends paid	–	–	–	–	–	(213)	(213)
Share incentive schemes	–	–	–	–	5	–	5
Total changes	–	2	–	–	5	315	322
Balance at 1 January 2019	**1**	**3 005**	**(3)**	**(2 961)**	**18**	**2 624**	**2 684**
Change on initial application of IFRS 16 (note 1.33)						**(3)**	**(3)**
Restated equity at the beginning of the period	**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 31 December 2019	**1**	**3 010**	**(18)**	**(2 961)**	**33**	**2 881**	**2 946**
Note	12	12	13		15		

GROUP STATEMENT **OF CASH FLOWS**

for the year ended 31 December 2019

	Notes	2019 Rm	2018 Rm
Cash flows from operating activities			
Operating cash flows before working capital changes	28	**718**	776
Movements in working capital	28	**(281)**	(302)
Cash generated from operations	28	**437**	474
Interest received		**4**	3
Interest paid	25	**(93)**	(85)
Taxation paid	29	**(174)**	(156)
Net cash inflow from operating activities		**174**	236
Cash flows from investing activities			
Additions of property, plant and equipment	4	**(44)**	(70)
Proceeds on disposal of property, plant and equipment		**–**	1
Additions of intangible assets	5	**(72)**	(56)
Investment in associates		**–**	14
Financial assets at fair value through profit and loss		**11**	19
Net cash outflow from investing activities		**(105)**	(92)
Cash flows from financing activities			
Proceeds from the issuance of shares		**5**	2
Purchase of shares to settle forfeiture share scheme obligations		**(15)**	–
Proceeds from interest-bearing liabilities	16	**315**	271
Repayments of interest-bearing liabilities	16	**(243)**	(207)
Principal elements of lease payments	6	**(12)**	–
Dividends paid		**(195)**	(213)
Net cash outflow from financing activities		**(145)**	(147)
Net decrease in cash and cash equivalents and bank overdrafts		**(76)**	(3)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**108**	111
Cash, cash equivalents and bank overdrafts at the end of the year	11	**32**	108

Interest received has been included in cash generated from operations. Refer to note 28 for further details.

NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

Group segmental information

	2019					
	Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intragroup Rm
Segmental revenue	3 484	2 613	871	61	–	(61)
Retail sales	1 951	1 951	–	–	–	–
Finance income	1 093	482	611	–	–	–
Fees from ancillary services	440	180	260	61	–	(61)
EBITDA	751	442	362	36	(34)	(55)
Depreciation and amortisation	(73)	(117)	(11)	–	–	55
Interest income	3		3		72	(72)
Interest expense	(68)		(68)		(72)	72
Segmental operating profit	613	325	286	36	(34)	–
Interest income	1	1		–	–	–
Interest expense	(32)	(12)		(20)	–	–
Profit before taxation	582	314	286	16	(34)	–
Taxation	(127)	(68)	(55)	(5)	1	–
Profit after taxation	455	246	231	11	(33)	–
Segmental assets	4 351	2 359	1 725	340	1 211	(1 284)
Segmental liabilities	1 405	1 035	840	253	561	(1 284)
Gross profit margin (%)	47.4	47.4				
Segmental results margin (%)	17.6	12.4	32.8	59.0		
Operating cash flows before working capital changes	718	415	355	36	(33)	(55)
Movements in working capital	(281)	(72)	(212)	–	3	–
Cash generated/(utilised) by operations	437	343	143	36	(30)	(55)
Capital expenditure						
Property, plant and equipment	44	43	1	–	–	–
Intangible assets	72	49	23			

2018					
Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intragroup Rm
3 247	2 501	746	58	–	(58)
1 860	1 860	–	–	–	–
1 016	484	532	–	–	–
371	157	214	58	–	(58)
821	453	357	33	(22)	–
(59)	(54)	(4)	(1)	–	–
3		2		66	(65)
(62)		(63)		(64)	65
703	399	292	32	(20)	–
–	–		–	–	–
(27)	(5)		(22)	–	–
676	394	292	10	(20)	–
(148)	(89)	(60)	(3)	4	–
528	305	232	7	(16)	–
3 920	2 443	1 465	343	704	(1 035)
1 236	583	816	278	594	(1 035)
49.6	49.6				
21.3	16.0	39.1	55.2		
776	418	347	33	(22)	
(302)	(108)	(191)	–	(3)	
474	310	156	33	(25)	
70	68	2	–	–	–
56	45	3	–	8	–

1. Accounting policies

1.1 Presentation of annual financial statements

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

With the exception of IFRS 14, all IFRS issued by the IASB and effective at the beginning of the financial period covered by these consolidated and separate financial statements have been adopted by the EU through the endorsement procedures established by the European Commission. The standards and amendments endorsed by the EU have a different implementation date to that of the IASB.

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

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

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 and its subsidiaries. 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 and loss. The consolidated and separate annual financial statements are expressed in South African Rand (R or ZAR). The principal accounting policies applied in the preparation of these annual financial statements 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.

Mauritian insurance cell

The group entered into a shareholders' agreement for insurance cells domiciled in Mauritius. On the basis that the Mauritius cells are protected and the substance of the arrangements in Mauritius, these cells meet 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.

South African insurance cell

The group has an economic interest in insurance cells domiciled in South Africa. The insurance cell captive satisfies the conditions for classification as financial assets at fair value through profit and loss (refer to note 1.11).

The net profit or loss after tax is accounted for in "fees from ancillary services" in the statement of comprehensive income. The net profit or loss after tax from insurance cell operations is the net insurance result of the investment in insurance contracts.

The net result takes into account insurance premium revenue, insurance claims, salvage and recoveries, acquisition costs, reinsurance and taxes as accounted for by the insurance cell. The amounts are payable to the group in terms of the contract subject to certain liquidity and solvency requirements of the insurance cell.

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 in value. Freehold land is stated at cost less any accumulated impairment in value and is not depreciated. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

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

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

Buildings*	10.0%
Furniture and fittings	4.0% – 33.3%
Office equipment	7.7% – 33.3%
Computer equipment	11.1% – 50.0%
Motor vehicles	25.0%
Plant and machinery	14.3% – 33.3%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (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	10.0% – 33.3%
Computer software	12.5% – 25.0%

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software product include 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 and loss when the asset is derecognised.

1.8 Impairment of non-financial assets

At each reporting date the group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount, being the higher of its fair value less costs of disposal and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the impairment loss being recognised in profit and loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit and loss.

1.9 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

Until the 2019 financial year, leases were classified either as operating leases, where substantially all the risks and rewards associated with ownership of the asset were not transferred from the lessor to the lessee, or classified as a finance lease, where the group substantively assumed all the risks and rewards of ownership. Operating lease payments were recognised as an expense in profit and loss on a straight-line basis over the lease term.

From 1 January 2019 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 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 and 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 the financial services channel. Financial instruments are initially measured at fair value, including transaction costs, when the group becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as fair value through profit and loss are expensed.

Derecognition

A financial asset is derecognised when the contractual rights to receive cash flows from the asset have been transferred or have expired or when substantially all the risks and rewards of ownership have passed. A financial liability is derecognised when the relevant obligation has either been discharged or cancelled or has expired. Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a current legally enforceable right to set off recognised amounts and there is an intention to realise the assets and settle the liabilities on a net basis. Subsequent to initial recognition, these instruments are measured as set out below.

Classification and subsequent measurement

(i) Financial assets

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

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

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

Amortised cost

These are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest and are measured at amortised cost. Interest income from these financial assets is included in finance charges earned using the effective interest rate method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

(a) purchased or originated credit-impaired financial assets. For these financial assets the group applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition; and

(b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For these financial assets, the group applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

Initiation fees which are considered to be an integral part of the effective interest rate are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale using the effective interest rate. Trade receivables are reduced by the deferred portion of these fees.

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

Fair value through profit and loss

These are assets that do not meet the criteria for amortised cost or fair value through other comprehensive income and are measured at fair value through profit and loss.

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

1.12 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.

1.13 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.

1.14 Trade and other payables

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

1.15 Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

1.16 Derivative financial instruments

All derivative financial instruments are classified as financial assets or financial liabilities at fair value through profit or loss.

1.17 Impairment of financial assets

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

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

Note 1.28 provides more detail of how the group determines a significant increase in credit risk and how the expected credit loss allowance is measured.

1.18 Share capital and equity

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

Stated and share capital

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

Share premium

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

Treasury shares

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

1.19 Dividend distribution

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

1.20 Share-based payments

The group operates 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 and loss, with a corresponding adjustment to equity. When the equity instruments are exercised the company issues new shares or settles through releasing existing treasury shares. If issuing new shares the proceeds received, net of any directly attributable transaction costs, are credited to stated capital when the options are exercised.
If settling through the release of existing treasury shares the proceeds received net of any directly attributable transaction costs are credited to retained earnings, with the resulting decrease in treasury shares being debited to same.

The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent stand-alone accounts.

1.21 Provisions and contingencies

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1.22 Revenue recognition

Revenue is recognised at the amount of the transaction price that is allocated to that performance obligation excluding amounts collected on behalf of third parties. Revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. 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 per customers is the disclosed selling price of merchandise for retail sales via our catalogue or digital channels. The only variable consideration is the refund liability which has been separately accounted for under note 1.28.

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 and loans receivable balances. Finance charges and delinquent interest are recognised on the time-proportionate basis using the effective interest rate implicit in the instrument. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.
When calculating the effective interest rate, the group estimates cash flows and includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Initiation fees are charged upfront and are capitalised on initiation of a loan or credit sale. In accordance with *IFRS 9, Financial Instruments* these initiation fees are considered an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale, using the effective interest rate. Trade receivables are reduced by the deferred portion of these fees.

Fees from ancillary services

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

Dividends received

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

1.23 Cost of Retail sales

When inventories are sold the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. Cost of sales includes costs of purchase, 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.

1.24 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.

1.25 Taxation

The income tax expense is determined based on taxable income for the year and includes deferred tax and capital gains tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current taxation

Management periodically evaluates positions taken in tax returns with respect to situations in which tax regulation is subject to interpretation. 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.

1.26 Foreign currency transactions

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

1.27 Segmental reporting

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

- **Retail:** HomeChoice is an omni-channel home-shopping retailer providing a range of homewares and selected apparels and footwear products (under the HomeChoice brand) and technology-related products (under the FoneChoice brand).
- **Financial Services:** The Financial Services segment reflects the results of personal loans and insurance products (under the FinChoice brand).
- **Property:** This segment holds land and buildings which are used by Retail and Financial Services.
- **Other:** Aggregated under Other is the holding company's results.

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

The group has a large, widespread customer base and no individual customer contributes a significant portion of revenue. Sales outside of South Africa are less than 10% of total sales.

The chief operating decision-maker monitors the results of the operating segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They assess the performance of the Retail and Property segments based upon a measure of operating profit and Financial Services and Other segments based on a measure of operating profit after interest income and interest expense. Intersegment pricing is determined on an arm's length basis in a manner similar to transactions with third parties, with the exception of certain intergroup loans, as disclosed in note 2 to the company annual financial statements.

1.28 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 assumptions and estimates underlying the 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 loans receivable as the group expects to settle on a net basis.

Measurement of expected credit loss allowance (ECL)

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

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

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

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

(a) *Significant increase in credit risk (SICR)*

The group considers a financial instrument to have experienced a SICR since the time of initial recognition when one or more 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 one month

Qualitative criteria

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

Backstop

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

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

(b) *Definition of default and credit-impaired assets*

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

Retail

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

Financial Services

- Where a customer has not met his or her minimum contractual obligations for three consecutive months

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

The ECL is measured on either a 12-month or lifetime

basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. The ECL model is based on the loss rate approach, where the loss rate statistics are developed on the basis of the exposure written off over the life of the financial assets rather than using the separate probability of default (PD) and loss given default (LGD) statistics. The estimated exposure at write-off (EAW) is discounted back to the reporting date to calculate the ECL. The projection of the EAW is based on a transition matrix and estimated separately for accounts in Stage 1, 2 or 3 at the reporting date.

For each division, the most recent 12 months of data is used to construct the transition matrices. Risk states in the transition matrix provides the probability of accounts moving into various risk states in the next period. The matrices are multiplied out over a 240-month period, post the reporting date, to estimate the EAW.

The group assesses on a forward-looking basis the ECLs associated with debt instruments carried at amortised cost. ECLs are calculated as the present value of predicted future write-off values. The discount rate is calculated to ensure that the discounted write-off values are equivalent to the difference between the gross carrying amount and the present value of recovery cash flows at the original EIR.

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

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

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

Macroeconomic variables used for Retail include real GDP growth and private consumption rates in South Africa. Macroeconomic variables used for Financial Services include real GDP growth, personal savings and private consumption rates in South Africa. Due to the relative short-term nature of the book and constantly evolving credit criteria being applied the impact of extrapolating the forward-looking information against credit variables was not material, however will continue to be monitored.

(e) Write-off policy

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

Retail

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

Financial Services

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

1.29 Changes in accounting policies

IFRS 16, Leases

This note explains the impact of the adoption of *IFRS 16, Leases* on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16 the group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of *IAS 17, Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.25%.

	2019 Rm
Operating lease commitments disclosed as at 31 December 2018	**67**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(12)**
Lease liability recognised as at 1 January 2019	**55**

The associated right-of-use assets for property leases were measured as if the standard had been applied since the lease commencement dates, but discounted using the incremental borrowing rate at the date of initial application of 10.25%.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increase by R50 million;
- deferred tax assets – increase by R2 million; and
- lease liabilities – increase by R55 million.

The net impact on retained earnings on 1 January 2019 was a decrease of R3 million.

Practical expedients applied

In applying IFRS 16 for the first time the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- *Hindsight is used on transition in determining the lease term where the contract contains options to terminate or extend the lease.*
- *Rather than assessing the right-of-use asset for impairment in terms of IAS 16, an onerous lease assessment was made in terms of IAS 37.*

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group relied on its assessment made applying IAS 17 and *IFRIC 4, Determining Whether an Arrangement Contains a Lease.*

Residual value guarantees

The group does not provide residual value guarantees in relation to leases.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current period

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

- Amendments to *IFRS 9, Financial Instruments* on prepayment features with negative compensation and modification of financial liabilities
- *IFRS 16, Leases*
- *IFRIC 23, Uncertainty over Income Tax Treatments*

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

Standard/interpretation (effective years beginning on or after 1 January 2019)

- Amendments to *IAS 19, Employee Benefits* on plan amendment, curtailment or settlement
- Amendments to *IAS 28, Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures*
- Annual improvements cycle 2015 – 2017

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 16. This is disclosed in note 1.29. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 Standards and interpretations not yet effective but relevant

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2020 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.	The group is currently assessing the impact of IFRS 17. **Transition** IFRS 17 is mandatory for financial years commencing on or after 1 January 2022, subject to being adopted by the EU. At this stage the group does not intend to adopt the standard before its effective date.

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

2. New standards and interpretations (continued)

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:

- Amendment to *IAS 1, Presentation of Financial Statements* and *IAS 8, Accounting Policies: Changes in Accounting Estimates and Errors* on the definition of material
- Amendment to *IFRS 3, Business Combinations* – definition of a business

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.

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 and loss Rm	At amortised cost Rm	Non-financial assets Rm	Total Rm
Assets					
2019					
Current assets					
Trade receivables – Retail	10	**–**	**1 581**	**–**	**1 581**
Loans receivable – Financial Services	10	**–**	**1 598**	**–**	**1 598**
Other receivables	10	**–**	**–**	**49**	**49**
Financial assets at fair value through profit and loss		**24**	**–**	**–**	**24**
Cash at bank	11	**–**	**80**	**–**	**80**
Total		**24**	**3 259**	**49**	**3 332**
Maximum exposure to credit risk			**3 259**		
2018					
Current assets					
Trade receivables – Retail	10	–	1 506	–	1 506
Loans receivable – Financial Services	10	–	1 347	–	1 347
Other receivables	10	–	–	50	50
Financial assets at fair value through profit and loss		24	–	–	24
Cash at bank	11	–	108	–	108
Total		24	2 961	50	3 035
Maximum exposure to credit risk			2 961		

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				
2019				
Non-current liabilities				
Mortgage bonds	16	**187**	**–**	**187**
Suspensive sale agreements	16	**37**	**–**	**37**
Commercial term loan facilities	16	**313**	**–**	**313**
Non-current other payables	17	**4**	**–**	**4**
Current liabilities				
Trade payables	18	**216**	**–**	**216**
Other payables	18	**65**	**2**	**67**
Mortgage bonds	16	**18**	**–**	**18**
Suspensive sale agreements	16	**14**	**–**	**14**
Commercial term loan facilities	16	**359**	**–**	**359**
Bank overdraft	11	**–**	**48**	**48**
Total		**1 213**	**50**	**1 263**
2018				
Non-current liabilities				
Mortgage bonds	16	205	–	205
Suspensive sale agreements	16	29	–	29
Commercial term loan facilities	16	522	–	522
Non-current other payables	17	6	–	6
Current liabilities				
Trade payables	18	214	–	214
Other payables	18	51	2	53
Mortgage bonds	16	15	–	15
Suspensive sale agreements	16	15	–	15
Commercial term loan facilities	16	62	–	62
Total		1 119	2	1 121

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 Financial Services 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. New customers are acquired through Retail and the group customer base has a strong female bias. Females, particularly those buying homeware products, have proven better credit risk than their male counterparts.

In assessing applications for credit, 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 Financial Services. The quality of the customer base is closely monitored and early default models are maintained to detect any signs of early customer default.

The group operates dedicated collections call centres with predictive dialling technology to optimise customer contact. 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 associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group applies the general impairment approach. The group assesses at the end of each reporting period whether the credit risk on a financial instrument has increased significantly since initial recognition.

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

Note 1.28 provides more detail of how the group determines a significant increase in credit risk and how the expected credit loss allowance is measured.

The group establishes an allowance for impairment that represents its estimate of incurred losses using delinquency roll rate models. The estimation of credit losses makes use of detailed models that are used to determine credit impairments. These are complex data-driven models based on account performance over a period of time. A committee consisting of credit risk, finance and company directors review the output of the models to ensure that a consistent and rigorous approach is followed.

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 – Retail	Expected credit loss rate	Basis for recognition of expected credit loss provision (lifetime vs 12 months)	Estimated gross carrying amount at default Rm	Gross carrying amount at 31 Dec 2019 Rm	Net carrying amount at 31 Dec 2019	Basis for calculation of interest revenue
Performing	15.4%	12-month expected credit loss	163	1 218	1 115	Gross carrying amount
Underperforming	45.8%	Lifetime expected credit loss	187	417	300	Gross carrying amount
Non-performing	77.9%	Lifetime expected credit loss	411	312	166	Net carrying amount
Totals			761	1 947	1 581	

Company internal credit rating – Financial Services	Expected credit loss rate	Basis for recognition of expected credit loss provision (lifetime vs 12 months)	Estimated gross carrying amount at default Rm	Gross carrying amount at 31 Dec 2019 Rm	Net carrying amount at 31 Dec 2019	Basis for calculation of interest revenue
Performing	6.2%	12-month expected credit loss	77	1 396	1 331	Gross carrying amount
Underperforming	40.5%	Lifetime expected credit loss	88	247	158	Gross carrying amount
Non-performing	59.0%	Lifetime expected credit loss	90	194	94	Net carrying amount
Totals			255	1 837	1 583	

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

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

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

The loss allowance for trade and loan receivables as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Performing		Underperforming		Non-performing		Total	
Description	**Retail Rm**	**Financial Services Rm**	**Retail Rm**	**Financial Services Rm**	**Retail Rm**	**Financial Services Rm**	**Retail Rm**	**Financial Services Rm**
Opening loss allowance as at 1 January 2018 (Calculated under IFRS 9)	96	27	105	62	125	100	326	189
Movement between stages	(4)	2	(23)	17	27	(19)	–	–
New financial assets originated or purchased	49	19	54	81	96	71	199	171
Change in risk	2	7	5	16	5	3	12	26
Net write-offs and settlements	(60)	(5)	(28)	(68)	(90)	(61)	(178)	(134)
Closing loss allowance as at 31 December 2018	83	50	113	108	163	94	359	252
Movement between stages	**5**	**9**	**5**	**(4)**	**(10)**	**(5)**	**–**	**–**
New financial assets originated or purchased	**48**	**27**	**55**	**54**	**99**	**69**	**202**	**150**
Change in risk	**–**	**4**	**–**	**2**	**3**	**(1)**	**3**	**5**
Net write-offs and settlements	**(33)**	**(25)**	**(56)**	**(71)**	**(109)**	**(57)**	**(198)**	**(153)**
Closing loss allowance as at 31 December 2019	**103**	**65**	**117**	**89**	**146**	**100**	**366**	**254**

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, are expressed as a % 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	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 %**	2018 %
Contractual						
Retail						
Satisfactory paid	**1 387**	1 350	**1 273**	1 224	**8.3**	9.3
Current	**1 082**	1 024	**1 033**	967	**4.6**	5.6
Past due less than 30 days	**305**	326	**240**	257	**21.2**	21.2
Past due 31 – 60 days	**164**	159	**106**	102	**35.0**	35.8
Past due 61 – 90 days	**111**	101	**61**	54	**45.1**	46.5
Past due more than 91 days	**285**	255	**141**	126	**50.6**	50.6
	1 947	1 865	**1 581**	1 506	**18.8**	19.2
Trade receivables gross, net (Rm)	**1 947**	1 865	**1 581**	1 506	**(366)**	(359)

Loans receivable

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

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

	Gross loans receivable		Net loans receivable		Provision as a % of gross loans receivable	
	2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 %**	2018 %
Recency						
Financial Services						
Current	**1 576**	1 386	**1 449**	1 219	**8.1**	12.0
Not paid 1 – 30 days	**138**	118	**85**	86	**38.4**	27.1
Not paid 31 – 60 days	**56**	43	**23**	25	**58.9**	41.9
Not paid more than 61 days	**67**	52	**26**	17	**61.2**	67.3
	1 837	1 599	**1 583**	1 347	**13.8**	15.8
Loans receivable gross, net (Rm)	**1 837**	1 599	**1 583**	1 347	**(254)**	(252)

3. Risk management and financial instrument disclosure (continued)

3.3 Credit risk management (continued)

	2019 %	2018 %
Loan product weighting		
Financial Services		
1-month loan	**8.6**	6.5
6-month loan	**6.3**	5.4
12-month loan	**18.3**	20.0
24-month loan	**42.0**	41.9
36-month loan	**11.9**	10.5
Other	**12.9**	15.8
	100.0	100.1

Trade and loan receivables (accounts 120 days or more contractually in arrears) as a percentage of the trade and loans receivable books at the reporting dates:

	2019 %	2018 %
Retail	**10.2**	9.6
Financial Services	**4.3**	4.1

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

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

3. Risk management and financial instrument disclosure (continued)

3.4 Liquidity risk management

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

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

	Weighted average interest rate %	On demand Rm	1 year Rm	2 years Rm	3 years Rm	4 years Rm	Over 4 years Rm	Total Rm	Carrying value Rm
2019									
Non-interest-bearing liabilities									
Non-current trade and other payables		**–**	**1**	**1**	**1**	**1**	**–**	**4**	**4**
Trade and other payables		**59**	**247**	**–**	**–**	**–**	**–**	**306**	**306**
Interest-bearing liabilities									
Mortgage bonds	**9.49**	**–**	**37**	**38**	**38**	**39**	**133**	**285**	**205**
Suspensive sale agreements	**10.38**	**–**	**18**	**15**	**14**	**11**	**5**	**63**	**51**
Commercial term loan facilities	**9.87**	**–**	**424**	**340**	**–**	**–**	**–**	**764**	**672**
Lease liabilities	**10.25**	**–**	**26**	**26**	**21**	**13**	**5**	**91**	**75**
		59	**753**	**420**	**74**	**64**	**143**	**1 513**	**1 313**
2018									
Non-interest-bearing liabilities									
Non-current other payables		–	1	1	1	1	2	6	6
Trade and other payables		58	217	–	–	–	–	275	267
Financial guarantees		14	–	–	–	–	–	14	14
Interest-bearing liabilities									
Listed bonds									
Mortgage bonds	9.62	–	36	37	38	38	173	322	220
Suspensive sale agreements	10.19	–	18	12	9	8	6	53	44
Commercial term loan facilities	9.99	–	119	264	325	–	–	708	584
		72	391	314	373	47	181	1 378	1 135

3. Risk management and financial instrument disclosure (continued)

3.4 Liquidity risk management (continued)

The group has the following borrowing facilities available:

	2019 Rm	2018 Rm
General banking facilities available	**285.0**	260.7
Guarantees	**14.2**	14.2
Suspensive sale agreements facility available	**85.0**	65.0
	384.2	339.9
Amounts drawn against these facilities	**(156.7)**	(128.5)
Unutilised borrowing facilities at 31 December	**227.5**	211.4

3.5 Market risk management

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

Other price risk management
The group is not exposed to other price risk.

Foreign currency risk management
The group undertakes transactions in foreign currencies, hence exposure to exchange rate fluctuations arise. The majority of these transactions are purchases of inventory from Asia and are denominated in US Dollar. When deemed appropriate by the directors, the group enters into forward exchange contracts to assist in managing its foreign currency exposure and economically hedge the exchange risk.

The group had foreign liabilities at 31 December 2019 amounting to R7 million (2018: R14 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. 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	
	2019 Rm	2018 Rm
15% appreciation in ZAR/USD exchange rates	**1.2**	1.5
15% depreciation in ZAR/USD exchange rates	**(1.2)**	(1.5)

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

	2019 Rm	2018 Rm
Cash and cash equivalents	**0.1**	0.7
Trade and other payables	**7.0**	14.1
Bank overdraft	**4.4**	–

3. Risk management and financial instrument disclosure (continued)

3.5 Market risk management (continued)

Interest rate risk management

At year-end the group's interest-bearing assets and liabilities comprised trade and loan receivables, cash and cash equivalents, borrowings from the bank and suspensive sale agreements. All interest-bearing assets and liabilities are sensitive to fluctuations in interest rates, except for trade and loan receivables, where the interest rate is fixed at the time of entering into an agreement with the customer.

The group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on the profit after taxation based on the group's exposure at 31 December. The group regards a 100 basis point (2018: 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	**2019 Rm**	2018 Rm
Cash and cash equivalents	+100	**0.6**	0.9
	-100	**(0.6)**	(0.9)
Bank overdraft	+100	**0.3**	–
	-100	**(0.3)**	–
Borrowings from the bank	+100	**(1.5)**	(5.8)
	-100	**1.5**	5.8
Suspensive sale agreement	+100	**(0.4)**	(0.3)
	-100	**0.4**	0.3
Commercial term loan facilities	+100	**(4.8)**	(4.2)
	-100	**4.8**	4.2

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.

The fair value of financial assets and liabilities are determined as follows:

- Cash and cash equivalents, trade and other payables: The carrying amounts reported in the statement of financial position approximate fair values because of the short-term maturities of these assets and liabilities.
- Borrowings: The carrying amounts reported in the statement of financial position approximate fair values. Fair values of debt instruments issued by the group and other borrowings are estimated using discounted cash flow models based on prevailing market rates for similar types of borrowings, with maturities consistent with those remaining for the debt instruments being valued.
- Trade and loan receivables: The carrying amounts reported in the statement of financial position approximate fair values. Discounted cash flow models are used for trade and loan receivables. The discount yields in these models use calculated rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, credit risk, collateral and interest rates.
- South African cell captives: The carrying amounts reported in the statement of financial position approximate fair values. The carrying value is the net asset value of the cells.

3.7 Insurance risk

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

4. Property, plant and equipment

	2019			2018		
	Cost Rm	Accumulated depreciation Rm	Carrying value Rm	Cost Rm	Accumulated depreciation Rm	Carrying value Rm
Land and buildings	**351**	**(12)**	**339**	351	(12)	339
Motor vehicles	**6**	**(4)**	**2**	6	(3)	3
Computer equipment	**85**	**(63)**	**22**	77	(51)	26
Equipment, furniture, fittings and plant	**186**	**(78)**	**108**	150	(54)	96
Total	**628**	**(157)**	**471**	584	(120)	464

Analysis of movements

	Opening balance Rm	Additions Rm	Depreciation Rm	Closing balance Rm
2019				
Land and buildings	**339**	**–**	**–**	**339**
Motor vehicles	**3**	**–**	**(1)**	**2**
Computer equipment	**26**	**8**	**(12)**	**22**
Equipment, furniture, fittings and plant	**96**	**36**	**(24)**	**108**
Total	**464**	**44**	**(37)**	**471**
2018				
Land and buildings	340	–	(1)	339
Motor vehicles	1	3	(1)	3
Computer equipment	32	9	(15)	26
Equipment, furniture, fittings and plant	56	58	(18)	96
Total	429	70	(35)	464

Land and buildings comprise:

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

The carrying value of property, plant and equipment subject to suspensive sale agreements (refer to note 16) as at 31 December 2019 was R37 million (2018: R34 million).

Included in property, plant and equipment are assets with a cost of R42 million (2018: R35 million) that are in use but fully depreciated.

Land and buildings include a carrying value of R339 million (2018: R339 million) currently encumbered as shown in note 16.

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

- equipment, furniture and fittings and plant with a cost of R4 million (2018: R2 million) and accumulated depreciation of R4 million (2018: R2 million); and
- computer equipment with a cost of R4 million (2018: R5 million) and accumulated depreciation of R4 million (2018: R5 million).,

5. Intangible assets

	2019			2018		
	Cost Rm	**Accumulated amortisation Rm**	**Carrying value Rm**	Cost Rm	Accumulated amortisation Rm	Carrying value Rm
Licences	**25**	**(24)**	**1**	24	(22)	2
Computer software	**293**	**(125)**	**168**	222	(108)	114
Total	**318**	**(149)**	**169**	246	(130)	116

Analysis of movements

	Opening balance Rm	Additions Rm	Amortisation Rm	Closing balance Rm
2019				
Licences	**2**	**1**	**(2)**	**1**
Computer software	**114**	**71**	**(17)**	**168**
Total	**116**	**72**	**(19)**	**169**
2018				
Licences	4	2	(4)	2
Computer software	82	54	(22)	114
Total	86	56	(26)	116

Included in intangibles is internally generated software with a carrying value of R80 million (2018: R89 million). Included in intangible assets are assets with a cost of R52 million (2018: R78 million) that are in use but fully amortised, and development costs of R85 million (2018: R46 million) incurred on assets which have not yet been brought into use by the group and have not been amortised.

6. Right-of-use assets

	2019 Rm	2018 Rm
Right-of-use assets		
Buildings	**67**	–
Lease liabilities		
Current	**18**	–
Non-current	**57**	–
	75	–

In the previous year the group only realised lease assets in relation to leases that were classified as "finance leases" under *IAS 17, Leases*. For adjustments recognised on adoption of IFRS 16 on 1 January 2019, refer to note 1.33.

	2019 Rm	2018 Rm
Analysis of movements		
Opening balance on 1 January 2019	**–**	–
Recognition of right-of-use assets on adoption of IFRS 16	**50**	–
Additions	**34**	–
Depreciation	**(17)**	–
Closing balance on 31 December 2019	**67**	–
The statement of profit and loss shows the following amounts relating to leases:		
Depreciation charge of right-of-use assets	**17**	–
Interest expense (included in finance cost)	**6**	–
	23	–
The cash outflow for leases is as follows:		
Lease liabilities	**12**	–
Interest	**6**	–
	18	–

An analysis of future lease commitments is included under note 3.4

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

7. Financial assets at fair value through profit and loss

	2019 Rm	2018 Rm
Financial assets at fair value through profit and loss	**24**	24

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

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

	2019 Rm	2018 Rm
Opening balance	**24**	30
Investment	**3**	–
Return of capital	**(14)**	(19)
Movement in insurance cell assets	**11**	2
Movement in insurance cell liabilities	**(3)**	11
Closing balance	**24**	24

8. Deferred taxation

	2019 Rm	2018 Rm
The analysis of deferred tax assets and liabilities is as follows:		
Deferred tax assets	**2**	1
Deferred tax liabilities	**(51)**	(66)
Net deferred tax liabilities	**(49)**	(65)
The gross movements on the deferred income tax account are as follows:		
At 1 January	**(65)**	(120)
Charged to profit and loss	**16**	55
At 31 December	**(49)**	(65)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provisions Rm	Other Rm	Total Rm
Deferred tax assets			
At 1 January 2018	13	5	18
Charged to profit and loss	(9)	(2)	(11)
At 31 December 2018	4	3	7
Charged to profit and loss	–	(3)	(3)
At 31 December 2019	**4**	**–**	**4**

8. Deferred taxation (continued)

	Accelerated tax wear and tear allowances Rm	Debtors' provisions and allowances Rm	Total Rm
Deferred tax liabilities			
At 1 January 2018	(42)	(96)	(138)
Charged to profit and loss	2	64	66
At 31 December 2018	(40)	(32)	(72)
Charged to profit and loss	(5)	24	19
At 31 December 2019	**(45)**	**(8)**	**(53)**

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

	2019 Rm	2018 Rm
Merchandise for resale	**310**	286
Provision for inventory obsolescence	**(18)**	(15)
Goods in transit	**57**	33
	349	304

The cost of inventory sold at less than cost during the current year amounted to R25 million (2018: R29 million).

10. Trade and other receivables

	2019 Rm	2018 Rm
Trade receivables – Retail	**1 947**	1 865
Provision for impairment	**(366)**	(359)
	1 581	1 506
Loans receivable – Financial Services	**1 837**	1 599
Provision for impairment	**(254)**	(252)
	1 583	1 347
Other receivables	**24**	50
Total trade and other receivables	**3 188**	2 903
Total trade and loan receivables	**3 784**	3 464
Provision for impairment	**(620)**	(611)
Other receivables	**24**	50
Movements in the provision for impairment were as follows:		
Retail		
Opening balance	**(359)**	(320)
Change on initial application of IFRS 9	**–**	(64)
Restated opening balance	**(359)**	(384)
Movement in provision (excluding disposals)	**(36)**	25
Credit impairment costs charged to profit and loss	**(432)**	(372)
Debts written off during the year, net of recoveries	**396**	397
Sale of debt review book	**29**	–
Closing balance	**(366)**	(359)
Financial Services		
Opening balance	**(252)**	(189)
Change on initial application of IFRS 9	**–**	(38)
Restated opening balance	**(252)**	(227)
Movement in provision	**(97)**	(25)
Credit impairment costs charged to profit and loss	**(285)**	(185)
Debts written off during the year, net of recoveries	**188**	160
Sale of debt review book	**95**	–
Closing balance	**(254)**	(252)

Trade and loan receivables have repayment terms of between one and 36 months. Included in trade and loan receivables are amounts approximating R972 million (2018: R806 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 receivables is a refund liability for expected returns of R10 million. (2018: R12 million).

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

11. Cash and cash equivalents

	2019 Rm	2018 Rm
Cash at bank	**80**	108
Bank overdraft	**48**	–

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:

	2019 Rm	2018 Rm
Cash and cash equivalents	**80**	108
Bank overdraft	**(48)**	–
	32	108

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

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

Included in cash and cash equivalents is restricted cash of R43 million (2018: R38 million).

12. Stated capital, share capital and share premium

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

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

12.1 Stated and share capital

	2019 Rm	2018 Rm
Authorised		
200 000 000 (2018: 200 000 000) ordinary shares at one cent par value	**2**	2
Issued		
105 376 146 (2018: 104 909 401) ordinary shares at one cent par value	**1**	1
Stated and share capital	**1**	1

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

12.1 Stated and share capital (continued)

	2019 Millions	2018 Millions
Reconciliation of movement in issued shares:		
Number of issued shares at the beginning of the year	**104.9**	104.8
Shares issued	**0.5**	0.1
Sub-total	**105.4**	104.9
Treasury shares held within the group	**(1.0)**	(0.6)
Number of issued shares, net of treasury shares	**104.4**	104.3
Treasury shares as a % of issued shares	**1.0**	0.6

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.

12.2 Share premium

	2019 Rm	2018 Rm
Balance at the beginning of the year	**3 005**	3 003
Share issue	**5**	2
Balance at the end of the year	**3 010**	3 005

13. Treasury shares

	2019 Rm	2018 Rm
Reconciliation of movement of treasury shares:		
Balance at the beginning of the year	**(3)**	(3)
Purchase of shares to settle forfeiture share scheme obligations	**(15)**	–
Balance at the end of the year	**(18)**	(3)

	Millions	Millions
Number of shares:		
Balance at the beginning of the year	**0.6**	0.6
Purchase of shares to settle forfeiture share scheme obligations	**0.4**	–
Balance at the end of the year	**1.0**	0.6

375 000 shares were acquired on the market at an average price of R37.79 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:

	2019		2018	
	Average exercise price per share (cents)	**Number of options**	Average exercise price per share (cents)	Number of options
At 1 January	**2 420**	**2 361 785**	2 121	2 296 239
Options granted during the year	**3 500**	**259 600**	4 414	324 950
Options forfeited during the year	**3 481**	**(300 785)**	3 504	(105 904)
Options exercised during the year	**1 159**	**(466 745)**	1 422	(153 500)
At 31 December	**2 717**	**1 853 855**	2 420	2 361 785

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

	2019		2018	
	Average exercise price per share (cents)	**Number of options**	Average exercise price per share (cents)	Number of options
2016	**1 064**	**213 095**	1 064	229 000
2017	**1 120**	**74 160**	1 025	360 000
2018	**1 446**	**329 500**	1 445	494 500
2019	**3 370**	**249 500**	3 361	311 500
2020	**2 800**	**370 500**	2 849	477 535
2021	**3 500**	**140 000**	3 500	195 000
2022	**4 414**	**232 000**	4 414	294 250
2023	**3 500**	**245 100**		
	2 717	**1 853 855**	2 420	2 361 785

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 2019	2018
31 March 2012	Vested	1 064	82	**4 000**	4 000
29 June 2012	Vested	1 064	76	**209 095**	225 000
20 March 2013	Vested	1 000	160	**14 160**	300 000
20 March 2013	Vested	1 388	121	**10 000**	10 000
27 August 2013	Vested	1 100	83	**50 000**	50 000
31 March 2014	Vested	1 444	92	**322 500**	487 500
30 September 2014	Vested	1 528	105	**7 000**	7 000
20 March 2015	Vested	3 370	663	**249 500**	261 500
1 June 2015	Vested	3 311	668	**–**	50 000
1 May 2016	1 May 2020	2 800	598	**370 500**	399 700
1 July 2016	1 July 2020	3 100	673	**–**	77 835
22 March 2017	22 March 2021	3 500	789	**140 000**	195 000
31 March 2018	31 March 2022	4 414	1 009	**232 000**	294 250
15 May 2019	31 March 2023	3 500	741	**245 100**	–
Balance at the end of the year				**1 853 855**	2 361 785

The options were valued using a binomial model and assume an option life equivalent to the vesting period. Other valuation assumptions include expected volatility between 25.09% and 32.18% (based on a 12-month historical analysis of the company and similar entities), a dividend yield of between 3.35% and 11.08% and a risk-free interest rate of between 5.66% and 8.74%.

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.

	2019		2018	
	Average exercise price per share (cents)	**Number of shares**	Average exercise price per share (cents)	Number of shares
At 1 January	**3 658**	**1 063 800**	3 625	915 000
Forfeitable shares awarded during the year	**3 995**	**563 246**	3 800	198 800
Forfeitable shares vested during the year	**4 000**	**(36 364)**	–	–
Forfeitable shares forfeited during the year	**3 649**	**(61 200)**	3 625	(50 000)
At 31 December	**3 774**	**1 529 482**	3 658	1 063 800

Analysis of options outstanding:

Date of offer	Vesting date	Market value (cents)	Fair value at grant date (cents)	**Number of shares**	
				2019	2018
4 May 2017	4 May 2021	3 625	3 625	**815 000**	865 000
23 October 2018	31 March 2022	3 800	3 800	**187 600**	198 800
4 April 2019	31 March 2023	3 995	3 995	**406 200**	–
19 October 2019	1 May 2020	4 000	4 000	**20 000**	–
28 June 2019	30 September 2020	4 000	4 000	**40 682**	–
1 September 2019	31 March 2023	4 000	4 000	**60 000**	–
Balance at the end of the year				**1 529 482**	1 063 800

Total expenses of R15 million (2018: R11 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 2018	13
Share-based payment charge to profit and loss	5
Balance at 31 December 2018	**18**
Share-based payment charge to profit and loss	**15**
Balance at 31 December 2019	**33**

16. Interest-bearing liabilities

	2019 Rm	2018 Rm
Long-term portion		
Mortgage bonds	**187**	205
Suspensive sale agreements	**37**	29
Commercial term loan facilities	**313**	522
Total non-current interest-bearing liabilities	**537**	756
Short-term portion payable within one year		
Mortgage bonds	**18**	15
Suspensive sale agreements	**14**	15
Commercial term loan facilities	**359**	62
Total current interest-bearing liabilities	**391**	92
Total interest-bearing liabilities	**928**	848

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 seven years (2018: eight years). The FirstRand mortgage bond is repayable over six years (2018: seven years) at the one-month Jibar rate plus 2.80%.

Movements in mortgage bonds were as follows:

	2019 Rm	2018 Rm
Opening balance	**220**	211
Borrowings raised	**–**	101
Interest and administration fees	**20**	18
Capital payments made	**(15)**	(91)
Interest payments made	**(20)**	(19)
Closing balance	**205**	220

16. Interest-bearing liabilities (continued)

Suspensive sale agreements

Suspensive sale agreements are instalment sale agreements which the group has entered into in respect of certain property, plant and equipment where the assets purchased are encumbered as security for the outstanding liability until such time that the liability is discharged. The suspensive sale agreements are repayable in monthly instalments of R1.6 million (2018: R1.6 million) including interest and capital.

Interest rates are linked to the prime overdraft rate and varied between 7.95% and 11.00% (2018: 8.20% and 11.00%) during the year. There were no breaches in payments during the current or prior year. The suspensive sale agreements are secured over various items of property, plant and equipment as indicated in note 4.

Movements in suspensive sale agreements were as follows:

	2019 Rm	2018 Rm
Opening balance	**44**	27
Borrowings raised	**22**	32
Interest and administration fees	**4**	2
Capital payments made	**(15)**	(15)
Interest payments made	**(4)**	(2)
Closing balance	**51**	44

Commercial term loan facilities

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

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

Movements in commercial term loan facilities were as follows:

	2019 Rm	2018 Rm
Opening balance	**584**	544
Borrowings raised	**293**	138
Interest and administration fees	**63**	57
Capital payments made	**(213)**	(101)
Interest payments made	**(58)**	(57)
Finance-raising costs amortised	**3**	3
Closing balance	**672**	584

17. Other payables

Non-current

	2019 Rm	2018 Rm
Amounts owed to customer prize winners payable in excess of 12 months	**4**	6

18. Trade and other payables

	2019 Rm	2018 Rm
Current		
Trade payables	**216**	214
Annual leave pay accrual	**9**	8
Value-added taxation and employee-related accruals	**9**	12
Other payables	**49**	33
	283	267

19. Provisions

	Opening balance Rm	Utilised during the year Rm	Raised Rm	Closing balance Rm
Analysis of movements				
2019				
Bonus	**–**	**–**	**–**	**–**
Ex-gratia payment	**3**	**(3)**	**–**	**–**
	3	**(3)**	**–**	**–**
2018				
Bonus	38	(38)	–	–
Ex-gratia payment	–	–	3	3
	38	(38)	3	3

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

	2019 Rm	2018 Rm
20. Retail sales		
Retail sales are disaggregated as follows:		
Home textiles	**1 249**	1 118
Appliances and electronics	**635**	675
Fashion and footwear	**67**	67
	1 951	1 860

Retail sales are settled at a point in time.

21. Fees from ancillary services

	2019 Rm	2018 Rm
Service fees	**262**	228
Insurance fees	**154**	126
Other	**24**	17
	440	371

Service fees are settled over time.

22. Total trading expenses

	2019 Rm	2018 Rm
Expenses by nature		
Credit impairment losses		
Trade receivables – Retail	**432**	372
Loans receivable – Financial Services	**285**	185
Total credit impairment losses	**717**	557
Auditor's remuneration	**5**	4
Audit-related services	**5**	3
Other non-audit services	**–**	1
Amortisation of intangible assets	**19**	25
Depreciation of property, plant and equipment and right-of-use assets	**54**	34
Operating lease charges for immovable property	**–**	3
Total operating lease charges	**–**	8
Less: disclosed under cost of Retail sales	**–**	(5)
Marketing costs	**243**	252
Staff costs: short-term employee benefits	**434**	411
Total staff costs	**509**	485
Less: disclosed under cost of Retail sales	**(35)**	(38)
Less: staff costs capitalised to intangible assets	**(40)**	(36)
Other costs	**313**	264
Total other trading expenses	**1 068**	993
	1 785	1 550

23. Other net gains and losses

	2019 Rm	2018 Rm
Foreign exchange losses	**(1)**	(4)
Impairment of investment in associate	**–**	(1)
	(1)	(5)

24. Other income

	2019 Rm	2018 Rm
Prescription of trade and loans receivables	**5**	6
Other	**3**	3
	8	9

25. Interest paid

	2019 Rm	2018 Rm
Bank borrowings	**5**	7
Mortgage bonds	**20**	19
Suspensive sale agreements	**4**	2
Right-of-use assets	**6**	–
Commercial term loan facilities	**58**	57
Total interest paid	**93**	85

26. Taxation

	2019 Rm	2018 Rm
Income taxation		
Current year	**(146)**	(156)
Adjustments for current tax of prior periods	**–**	(48)
Deferred taxation		
Increase/(decrease) in deferred tax assets	**1**	(11)
Decrease in deferred tax liabilities	**15**	67
	(130)	(148)

	%	%
Reconciliation of effective taxation rate:		
Standard taxation rate	**28.0**	28.0
Non-deductible expenditure	**0.7**	1.0
Withholding tax on interest	**2.4**	1.6
Effect of foreign income tax rates	**(9.3)**	(8.7)
Effective taxation rate	**21.8**	21.9

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:

	2019 Rm	2018 Rm
Profit for the year	**455**	528
Adjusted for the after-tax effect of:		
Impairment of investment in associate and other	**–**	1
Share of impairment of property, plant and equipment of associate	**–**	–
Headline earnings	**455**	529
Weighted average number of ordinary shares in issue	**104 363 945**	104 190 997
Earnings per share (cents)		
Basic	**436.0**	506.8
Headline	**436.0**	507.7

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:

	2019	2018
Weighted average number of ordinary shares in issue	**104 363 945**	104 190 997
Number of shares issuable under the share option scheme for no consideration	**1 760 727**	1 440 761
Diluted weighted average number of ordinary shares in issue	**106 124 672**	105 631 758
Earnings per share (cents)		
Diluted	**428.7**	499.8
Diluted headline	**428.7**	500.8

	2019 Rm	2018 Rm
28. Reconciliation of cash generated from operations		
Profit before taxation	**582**	676
Deduct finance income earned	**(1 093)**	(1 016)
Add back finance income received	**1 055**	983
Share of loss of associate	**–**	1
Profit from insurance cells	**(11)**	(13)
Depreciation and amortisation	**73**	59
Share-based employee service expense	**15**	5
Exchange profits on foreign exchange contracts	**–**	(5)
Interest paid	**101**	89
Interest received	**(4)**	(3)
Operating cash flows before working capital changes	**718**	776
Movements in working capital	**(281)**	(302)
Increase in inventories	**(45)**	(47)
Increase in trade receivables – Retail	**(47)**	(38)
Increase in loans receivable – Financial Services	**(226)**	(173)
Decrease/(increase) in other receivables	**26**	(35)
Increase in trade and other payables	**14**	26
Decrease in provisions	**(3)**	(35)
	437	474

In the prior year the group disclosed that finance income earned approximated finance income received. The above split has now been shown in more detail in the note above for comparative purposes.

	2019 Rm	2018 Rm
29. Taxation paid		
Amounts owing at the beginning of the year	**(46)**	(4)
Amounts charged to profit and loss	**(127)**	(148)
Current taxation	**(130)**	(156)
Deferred taxation	**3**	8
Deferred taxation movement	**(16)**	(50)
Amounts owing at the end of the year	**15**	46
	(174)	(156)

	2019	2018
30. Distributions per share		
Distributions proposed/paid (cents per share)	**166.0**	194.0
Interim	**87.0**	95.0
Final	**79.0**	99.0

31. Commitments

	2019 Rm	2018 Rm
Properties		
Payable within one year	**37**	16
Payable between two and five years	**248**	51
	285	67
Lease liabilities for right-of-use assets		
Payable within one year	**3**	–
Payable between two and five years	**7**	–
	10	–

Leases are contracted for periods not exceeding five years and contain escalation clauses of between 8% and 9% and renewal options.

	2019 Rm	2018 Rm
Suspensive sale agreements		
Payable within one year	**23**	22
Payable between two and five years	**51**	41
	74	63
Future finance charges on suspensive sale agreements	**(23)**	(19)
	51	44
Capital commitments for property, plant and equipment and intangible assets:		
Approved by the directors	**6**	3
	6	3

32. Related party transactions

Holding company

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

Subsidiaries, associates and related trusts

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

Other related parties

Provident fund

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

	2019 Rm	2018 Rm
Contributions to the provident fund	**29**	27

Remuneration

Details regarding executive and non-executive directors' remuneration are disclosed in note 33.

Interest of directors in the share capital of the company

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

Shirley Maltz, an executive director of HIL, has a direct beneficial interest in 565 249 shares (including 318 300 forfeitable shares) (2018: 492 344 shares).

Paul Burnett, an executive director of HIL, has a direct beneficial interest in 87 500 shares (including 47 500 forfeitable shares) (2018: 67 500 shares).

Amanda Chorn, an independent non-executive director of HIL, has an indirect beneficial interest in 50 000 shares (2018: 50 000 shares).

There has been no changes to the above since 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 33).

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:

	2019 Rm	2018 Rm
Remuneration	**37**	40
Bonuses	**–**	–
Share-based payment cost	**14**	10
Retirement	**3**	3
	54	53

33. Remuneration

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

				Short-term remuneration				Long-term remuneration	
				Guaranteed pay		Variable		Variable	
	Notes	Directors' fees R'000	Fees earned from subsidiary companies R'000	Salary R'000	Benefits[1] R'000	Performance bonus R'000	Remuneration R'000	Value of equity-settled share-based incentives granted[2] R'000	Gains realised on share options vesting R'000
2019									
Executive directors									
Gregoire Lartigue		**–**	**–**	**340**	**–**	**–**	**340**	**–**	**–**
Shirley Maltz		**–**	**–**	**4 318**	**432**	**–**	**4 750**	**2 763**	**379**
Paul Burnett		**–**	**–**	**1 827**	**825**	**–**	**2 652**	**417**	**–**
		–	**–**	**6 485**	**1 257**	**–**	**7 742**	**3 180**	**379**
Non-executive directors									
Stanley Portelli		**174**	**–**	**–**	**–**	**–**	**174**	**–**	**–**
Amanda Chorn		**126**	**186**	**–**	**–**	**–**	**312**	**–**	**–**
Richard Garratt	3	**126**	**6 895**	**–**	**–**	**–**	**7 021**	**–**	**–**
Eduardo Gutierrez-Garcia	4	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Robert Hain		**126**	**–**	**–**	**–**	**–**	**126**	**–**	**–**
Pierre Joubert		**361**	**–**	**–**	**–**	**–**	**361**	**–**	**–**
Charles Rapa		**141**	**–**	**–**	**–**	**–**	**141**	**–**	**–**
		1 054	**7 081**	**–**	**–**	**–**	**8 135**	**–**	**–**
Total		**1 054**	**7 081**	**6 485**	**1 257**	**–**	**15 877**	**3 180**	**379**
2018									
Executive directors									
Gregoire Lartigue		–	–	329	–	–	329	–	–
Shirley Maltz		–	–	3 969	397	–	4 366	1 853	–
Paul Burnett		–	–	1 674	628	–	2 302	272	–
		–	–	5 972	1 025	–	6 997	2 125	–
Non-executive directors									
Stanley Portelli		164	–	–	–	–	164	–	–
Amanda Chorn		113	179	–	–	–	292	–	–
Richard Garratt	3	113	8 992	–	–	–	9 105	–	–
Eduardo Gutierrez-Garcia	4	–	–	–	–	–	–	–	–
Robert Hain		113	–	–	–	–	113	–	–
Charles Rapa		133	–	–	–	–	133	–	–
		636	9 171	–	–	–	9 807	–	–
Total		636	9 171	5 972	1 025	–	16 804	2 125	–

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. *Richard Garratt has a consultancy agreement with a South African subsidiary from which he earns consultancy fees and other related benefits.*
4. *Eduardo Gutierrez, as a representative of ADP II Holdings 3 Limited on the HIL board, does not earn any directors' fees.*
5. *The disclosed remuneration is based on an earned basis.*

33. Remuneration (continued)

Share-based incentives outstanding as at 31 December 2019 have the following vesting date and exercise prices:

Director	Award date	Vesting date	Number of share options awarded	Number of forfeiture shares awarded	Strike price (Rand)	Exercised during the year	Unvested and/or unexercised options at the end of the year
Shirley Maltz	23 June 2012	23 June 2016	195 000	–	10.64	15 905	179 095
	27 Aug 2013	27 Aug 2017	50 000	–	11.00		50 000
	31 March 2014	31 March 2018	100 000	–	14.44		100 000
	20 March 2015	20 March 2019	40 500	–	33.70		40 500
	1 May 2016	1 May 2020	52 000	–	28.00		52 000
	4 May 2017	4 May 2021	–	150 000	–		150 000
	23 October 2018	31 March 2022	–	48 300	–		48 300
	4 April 2019	31 March 2023	–	120 000			120 000
			437 500	318 300		15 905	739 895
Paul Burnett	20 March 2015	20 March 2019	12 000	–	33.70		12 000
	1 May 2016	1 May 2020	12 000	–	28.00		12 000
	4 May 2017	4 May 2021	–	20 000	–		20 000
	23 October 2018	31 March 2022	–	7 500	–		7 500
	4 April 2019	31 March 2023	–	20 000			20 000
			24 000	47 500		–	71 500

34. Events after the reporting date

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

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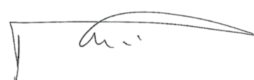
COMPANY STATEMENT **OF FINANCIAL POSITION**

at 31 December 2019

	Notes	2019 Rm	2018 Rm
Assets			
Non-current assets			
Investment in subsidiaries	1	**176.3**	162.6
Intercompany loans	2	**159.2**	–
		335.5	162.6
Current assets			
Intercompany loans	2	**–**	158.5
Other receivables		**0.7**	0.3
Cash and cash equivalents	3	**0.9**	0.6
		1.6	159.4
Total assets		**337.1**	322.0
Equity and liabilities			
Share capital	4.1	**1.1**	1.0
Share premium	4.2	**3 010.2**	3 004.8
Reorganisation reserve	4.3	**(2 837.3)**	(2 837.3)
Other reserves	5	**33.1**	19.3
Retained earnings		**128.0**	131.8
Total equity		**335.1**	319.6
Current liabilities			
Other payables	6	**2.0**	2.4
Total liabilities		**2.0**	2.4
Total equity and liabilities		**337.1**	322.0
Additional information			
Rand/Euro exchange rate		**0.0635**	0.0607

These financial statements were approved by the board of directors on 12 March 2020 and signed on its behalf by:



S Portelli
Chairman

P Burnett
Finance Director

COMPANY STATEMENT **OF COMPREHENSIVE INCOME**

for the year ended 31 December 2019

	Notes	2019 Rm	2018 Rm
Dividends received		**196.3**	228.7
Operating expenses	7	**(4.6)**	(3.9)
Interest received		**0.2**	0.1
Profit before taxation		**191.9**	224.9
Taxation	8	**(0.1)**	–
Total comprehensive income for the year		**191.8**	224.9

COMPANY STATEMENT **OF CHANGES IN EQUITY**

for the year ended 31 December 2019

	Share capital Rm	Share premium Rm	Reorganisa-tion reserve Rm	Other reserves Rm	Retained earnings Rm	Total equity Rm
Balance at 1 January 2018	1.0	3 002.7	(2 837.3)	13.9	120.6	300.9
Changes in equity	–	2.1	–	5.4	11.2	18.7
Issue of shares	–	2.1	–	–	–	2.1
Dividend paid	–	–	–	–	(213.7)	(213.7)
Share incentive schemes	–	–	–	5.4	–	5.4
Profit for the year	–	–	–	–	224.9	224.9
Balance as at 31 December 2018	1.0	3 004.8	(2 837.3)	19.3	131.8	319.6
Balance at 1 January 2019	**1.0**	**3 004.8**	**(2 837.3)**	**19.3**	**131.8**	**319.6**
Changes in equity	**–**	**5.4**	**–**	**13.8**	**(3.8)**	**15.5**
Issue of shares	**0.1**	**5.4**	**–**	**–**	**–**	**5.5**
Dividend paid	**–**	**–**	**–**	**–**	**(195.6)**	**(195.6)**
Share incentive schemes	**–**	**–**	**–**	**13.8**	**–**	**13.8**
Profit for the year	**–**	**–**	**–**	**–**	**191.8**	**191.8**
Balance as at 31 December 2019	**1.1**	**3 010.2**	**(2 837.3)**	**33.1**	**128.0**	**335.1**
Note	4.1	4.2	4.3	5		

COMPANY STATEMENT **OF CASH FLOWS**

for the year ended 31 December 2019

	Notes	**2019 Rm**	2018 Rm
Cash flows from operating activities			
Operating cash flows before working capital changes	14	**(4.6)**	(3.9)
(Decrease)/increase in other receivables		**(0.3)**	0.1
(Decrease)/increase in other payables		**(0.4)**	0.8
Net cash outflow from operations		**(5.3)**	(3.0)
Interest received		**0.2**	0.1
Taxation paid		**(0.1)**	–
Dividends received		**196.3**	228.7
Net cash inflow from operating activities		**191.1**	225.8
Cash flows from investing activities			
Intercompany loans advanced		**(0.7)**	(14.3)
Net cash outflows from investing activities		**(0.7)**	(14.3)
Cash flows from financing activities			
Proceeds from the issuance of shares		**5.5**	2.1
Dividends paid		**(195.6)**	(213.7)
Net cash outflow from financing activities		**(190.1)**	(211.6)
Increase in cash and cash equivalents		**0.3**	(0.2)
Cash and cash equivalents at the beginning of the year		**0.6**	0.8
Cash and cash equivalents at the end of the year	3	**0.9**	0.6

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Investment in subsidiaries

	2019 Rm	2018 Rm
Wholly-owned subsidiaries' shares at cost		
HomeChoice South Africa Limited (incorporated in Malta)	**143.3**	143.3
HomeChoice Mauritius PCC (incorporated in Mauritius)	**–**	–
Share incentives issued in subsidiary companies	**33.0**	19.3
	176.3	162.6

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

	% interest held	Number of company shares issued and held 2019	2018
HomeChoice South Africa Limited operating subsidiary companies			
HomeChoice (Pty) Limited	100%	**2**	2
HomeChoice Property Company (Pty) Limited	100%	**61**	61
HSA Debt Solutions (Pty) Limited	100%	**120**	120
Related entities			
The HomeChoice Share Trust	100%	**–**	–
The HomeChoice Development Trust	100%	**–**	–
HomeChoice South Africa Limited dormant companies			
HomeChoice Nominees (Pty) Limited	100%	**120**	120
HomeChoice (Pty) Limited (incorporated in Namibia)	100%	**1**	1
HomeChoice (Pty) Limited (incorporated in Botswana)	100%	**100**	100
In terms of the investment in HomeChoice South Africa Limited, unless otherwise specified, all companies have been incorporated in South Africa.			
HomeChoice Mauritius PCC operating subsidiary companies:			
Finchoice Africa Limited (incorporated in Mauritius)	100%	**100**	100
FinChoice (Pty) Limited (incorporated in Botswana)	100%	**100**	100
FinChoice Personal Finance (Pty) Limited (incorporated in Namibia)	100%	**100**	100

	2019 Rm	2018 Rm
2. Intercompany loans		
Wholly-owned subsidiaries' loans		
HomeChoice (Pty) Limited	**30.4**	25.3
HomeChoice Mauritius PCC	**60.5**	64.9
FinChoice Africa Limited	**68.3**	68.3
Intercompany loans receivable	**159.2**	158.5

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

Management's intention on the loans have changed compared to the previous year and management does not intend to recall the loan within the next 12 months. It is therefore classified as non-current.

	2019 Rm	2018 Rm
Current assets	**–**	158.5
Non-current assets	**159.2**	–
	159.2	158.5

3. Cash and cash equivalents

	2019 Rm	2018 Rm
Cash at bank	**0.9**	0.6

4. Stated capital, share capital, share premium and reorganisation reserve

4.1 Stated and share capital

	2019 Rm	2018 Rm
Authorised		
200 000 000 (2018: 200 000 000) ordinary shares at one cent par value	**2.0**	2.0
Issued		
105 376 146 (2018: 104 909 401) ordinary shares at one cent par value	**1.1**	1.0
Reconciliation of movement in issued shares:		
Number of issued shares at the beginning of the year	**104.9**	104.8
Shares issued	**0.5**	0.1
Total	**105.4**	104.9

4.2 Share premium

	2019 Rm	2018 Rm
Balance at the beginning of the year	**3 004.8**	3 002.7
Share issue	**5.4**	2.1
Balance at the end of the year	**3 010.2**	3 004.8

4.3 Reorganisation reserve

	2019 Rm	2018 Rm
Reorganisation of HomeChoice Holdings Limited into Homechoice International plc during 2014	**(2 837.3)**	(2 837.3)

	2019 Rm	2018 Rm
5. Other reserves		
Share incentive schemes	**33.1**	19.3

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

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

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

	2019 Rm	2018 Rm
6. Other payables		
Other payables	**2.0**	2.4

Other payables are unsecured, interest-free and repayable on demand.

	2019 Rm	2018 Rm
7. Operating expenses		
Directors' emoluments	**(1.3)**	(0.8)
Auditor's remuneration	**(0.3)**	(0.3)
Audit-related services	**(0.3)**	(0.3)
Other non-audit services	**–**	–
Other operating expenses	**(3.0)**	(2.8)
	(4.6)	(3.9)

	2019 Rm	2018 Rm
8. Taxation		
Current tax expense	**(0.1)**	–

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

	2019 Rm	2018 Rm
Profit before tax	**191.9**	224.9
Tax at 35%	**67.2**	78.7
Tax effect of:		
Income not subject to tax	**(68.7)**	(80.1)
Expenses not deductible for tax purposes	**1.6**	1.4
Tax charge	**(0.1)**	–

9. Risk management and financial instrument disclosure

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

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

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

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, or increase or reduce debt. From time to time the company repurchases its own shares. The timing of these repurchases depend on the availability of shares to be repurchased and available funding. The decision to repurchase shares is made on a specific transaction basis. The company does not have a defined share buy-back plan.

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

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	
	2019 Rm	2018 Rm
Assets		
Non-current assets		
Loans to subsidiaries	**159.2**	–
Current assets		
Loans to subsidiaries	**–**	158.5
Other receivables	**0.7**	0.3
Cash and cash equivalents	**0.9**	0.6
	160.8	159.4
Liabilities		
Current liabilities		
Other payables	**2.0**	2.4
	2.0	2.4

9. Risk management and financial instrument disclosure (continued)

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.

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

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

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.

The other payables balance is 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.

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

10. Related parties

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

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

	2019 Rm	2018 Rm
Directors' emoluments		
Executive director's fees		
Gregoire Lartigue	**0.3**	0.3
Non-executive directors' fees		
Stanley Portelli	**0.2**	0.2
Amanda Chorn	**0.1**	0.1
Robert Hain	**0.1**	0.1
Charles Rapa	**0.1**	0.1
Pierre Joubert	**0.4**	–
Dividends received		
Dividend received	**196.3**	228.7

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

11. Distributions per share

	2019 Cents	2018 Cents
Distributions proposed/paid (per share)	**166.0**	194.0
Interim	**87.0**	95.0
Final	**79.0**	99.0
Nature of distributions (per share)	**166.0**	194.0
Dividend proposed/paid	**166.0**	194.0

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.

	2019 Cents	2018 Cents
Net asset value per share	**318**	305
Net tangible asset value per share	**318**	305

13. Events after the reporting period

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

14. Operating cash flows before working capital changes

	2019 Rm	2018 Rm
Profit before taxation	**191.9**	224.9
Interest received	**(0.2)**	(0.1)
Interest paid	**–**	–
Dividends received	**(196.3)**	(228.7)
	(4.6)	(3.9)

APPENDIX

Shareholder analysis

	Shareholders		Shares held	
	Number	%	Number	%
Range of shareholding				
1 – 999	**131**	**47.0**	**16 075**	**–**
1 000 – 9 999	**67**	**24.0**	**210 063**	**0.2**
10 000 – 99 999	**57**	**20.4**	**1 901 176**	**1.8**
100 000+	**24**	**8.6**	**103 248 832**	**98.0**
	279	**100.0**	**105 376 146**	**100.0**
GFM Limited	**1**	**0.4**	**73 449 531**	**69.7**
ADP II Holdings 3 Limited	**1**	**0.4**	**23 031 927**	**21.9**
Directors of the company and/or its subsidiaries	**7**	**2.5**	**1 971 894**	**1.9**
The HomeChoice Development Trust	**1**	**0.4**	**600 000**	**0.6**
Related parties	**3**	**1.0**	**508 229**	**0.4**
Public	**266**	**95.3**	**5 814 565**	**5.5**
	279	**100.0**	**105 376 146**	**100.0**

Individual shareholders holding more than 5% of the shares in issue		
2019		
GFM Limited	**73 449 531**	**69.7**
ADP II Holdings 3 Limited	**23 031 927**	**21.9**
	96 481 458	**91.6**
2018		
GFM Limited	73 449 531	70.0
ADP II Holdings 3 Limited	23 031 927	22.0
	96 481 458	92.0

ADMINISTRATION

Country of incorporation
Republic of Malta

Date of incorporation
22 July 2014

Company registration number
C66099

Company secretary
George Said
gsaid@maltatransportlaw.com

Registered office
93 Mill Street
Qormi
QRM3012
Republic of Malta

Auditors
PricewaterhouseCoopers
Republic of Malta

Corporate bank
Butterfield Bank (Jersey) Limited

JSE listing details
Share code: HIL
ISIN: MT0000850108

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited

SHAREHOLDERS' **DIARY**

Financial year-end
31 December

Annual general meeting
June 2020

Distributions to shareholders
May and September

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

HiL PLC