HiL PLC

Transformed.

Integrated Annual Report 2022

HiL PLC

A growing diversified consumer services group providing **digital-first fintech** solutions and **omni-channel homeware retail** products to the mobile-savvy mass market in South Africa.

Her favourite digital platform

weaver fintech

finchoice

PAYJUSTNOW®

Fintech business offering digital personal lending, insurance, payments, value-added services, and merchant products and services

Creating a home she loves

homechoice

Omni-channel retailer delivering quality homeware merchandise directly to homes

weaver fintech

39% **R1.4bn**
Revenue

85% **R438m**
Segmental operating profit*

homechoice

61% **R2.2bn**
Revenue

15% **R78m**
Segmental operating profit*

Customers are at the core of the group's strategy

Attracting new customers and retaining existing ones are critical to drive future growth of the group

1 467 000
customers

Strategic pillars driving customer growth, digital focus and building fintech ecosystems

1. Innovation
2. Customer acquisition
3. Digital first
4. Merchant adoption
5. Customer experience

* Group operating profit of R482m is after other group company costs of R33m

Our Group performance

Fast growing and profitable fintech business

Revenue
R3.6 billion
+6.5%
2021: R3.4 billion

Loans disbursed
R4.3 billion
+29%
2021: R3.3 billion

BNPL GMV*
R747 million
up 260%

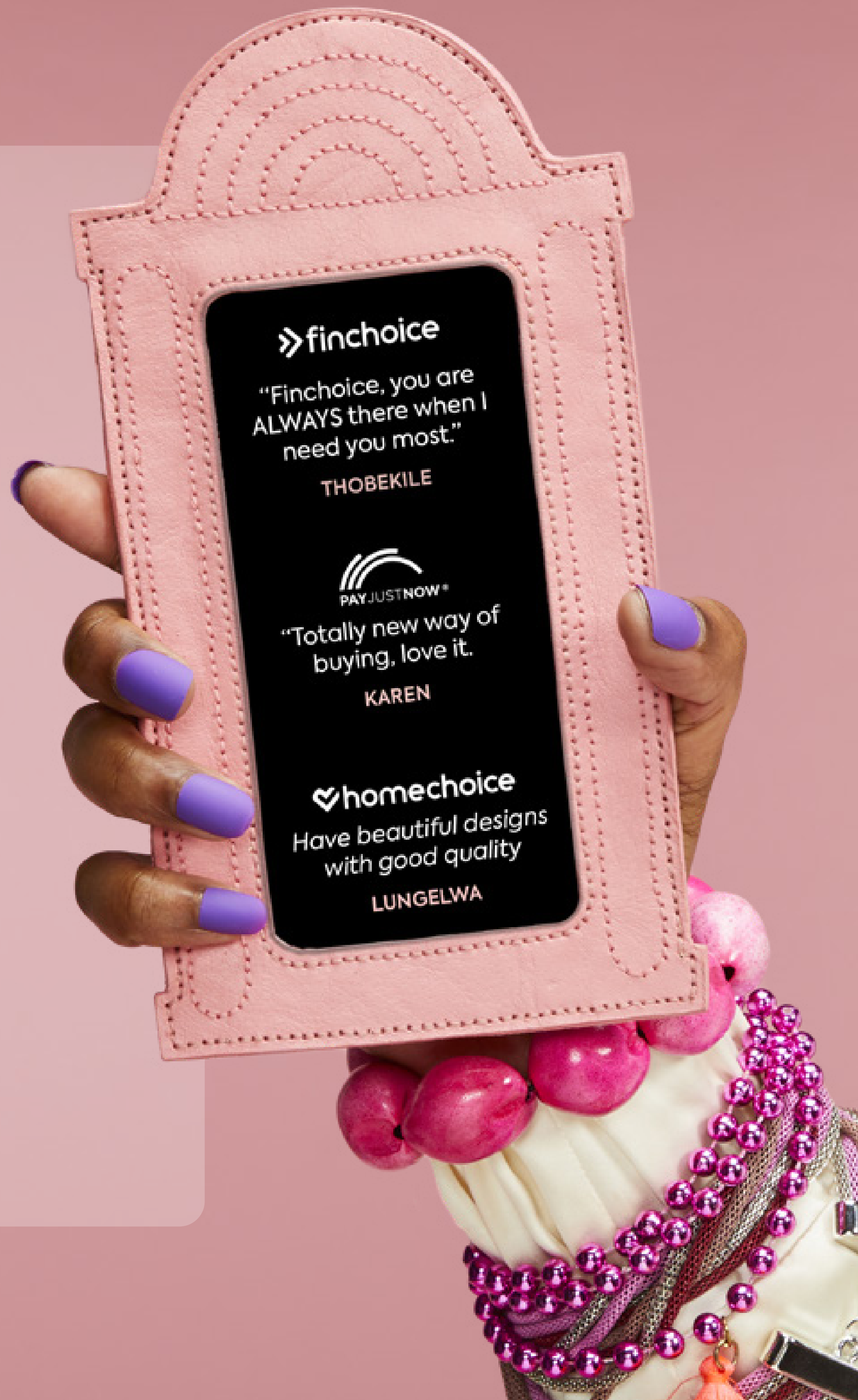
* Buy Now, Pay Later Gross Merchant Value

Operating profit
R482 million
up 83%
2021: R263 million

Dividends
141.0c
up 110%
2021: 67.0c

Cash collected
R7.3 billion
up 25%
2021: R5.8 billion

HEPS
+41.8%
to 288.5 cents
2021: 203.5 cents



Strong operational metrics

Customers
1.4 million
up 44%

Merchants
2 350+
up 102%

Digital transactions
75%
2021: 65%

Unsecured loans disbursements market share
3.6%

Our integrated report

This integrated annual report aims to demonstrate how our leading position in diversified consumer services providing digital financial services and retail to the mobile-savvy mass market in South Africa contributes to value creation in the short, medium and longer term for our financial stakeholders and the broader stakeholder base.

Reporting suite

The following documents make up the suite of reports for the year ended 31 December 2022:

- IAR **Integrated annual report**
- AFS **Annual financial statements report**
- IP **Investor presentations**
- KING IV **King IV application register**

They are available on the company's website, **www.homechoiceinternational.com**

We are committed to providing shareholders with accurate, balanced and transparent reporting, and to continually enhance financial disclosure to meet best practice standards in the listed company environment.

Scope and boundary of the report

This report provides a consolidated view of the performance and activities of HomeChoice International (HIL) and its subsidiaries (the group) for the period 1 January 2022 to 31 December 2022.

The scope of this report incorporates the financial reporting boundary of the group and our operations in Mauritius, South Africa and its neighbouring countries.

The boundary of the report includes the material issues, risks, opportunities, and outcomes arising from the external environment which includes the fintech and retail landscapes, and stakeholders, including but not limited to employees, customers, suppliers, business partners, and communities which can significantly impact our ability to create value over the short, medium and long term.

There has been no material change in the comparability of reporting from 2021.

Reporting frameworks

The group is committed to integrated reporting and is on a journey to fully adopt the IFRS Foundation's Framework (The Framework). It is also aligned to the requirements of the King IV™ Report on Corporate Governance for South Africa 2016. In compiling the report, we have further considered information included in previous reports, internal management and board reports, and legislative reporting requirements, including the JSE Limited Listings Requirements. The International Financial Reporting Standards are adopted where they are relevant to our financial reporting.

Materiality has been applied in determining the content and disclosure in this report, ensuring the report is both concise and relevant to our shareholders.

Material issues are considered to be those that may impact on the group's ability to satisfy customers' needs, improve financial returns and deliver sustainable growth. The material issues are covered in more detail on pages 19 to 26.

Assurance

The group's external auditor, PricewaterhouseCoopers, has provided assurance on the annual financial statements and expressed an unqualified audit opinion on them. The financial statements have been prepared under the supervision of Paul Burnett CA(SA), the group finance director of HIL. The content of the integrated report has been reviewed by the directors and management but has not been externally assured. Some elements are assured and highlighted as such in the report.

Forward-looking statements

The integrated annual report contains forward-looking statements relating to the operations, financial position and anticipated performance of the group. These are not statements of fact but rather statements by the group based on current estimates and expectations of future performance.

No assurance can be given that forward-looking statements will prove to be correct and shareholders are cautioned not to place undue reliance on these statements. These forward-looking statements have not been reviewed or reported on by the group's external auditor.

Approval

The audit and risk committee, which has oversight responsibility for integrated reporting, has confirmed that the report fairly represents the integrated performance of the group and has recommended the report for approval by the board of directors. The report has been prepared using the IIRC Framework.

The board approved the 2022 integrated annual report for release to shareholders on 28 April 2022.

Shirley Maltz
Executive Chair

Sean Wibberley
HIL Chief Executive Officer

Group Overview.

Our history

Over the past 35 years, the group has grown from a retail mail order start-up company to a growing diversified digital fintech group with operations in South Africa and Mauritius.

Before 2010

1985

HomeChoice established in South Africa as a mail order retailer of homeware products to mass market consumers on credit

homechoice

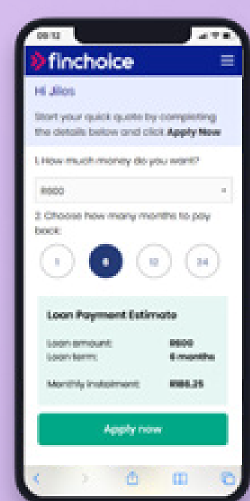
2007

FinChoice established to offer financial services products to HomeChoice customers

finchoice

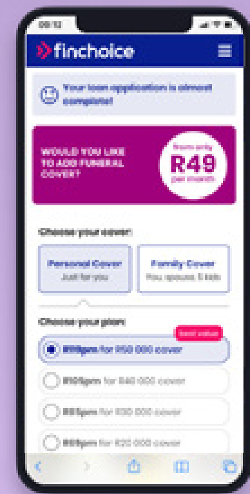
2011

Digital loans



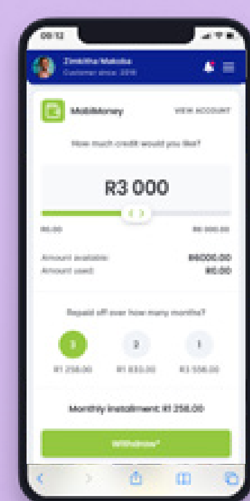
2016

Standalone insurance



2019

Mobile wallet



2020

COVID-19

2021

PayJustNow acquired

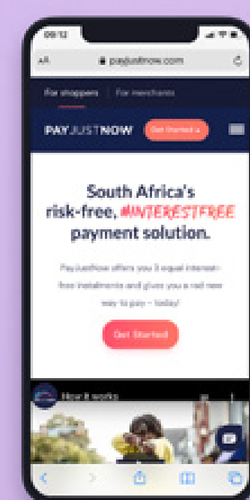
PAYJUSTNOW®

Weaver Fintech formed

weaver fintech

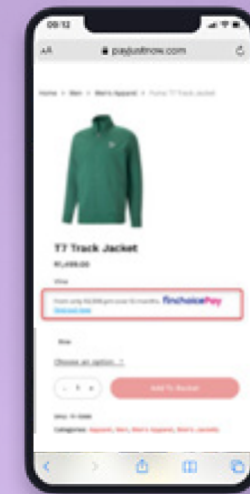
2021

BNPL payments



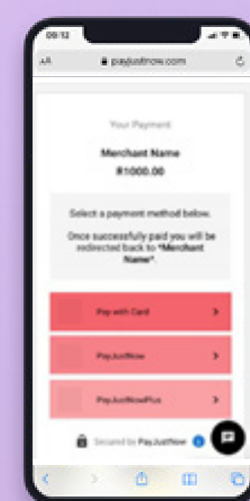
2022

Retail instalment credit



2022

PJN Product suite

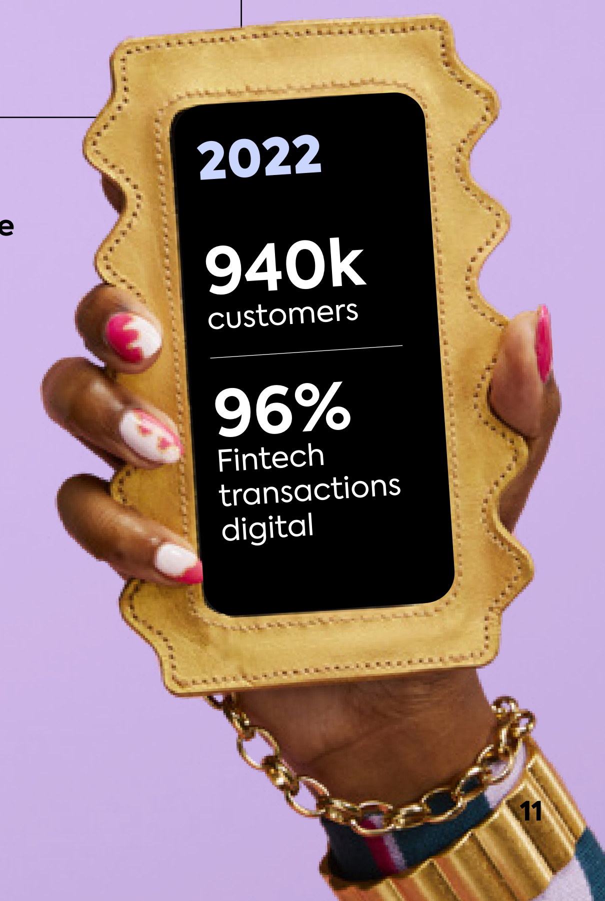


R3.6 billion

40% | 43% | 53% | 65% | 75%

Group revenue

Group digital txns



Our Customers

Digitally savvy, urban African woman

Homechoice International

70%
Women

R13.7k
monthly income

39 years
average age

Strong digital engagement

1.2m
Facebook and Instagram followers

492k
App users

1.2m
Average monthly users

1 467 000
Customers
up 44%

Weaver Fintech

finchoice

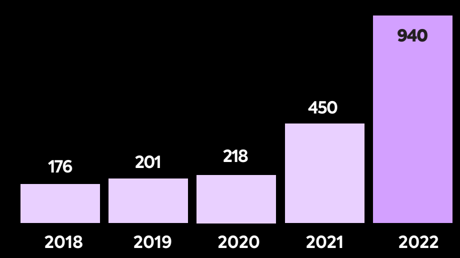
316 000
Loan customers

215 000
Mobi-wallet
up 27%

4.6 ★
Google rating

47%
Gen Z & Millenials

940 500
Loan, insurance and BNPL customers ('000)
up 108%



PAYJUSTNOW®

649 000
BNPL customers
up 260%

2 350
Merchants

4.7 ★
Google rating

76%
Gen Z & Millenials

Retail

76 000
HC app users

3.8 ★
Google rating

1.1m
Facebook friends

154k
Instagram followers

35%
digital shoppers

634 500
Customers
down 10%

Our Digital First Operations

Developing and driving a digital eco-system is integral to our strategy. Automation of services and customer journeys drives efficiencies and enhances scalable digital platforms.

We focus on the mobile phone to deliver customer convenience 24/7.

Data personalisation

- Drives improved take-up and conversion rates
- Delivering right offer at the right time
- Purchasing behaviour and lifestyle data
- Industry and employment sector data

Digital marketing

- MyDeals on PJN platform
- E-mail and SMS campaigns
- Affiliate and online search
- Funnel optimisation drives conversion

Social media monetisation

- Engaging customers any time, any place
- Harness social media – delivers sales and customer experience
- Empowering contact centre to become digital agents

Cloud based platforms

- Demand based usage
- Ensures system stability and offers scale
- Enables improved digital security

Machine learning algorithms

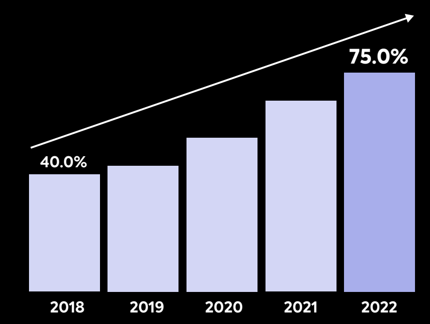
- Driving marketing campaign responses
- Propensity modelling driving increased conversions
- Credit scoring and collection efficiencies

API services

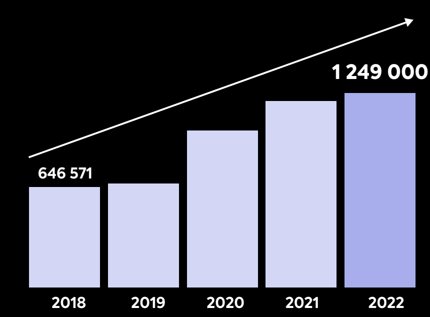
- Data-driven customer acquisition
- Personalised offers using real-time data
- Digitally savvy new customers on-boarded

Group digital transformation

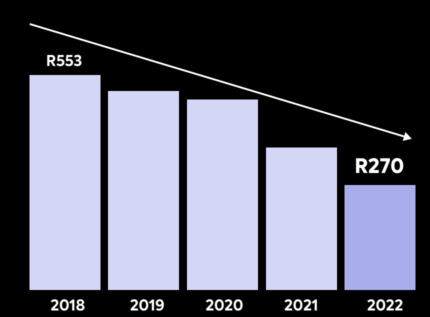
Group digital transactions %



Avg Monthly Digital Users (Group)



Direct cost/digital transaction



External Environment and Macro Trends

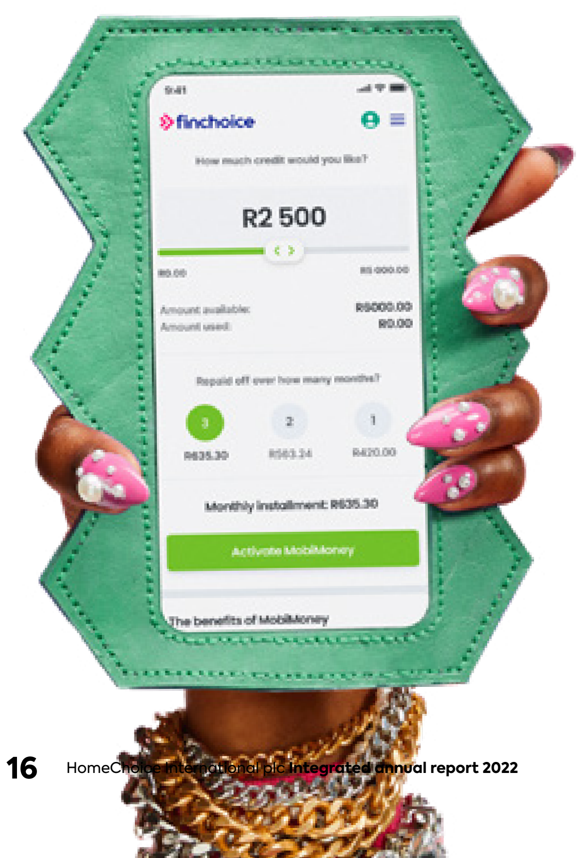
The external environment in which the group operates, and the manner in which we respond, has a strong bearing on the value-creation process.

The group considers these macro trends in strategy formulation and the strategic objectives of the group.

Digital wallets

Driven by mobile commerce, mobile wallets, or e-wallets are anticipated to become the most popular online payment method by 2024 globally, accounting for over a third of all payments in that time.

Based on research done on the use of mobile payments across the larger countries in Africa, nearly half of respondents say they regularly leave the house without their purse when they go shopping, indicating a strong preference for mobile payments across Africa.



South Africa had a lower response rate but has a high penetration of mobile phones with more than 81% smartphone penetration. This indicates that the South African market has the largest potential for growth for mobile payments.

A report by FIS, a financial services technology group, predicts that digital wallets will account for more than half of all e-commerce payments worldwide by 2024, as consumers shift from card-based to account- and QR code-based transactions.

They predict that cashless transaction volume will grow by 78% until 2025 and thereafter by 64% from 2025 to 2030.

The Finchoice MobiMoney™ e-wallet is the cornerstone product for FinChoice and is therefore well placed to drive market penetration by offering more digital payment options connected to it.

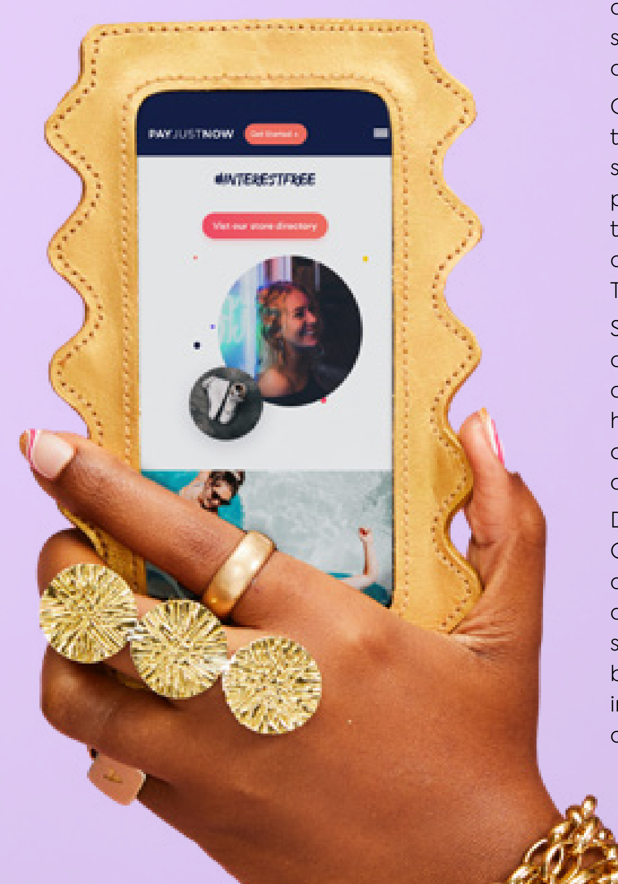
Providing choice for digital payment options

As digital payments gain traction with mainstream consumers and businesses, it marks an accelerated – and potentially permanent –shift away from the traditional payment methods. The use of contactless, digital payments rapidly increased during the pandemic, as the handling of cash was in many cases discouraged and businesses preferred alternative forms of payment, and shoppers did more of their shopping online.

Many consumers, especially the Millennials and Generation Z, continue to explore alternative methods of payment, such as Buy Now, Pay Later (BNPL). They are choosing BNPL as a way to budget and control their finances, managing the cost of purchases directly at the point of sale. It can also assist those shoppers who may not have the credit history for a traditional credit card, allowing them to enjoy the product immediately with predictability of future payments required.

BNPL is a simple and convenient payment option – it allows customers to purchase and receive an item immediately, with payment made in instalments. Typically, one payment is made at the time of purchase and then monthly or bi-weekly payments are made over a short period of time with no interest or fees being charged provided each payment is made on time. BNPL was primarily only offered as an online payment method but has now been introduced in-store and that channel is growing quickly.

BNPL is seeing significant growth globally with high customer engagement and adoption given its customer-friendly offer. In South Africa, the medium- to long-term growth story of BNPL remains strong. The BNPL payment adoption is expected to grow steadily over the forecast period, recording a CAGR of 48.0% during 2022-2028. The BNPL Gross Merchandise Value in the country is expected to increase from US$ 231.6 million in 2021 to reach US$ 4 797.9 million by 2028. *(Research and Markets)*



Merchants are also attracted to BNPL as a payment solution both online and instore as it delivers improved customer conversion with uplift in sales and basket size. Further benefits to merchants from engaging with digital BNPL providers include referral traffic and customer data insights.

PayJustNow, a company in the Weaver Fintech stable, has seen rapid customer adoption for its BNPL product with 649 000 new customers acquired by the end of FY2022. We anticipate maintaining this level of customer adoption in the year ahead.

'Phygital' – the integration of physical and digital in retail

Covid-19 had a dramatic effect on consumer shopping behaviour. Shopping in physical stores was a challenge and online or digital shopping experienced an overwhelming demand and dramatic growth rates. Consumers have changed as having experienced the convenience of digital shopping, they want to go back to the store but are not prepared to give up digital.

Consumers are going back to stores because they miss the social element of shopping when shopping digitally. Customers want to shop physically because they want to touch and feel the products, share their experiences with family and friends and many use shopping as an outing. They want an immersive and sensory experience.

So, the challenge becomes how to provide a great customer experience that combines physical and digital – the rise of 'phygital' – creating a hybrid shopping experience. Incorporating digital options within the customer's physical experience and vice-versa.

Devices and technologies such as smartphones, QR Codes promote the opportunity to combine and create a connection between the physical and the digital. The use of kiosks and touch screens in store allows customers to complete basic transactions quickly and effectively by integrating digital technology into a physical area. It is convenient because it allows customers to complete their purchase in whichever way is most comfortable for them. Accessing the store both online and offline shortens the time between window shopping and the final purchase.

It even makes financial sense to companies. Store and showroom assets are made to work harder, while integrating digital allows them to keep costs in control. It also creates a seamless experience, enabling them to more targeted, personalised, and frictionless in-store shopping for their customers.

The new smaller showroom launched by HomeChoice Retail during the year provides an opportunity to combine the digital and physical experience for the customer delivering a 'new' shopping experience for her.

Big data – developing data rich ecosystems

Big data – the collection of data from many sources – is used by companies to provide valuable insights on potential customer target markets.

Using machine learning tools, predictive modelling, artificial intelligence and other analytics programming, a company can develop customer insights and tailor marketing campaigns to reach the right audiences. Companies are able to make more informed decisions faster and more direct to customers resulting in higher conversion rates whilst providing a frictionless customer experience.

Developing and building technology ecosystems enable companies to become more customer-centric by understanding the changing preferences of customers and using their data to develop future products and services.

Technology, tools and data service teams and analysts are critical resources to leverage the vast databases to deliver valuable insight and create future shareholder value.

South Africa macro and socio-economic conditions

This financial year has been a challenging year for many businesses operating in South Africa.

At the start of the year, the war between Russia and Ukraine led to high fuel prices and a negative impact on food prices, global economies started raising interest rates in a bid to curb escalating inflation and there has been continued disruption to supply chains, particularly products imported from China.

South Africa did not escape these shocks, and was further impacted by a severe energy crisis leading to load shedding being implemented at unprecedented levels resulting in severe strain socio-economically.

The average inflation rate was 7.2% which led to interest rates increasing by 325bps up to December 2022 and further increases in Q1 of 2023. The country experienced 208 days of load shedding, negatively impacting any growth in GDP. In March the country was placed on the FAFT grey listing and consequently increased monitoring.

The South African Post Office was recently placed under provisional liquidation. It intends to lay-off staff which will negatively impact delivery services.

Social unrest and protest demonstrations impacts road infrastructure and delays parcel transport.

We have seen financial services institutions positively rebound post-Covid and the consumer lending environment is more buoyant. Despite the increases in interest rates which may serve to dampen demand for credit, we believe that opportunities still exist to responsibly market credit to the South African consumer.

Material Issues

Our material issues are the output of the enterprise risk management (ERM) process and are approved by the board through the audit and risk committee on an annual basis.

Risks are identified and documented in department risk registers and have designated risks owners allocated to them. The risks are evaluated and are either accepted, deferred or mitigated. Through a risk-filtering process the risks are discussed by management in each business and then presented to the committee for approval.

Mitigation plans are discussed at audit and risk committee meetings to ensure that they are being monitored and effectively managed. The board has approved seven material issues or risks that could impact the group in the short- to medium-term.

Loadshedding

The impact of increasing and sustained levels of loadshedding has impacted the group's operations.

In HomeChoice Retail, the use of television advertising to attract new customers has been less effective as viewership declines when there is no electricity. In the HomeChoice contact centre we have experienced high levels of dropped calls due to decreased levels of mobile phone connectivity. This has negatively impacted our ability to market products and collect cash from our customers.

Mitigation plans include:

- Increased generator capacity to minimise disruption to operations
- Greater use of digital marketing
- Solar panels on SA office
- Review of power usage

Doing business in a challenging socio-political and economic environment

Strategic context and stakeholder requirements

The South African trading environment has been and remains challenging.

Inflation and interest rates are increasing, load shedding is worsening, fluctuating and increasing fuel prices, and varied extreme weather events are impacting all South African consumers and businesses.

As a result, consumer and business confidence is low: the financial pressure on the average consumer is increasing, leading to a reduction in their spending power, all whilst the cost of doing business increases.

Risks

Inability to attract new credit-worthy customers could negatively impact the Retail turnaround strategy

Mitigations

- Implementation of product marketing and pricing strategies designed to provide customers with tailored and affordable offers
- Retention of existing customers and implementation of effective reactivation strategies
- Roll out of smaller new-format showrooms
- Clearly identified Retail turnaround action plans with specific targets to be achieved
- Focusing on enhancing the customer experience with the HomeChoice brand

Unable to maintain the growth momentum of Weaver Fintech

Mitigations

- Provide innovative financial services products to one million customer base
- Roll out value-enhancing initiatives to embed Weaver Fintech ecosystem in the merchants' business operations
- Implementation of FY2023 strategic initiative roadmap
- Cross-sell FinChoice products in Weaver Fintech ecosystem

Opportunities

- Seamless integration within Weaver Fintech ecosystem
- Continue to develop and enhance tailored and bespoke product offerings to target segments of the market
- Expand retail product offering into new growth categories, including backup power and generation offers
- Increase offering of fee-income generating products

Changing competitive landscape

Strategic context and stakeholder requirements

The ever-increasing pace of digitalisation continues to drive innovation and disruption across both the retail and fintech markets.

The re-inventing of traditional processes and the entrance into the market of new, highly innovative businesses has forced established heritage brands to adapt and change to remain relevant and desirable.

South African retail companies have established various digital innovation hubs to increase their digital capabilities. New digital banks and payment solutions providers are entering the financial services market. Historically wide bands distinguishing the various consumer categories are narrowing and, in many instances, are now overlapping.

Within this context, attracting and retaining the right customers has become both increasingly important and challenging, as has maintaining and growing market share.

Risks

Increased market competition targeting diminishing consumer bases leading to acquisition, sales and growth pressure

Mitigations

- Significant and targeted investment into technology and innovation across the group, with a focus on deploying customer centric solutions and engagement capabilities
- Enhanced market differentiation through continual product development and evolution
- Increased focus on and expansion of acquisition channels and payments solutions

Increased customer attrition levels may lead to a declining customer base

Mitigations

- Heightened focus on the existing customer base and delivering value within the group ecosystem
- Provide more flexible and bespoke retail and financial product offerings to repeat customers

Opportunities

- Targeted Retail expansion into key market growth categories
- Enhancement of the Retail credit and payments offering
- Continued leveraging of the growth in the BNPL market
- Expansion of the group insurance offering

Credit Risk Management

Strategic context and stakeholder requirements

The TransUnion SA Consumer Credit Index (CCI) for FY2022 indicates a gradual deterioration of consumer credit health with its lowest level since September 2020.

The number of healthy, performing credit customers therefore remains a concern as a result– particularly in the lower LSM and shorter-term credit segments.

Downstream pressure is also being felt across collections and recoveries portfolios, with the risk of depressed pricing for arrears book sales. Critical to managing this volatile environment remains comprehensive and robust upfront risk and affordability assessments, tight on-book management and responsive and engaging collections strategies.

The ever-present threat of fraud, particularly syndication fraud, remains a key risk and focus area for the group.

Risks

Inadequate credit and fraud risk management processes and systems resulting in declining credit book health

Mitigations

- Enhanced systems and capabilities for fraud authentication and machine learning for fraud detection
- Significant investment into skilled and experienced credit personnel in credit risk, fraud and collections teams
- Use of selfie technology and sharing of group fraud data
- Development of bespoke and dynamic credit scorecards in response to market conditions
- Partnerships with specialist credit management professionals
- Enhancement of collection strategies
- Closer collaboration with external debt collectors to improve off book debt collection

Opportunities

- Bespoke scorecards and enhanced decision-engine solutions may lift commercial performance
- Collaboration between group entities to improve decision-making, on-book management and fraud prevention measures

Attracting and retaining employees to deliver the group's growth strategy

Strategic context and stakeholder requirements

As businesses adjust to the 'new normal' of the various work-from-home models post-Covid, the adjustment of culture and the employee value proposition, whilst ensuring high levels of staff productivity and engagement, remains of critical importance.

The widespread acceptance of fully remote work within certain industries (for example IT development, coding, and engineering) has opened the global market to talented and skilled South African job hunters. In addition to global development, evolving local EE and B-BBEE imperatives add a further dynamic to business in South Africa.

Against this backdrop, attracting and retaining local talent remains a key focus for the group as it continues on its journey of becoming an employer of choice, as does managing its existing keyman risk and succession plans.

Employees in key talent segments are stretched due to operational, regulatory, and competitive challenges. Fintech labour market pressure on the rise.

Risks

Our employee value proposition does not attract and or retain talent for our growth strategies

Mitigations

- Dedicated and experienced HR capabilities
- Targeted talent management, retention and remuneration strategies, with a focus on leadership and key talent/roles
- Regular market benchmarking to ensure fair and competitive market positioning
- Tailored flexibility and remote working policies implemented

Failure to implement appropriate EE and B-BBEE policies could lead to regulatory sanction

Mitigations

- Comprehensive three-year EE strategy and plan developed
- Tailored B-BBEE strategy developed and implemented, with emphasis on leveraging the existing business supply chain and development initiatives

Opportunities

- Renewed culture, values and behaviours programme drives improved performance
- Expand and entrench learning and development initiatives to offer continuous professional development
- Leverage the diverse and growing group to foster a dynamic working environment and ample career growth opportunities

Increasing scope of regulatory environment

Strategic context and stakeholder requirements

The group's business operates in the retail and financial services markets and trades in Mauritius and several Southern African countries.

Consequently, the scope of the regulatory environment is complex and subject to continual change as governments and regulators seek to both broaden and tighten control over the regulated markets and increase consumer protection.

South Africa has recently been 'grey-listed' and is required to implement heightened anti-money laundering (AML), customer due diligence (CCD) and counter financing of terrorism (CFT) measures. Accounting standards are becoming more complex as regulators seek to ensure that financial results fairly reflect business operations and resultant profits.

Non-compliance to legislation and regulations may result in penalties, fines and ultimately a loss of business licenses.

The key regulations impacting the group include: National Credit Act (SA), Financial Intelligence Centre Act (SA), Financial Sector Regulation Act (SA), Protection of Personal Information Act (SA), Consumer Protection Act (SA), Financial Advisory and Intermediary Services Act (SA), Financial Services Act (MAU) and the Companies Act (SA & MAU).

Risks

Increased cost and complexity of the regulatory environment negatively impacting group operations, coupled with the increased risk of regulatory sanction for non-compliance

Mitigations

- Bolstering of the legal, compliance and operational risk management teams across the group including the establishment and training of a network of risk champions within all business lines
- Enhancement and digitalisation of the group enterprise risk management, assessment and monitoring processes
- Continue to review and enhance the group governance framework to keep abreast of regulatory environment

Grey listing of South Africa and associated AML and CFT regulatory amendments may impact the group business operations

Mitigations

- Establishment of a dedicated task team comprising experienced compliance and business personnel to drive proactive compliance
- Review and implementation of strengthened controls to comply with new legislative requirements
- Leveraging processes and technologies available within the group to enhance AML / CFT compliance
- Focused internal audit review across high risk business areas and processes

Opportunities

- Continued engagement with industry participants, including regulators, through established representative bodies
- Leveraging digital solutions and capabilities to enhance compliance and provide a competitive edge

Digitalisation, technology transformation, and cybersecurity

Strategic context and stakeholder requirements

The group is a growing diversified digital consumer services group.

The shift from legacy systems to new, fit-for-purpose systems supporting digital ways of engaging, and the scalability and customer centricity this offers, remains a key strategic driver for the group. Significant investment is being made by the group in this area, with various projects underway designed to modernise existing and take advantage of new system solutions.

As with all digital businesses, the risk imperatives of cybersecurity, data protection and business continuity remain top of mind. The group remains focused on continuous improvement and enhancement to ensure that consumer data is adequately protected and is not compromised.

Risks

Legacy IT systems and architecture may constrain business agility and operations, resulting in decreased operational efficiency and negative financial performance

Mitigations

- Strategic focus and financial investment to enhance digital operations and migration off ageing, legacy IT infrastructure
- Establishment of a dedicated team to drive the digital evolution of the Retail business, with emphasis on leveraging fit-for-purpose commercial off the shelf technology solutions
- Continued focus on and investment into existing operational processes and tools impacting the customers' digital journey and engagement

Inadequate information security, business continuity and disaster recovery plans may lead to business interruption and negatively impact trading

Mitigations

- Oversight of divisional IT strategy and governance framework by the audit and risk committee
- Review and enhancement of business continuity and disaster recovery plans and capabilities, with emphasis on leveraging technology solutions and reducing on-site risk
- Dedicated IT centralised service desk and security operations centre
- Ongoing review and updating of information and cybersecurity frameworks and protocols

Opportunities

- Monitoring of IT key metrics and service levels should improve technology performance
- Scalable and user-friendly digital platforms improve customer experience and engagement

End-to end supply chain optimisation delivering customer experience

Strategic context and stakeholder requirements

The management of an efficient and effective supply chain is critical to HomeChoice Retail.

The current trading environment and global dynamics has resulted in rising import costs, shipping and transport availability and reliability, product quality management issues and higher customer fulfilment costs.

The South African Post Office (SAPO) is experiencing severe financial problems and was recently placed under provisional liquidation. It has announced plans to reduce working hours and lay-off staff which will further reduce the effectiveness of delivery services. HomeChoice Retail uses SAPO to deliver its catalogues.

Social unrest and protest demonstrations impacts road infrastructure and delays road transport.

As such the operational control environment across the end-to-end supply chain remains a core focus for the group.

Risks

The variability and trending increase in supply chain costs can lead to sales and margin pressure

Mitigations

- Use of showrooms and ChoiceCollect containers to deliver catalogues
- Improved planning and forecasting of retail sales to support more efficient stock sourcing and management
- Strategic use of forex hedging where appropriate
- Diversification of the supply base, including a focus on increasing locally supplied merchandise, whilst strengthening core and established supplier relationships
- Implementation of a new stock management and fulfilment solution
- Flexibility and agility in the operational response to supply chain cost increases

Opportunities

- Continued supply chain efficiency and cost reduction gains through strategic procurement engagement and optimisation initiatives
- Investment into the merchandise planning and buying teams, the reopening of the international trade fairs and the redesign and digitisation of supplier onboarding

Our Strategy

The group's strategy has generated strong financial results for the year, and is unchanged for the year ahead.

Group strategy

Customers are at the heart of the group's strategy, and digitally focused execution is driving outsized customer adoption

1

Innovation

Product and credit innovation drives customer spend and income diversification

2

Customer acquisition

Data insights enable customer acquisition directly or through partners which we leverage to drive cross-sell opportunities

3

Digital first

Digital first drives customer spend and automation drives scalability and efficiency

4

Merchant adoption

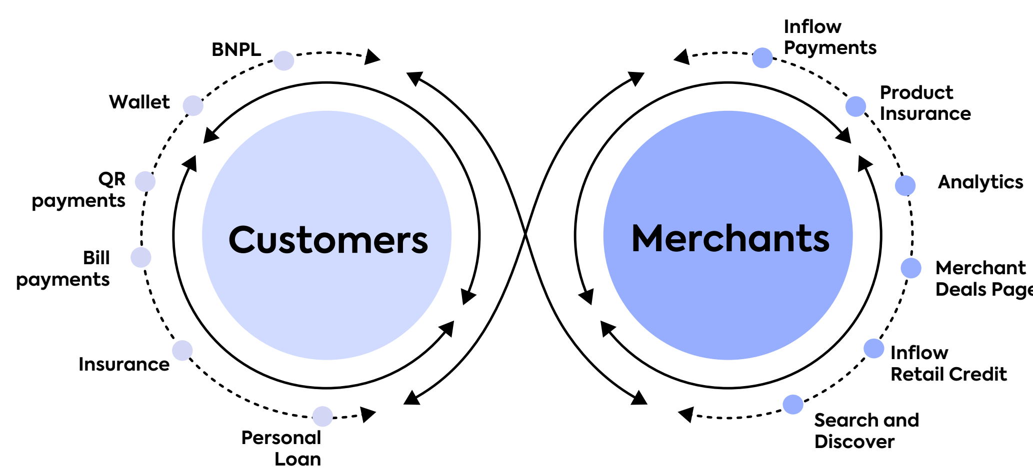
Drive merchant adoption and fees through strategic product and service progression

5

Customer experience

Improving customer experience drives loyalty and repeat engagement

'Merchant adoption' will continue to receive greater focus and emphasis and we see our merchants as being a strong component of the Weaver Fintech ecosystem and the opportunity to further embed and entrench them in it. The virtuous circle of merchants and customers can drive significant value to the group.



1 Innovation

Operating context

Product progression and innovation is a key driver of revenue growth.

The Weaver Fintech ecosystem has a range of digital personal loan, insurance, value-added services and payment products, specifically Buy Now, Pay Later (BNPL). FinChoice Pay was introduced during the year – a retail instalment credit product available at the point of sale.

Our heritage retail business was built on providing quality and innovative homewares categories. We continue to maintain this ethos and build on the breadth of the range appealing to the mass market African woman – creating a home she loves.

Innovation of our credit offering provides financial inclusion for our target market while delivering acceptable yields to the group.

Strategic initiatives

- Extend range of fintech products to customers and merchants
- Innovation in heritage own-brand homeware categories
- Reposition Retail credit offering to provide more convenient and flexible options aligned to customers' requirements

2 Customer Acquisition

Operating context

Our data-driven insights enable customer acquisition.

The group has almost 1.5 million customers with rich customer data by virtue of the information garnered through our digital channels.

400 000 new customers were acquired during the year primarily attracted to the PJN digital payment product and FinChoice loan and insurance products.
The acquisition of HomeChoice Retail customers was strategically constrained by credit tightening rules.

Greater levels of data insights enable us to deliver more personalised offers improving conversion and take-up rates and driving customer progression.

Use of digital technology delivers a seamless and convenient acquisition process for new customers.

Strategic initiatives

- Optimisation of data analytics to enhance data personalisation and customer acquisition
- Targeted acquisition of digitally savvy Fintech customers
- Personalised offer of financial services products to new BNPL customer base
- Increase customer acquisition in Retail within acceptable credit risk tolerance levels

3 Digital First

Operating context

Our digital-first mindset drives efficiency through scalable and easy to access platforms enabling growth of the group.

Three quarters of the group's customer transactions are digital. Digital offers customers convenience and drives cost reduction for the group.

The fintech market in South Africa continues to experience rapid growth with a number of new Fintech entrants establishing a presence in the marketplace.

Combining digital and experiential shopping in Retail showrooms provides enhanced customer experience.

Strategic initiatives

- Technology design and deployment for mobile phone-first execution
- Automation of services and customer journeys to improve customer engagement
- Migrate from contact centre selling to agent voice assist
- Monetisation of social media platforms
- Scalable digital platforms to reduce costs and drive efficiencies

4 Merchant Adoption

Operating context

Driving the adoption of merchants in our Weaver Fintech ecosystem is a key growth strategy for the group.

Within the Weaver Fintech business, a digital and data-driven ecosystem for both customers and merchants creates value for merchants and embed them in our ecosystem. A suite of products and services offered to merchants will generate opportunities to access the Weaver Fintech customer database and increased customer engagement.

The merchant bespoke Payup App facilitates communication and supports easy operational integration with the PJN platform.

We deliver merchants an integrated solution ranging from, referral traffic leads, digital analytics, and reporting functionality. 11 million lead referrals have driven additional merchant revenue.

Strategic initiatives

- Expand suite of products to merchants
- Provide additional services and functionality for merchants
- Maximise functionality on merchant portal
- Roll out 'MyDeals' functionality to enable merchant targeted advertising to customers
- Provide lead referrals to merchants

5 Customer Experience

Operating context

Improving the customer experience drives loyalty, engagement and retention of our existing customer base.

With almost 1.5 million customers and 1.2 million average monthly web or mobi users, our 90 day mobi engagement frequency is strong. Customers, as tracked by the Google 5 star methodology, rate our Weaver Fintech service high, and there is opportunity for the Retail business to improve. Customers expect a high level of service across all channels. Digital journeys must be frictionless, with a responsive customer support and service as needed.

A well-protected customer database which adheres to data privacy requirements, engenders trust in customers' minds.

Strategic initiatives

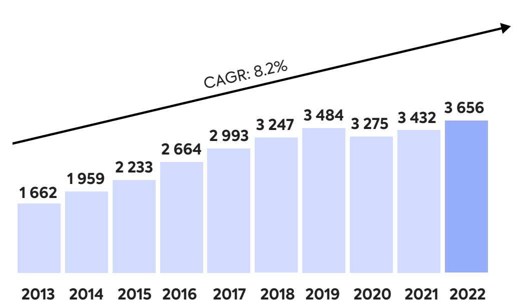
- Continued focus on Weaver Fintech's digital customer flows and Google rating of more then 4.5 stars
- Maintain and protect a full set of reliable, up-to-date customer information
- Provide responsive customer service and support and transition from a selling contact centre to agent voice assist
- Reduce response times for customers from account origination and sign-on processes, to receiving their delivery
- Digital and experiential shopping in Retail showrooms

Medium-term targets

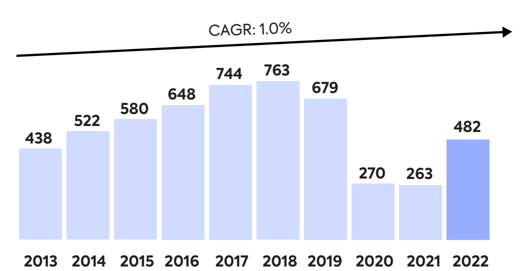
		Target	2022	2021	2020	2019**	2018***
Retail gross profit margin	(%)	44 – 48	**46.6**	**45.1**	44.9	47.4	49.6
Operating profit margin	(%)	17 – 22	**13.2**	**7.7**	8.2	19.5	23.5
Return on equity	(%)	17 – 22	**9.0**	**5.2**	5.5	16.2	20.9
Net debt to equity	(%)	<60	**45.8**	**23.1**	20.1	30.2	27.6
Dividend cover	times	2.0 – 2.6	**2.0**	**2.4**	–	2.6****	2.6

* *PayJustNow acquired during 2021.*
** IFRS 16, Leases, *adopted effective 1 January 2019.*
*** IFRS 9, Financial Instruments, *adopted effective 1 January 2018.*
**** Dividend cover applied but final dividend cancelled due to Covid-19.

Group revenue Rand million



Group operating profit



Our Business Model

How we create value through our business activities

HomeChoice International is a holding company with investments in digital fintech and omni-channel homeware retail. We drive value through offering the female mass market innovative products at affordable credit on digital platforms.

Resources utilised

Financial capital
Shareholders and debt funders who provide financial capital to run the business

People capital
Skills, experience, competencies and diversity of our employees who are focused on delivering enhanced customer experience

Knowledge capital
Product and credit expertise the group has developed over the past 35+ years primarily focused on the mass market urban women of South Africa. Digital technology expertise in fintech market

Physical location capital
Sophisticated contact centre, our e-commerce enabled distribution centre, Retail showrooms and ChoiceCollect containers. Country risk diversification with fintech driven from Mauritius

Social relationship capital
Distribution partners and suppliers who understand and are committed to the business model and the role they play in delivering customer experience

Natural capital
Limited usage of energy, water and packaging in our business operations

Mobi-first digital systems

Putting our brands in customers' hands

Customers access our digital platforms through their mobile phones. Customer facing technology initiatives are developed using mobi-first thinking, increasing accessibility and convenience. Digital strategy provides customer convenience, scalability and meaningful cost efficiencies.

Fintech ecosystem

Virtuous ecosystem of customers and merchants

Fintech innovation drives customer spend and income diversification. A suite of customer personal loans, insurance, payments and value-added services. Entrenched use of digital technology providing customer convenience and operational efficiencies. Integrated merchant specific products increase stickiness and drive merchant revenue.

Credit risk management

Balancing growth and risk

Full end-to-end credit management processes using in-house scorecards developed for customer target market. Incorporating new technologies and automated decision making. Fraud prevention with deployment of 'selfie' technology.

Customer analytics

Enhancing customer experience

Data-driven insights enable customer acquisition directly or through partners which are leveraged to drive cross-sell opportunities. Using data science and analytic tools we are able to mine our extensive customer base to drive top-line growth.

Omni-channel retail

Providing omni-channel retailing to meet our customers' homeware needs through physical, digital and direct marketing channels. Our digital and tech savvy customers are increasingly shopping through social media platforms.

Our investment case

1. Well established in **fast growing fintech and digital payments market**
2. Omni-channel homeware retail with **growing digital channels**
3. **Data-rich customer database** of digitally-engaged younger urban African women
4. Product innovation drives **customer acquisition, engagement and retention**
5. **Proven ability to leverage customer base** for new businesses
6. Digital-first mindset for **customer experience and convenience**
7. **Scalable technology platforms** deliver cost efficiencies
8. Proprietary unsecured **consumer credit management**
9. **Entrepreneurial spirit** with proven expertise

Our Employees

We have embarked on a journey to become an Employer of choice, developing engaged and empowered employees to be key agents in enhancing our customer experience.

Growing our employees

91%
training focused on operations teams

Technology-enabled MyLearning portal

95%
on-line learning

46 764
training interventions

Developing competencies for the future

26
bursaries awarded

235
learners on SETA programmes

15
participants on Retail NextGen academy

1 873
Employees

Operations	Corporate office
82%	18%

77%

33%

7
of SA official languages spoken in contact centres

Easy and convenient ways to join the group

Managing new employee applications has been optimised with enhancement to our application tracking system and integration with a number of social media platforms. A dedicated careers website, **www.homechoicecareers.co.za,** has recently been launched, which will allow for a convenient and "one-stop shop" for potential employees.

Committed to transformation

A key focus of our Diversity, Equity and Inclusion strategy, will be the recruitment of beneficiaries and learners of previously disadvantaged individuals and individuals with disabilities.

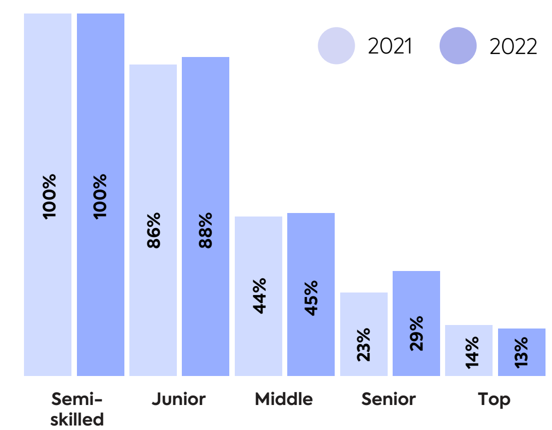
Good mix of new skills and experience

Operations

60%
longer than two years

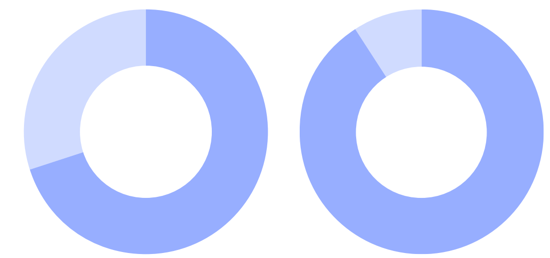
Transformation

Employment equity statistics



Female

Black



70%

93%

The year under review

Executive Chair and HIL CEO Report

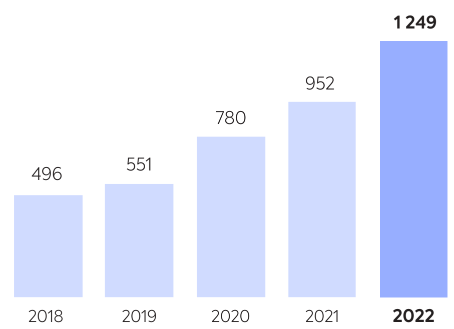
A transformed group

The group has undergone significant transformation in the last three years to become a fast growing profitable fintech focused group. Group digital transactions have doubled from 40% in 2018 to 75% in 2022. While the Covid-19 pandemic was a catalyst for digital adoption by customers and businesses alike, our strategy has been very much driven by a digital-first mindset, ensuring that our products are easily accessible from customers' mobile phones.

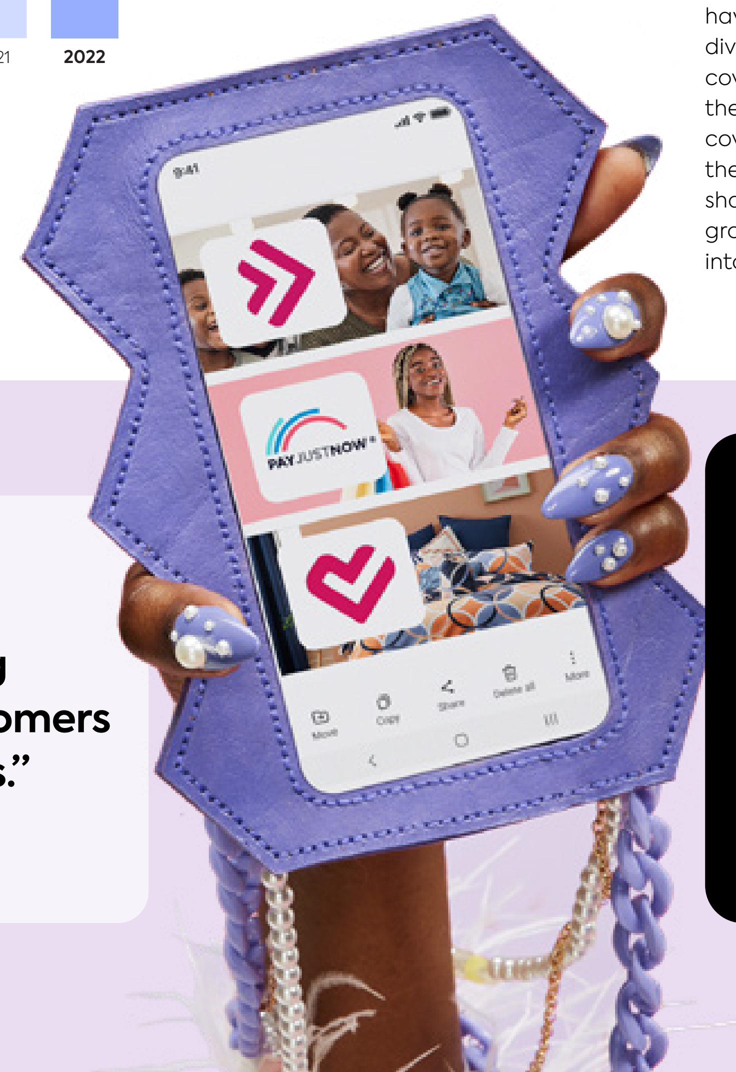
Today our Weaver Fintech business is almost entirely digital, and our Retail business has seen continued growth with their digital transactions now 35%. We have also been reaping the rewards of this investment in terms of cost efficiencies, with digital cost per digital transaction decreasing by c.50% in the past five years, while the average monthly digital users have more than doubled over the same period.

With our digital transformation progressing well, we will continue to increase our focus on the fintech space and the significant opportunities presented by disruptive technologies.

Average monthly digital users



> "We would like to express our appreciation to all our employees whose energy, innovative thinking and passion to deliver to our customers are reflected in the group's results."
>
> Sean Wibberley
> Shirley Maltz



Current year performance

The results for the year were strong. A revenue growth of 6.5%, converted to operating profit growth of 83% driven primarily by the excellent profit conversion in Weaver Fintech.

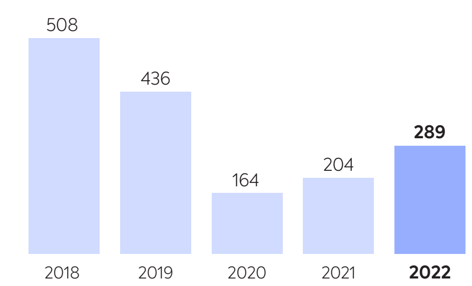
Weaver Fintech continues to deliver good growth with operating profit up 29% to R438 million. HomeChoice Retail had a disappointing decrease in revenue of 5.0%, but returned to profitability with operating profit of R78 million after posting a loss of R43 million in FY2021 (included once off costs of R 114 million).

Group headline earnings per share increased by 41.8% to 288.50 cents.

During and post Covid-19, the board took the decision to retain cash and where opportunities arose increase investment into driving fintech growth opportunities. Consequently, dividends have been muted and the board has applied a dividend cover at the higher end of the dividend cover target of 2.2 – 2.8 times. During the year the board agreed to provide a reduced dividend cover range in which to operate and adjusted the target to 2.0 – 2.6 times – this would cater for shareholders to participate in the strong profit growth generated by two years of reinvestment into Weaver Fintech.

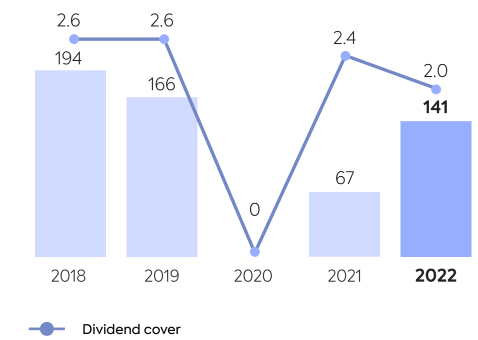
Headline earnings per share

Cents per share



Dividends per share

Cents



Fast growing profitable Fintech group

R3.6bn
Revenue

75%
Digital transactions

R482m
Operating profit

R7.3bn
Cash collected from customers

1.4m+
Customers

Strategic direction of the group

Our fintech growth strategy

Weaver Fintech is based in Mauritius with the focus on driving product progression which accelerates spend and delivers growth and customer acquisition. The Weaver Fintech product suite includes personal loans, insurance products and value-added services, the FinChoice MobiMoney™ digital wallet and a Buy Now Pay Later (BNPL) payment product delivered by PayJustNow (PJN). Recently, a FinChoice retail instalment product has been introduced and further payment products are in the pipeline. The Weaver Fintech customer base is now 940 500 (2021: 450 000) and growing rapidly.

The 2021 investment in PayJustNow, a disruptive BNPL payments provider, has been a game changer to the group's fintech offering. We continue to see rapid customer adoption of the payment product, with a base of 649 000 (2021: 180 000) customers. The customer friendly, seamless and fully digital payment process with no interest and no fees is a compelling proposition for customers. The number of merchants offering PJN has doubled in 2022 to 2 350 as has the number of active points of presence to 4 610. It is the combination of customers and merchants and being able to create and provide innovative products to both parties that is most exciting and combined with the ability to market FinChoice products to customers will drive our fintech growth trajectory.

In the coming year, further products are planned for both customers and merchants at PayJustNow, while FinChoice broadens its mobile wallet offering and it will offer loans and insurance to PJN customers.

Building a future-fit Retail business

Our HomeChoice Retail homeware offering is our heritage business.

Unfortunately, Retail was hit hard by Covid-19, and while showing signs of recovery in 2021 and early 2022, trade has been negatively impacted by worsening economic conditions, constrained consumer spending and the damage to business operations from load shedding.

Significant work has been done to reset the cost base, restore gross margin back to acceptable levels and re-ignite the entrepreneurial spirit of our employees. Management of credit risk to improve profitability has received strong focus, and while it has meant lower levels of new customers we have seen a positive reduction in debtor costs. Technology investments in a 'smart' fulfilment delivery system will see improvements in customer experience.

The Retail business is making the right changes to restore its levels of profitability to pre-Covid levels and provide its loyal customers with quality innovative products and an excellent customer experience.

Governance

Changes to the board

Gregoire Lartigue and Amanda Chorn were appointed to the board in November 2014 on the group's listing on the JSE. As HIL CEO, Gregoire has guided the business from primarily being a retail group to its new strategic intent of being more fintech focused. He has previously indicated that he would like to step down as HIL CEO when a suitable candidate could be found to drive the group's new direction. Amanda Chorn, an independent non-executive director, also indicated that she would like to resign from the board at the end of the year after serving close to her nine-year tenure.

The board extends its gratitude to Greg and Amanda for their leadership, support and guidance provided to the business and the executive team over the years, especially during Covid.

As a result of these requests, the nominations committee reviewed the board succession plans and, following the outcomes of the search process, recommended the appointment of Sean Wibberley as the HIL CEO and Roderick Phillips as an independent non-executive director. These changes were made in mid-December 2022.

Sean has been with the group for more than 16 years. He has developed the FinChoice personal loans business into a truly digital financial services business and will add significant value on his appointment as HIL CEO.

Roderick Phillips joins the group with a wealth of experience as the executive chairman of Sanlam Trustees International (based in Mauritius) and his skills and knowledge of Mauritian-based investment companies will be an asset to the group. He has also assumed the role of chairman of the audit and risk committee.

Board diversity

Our board diversity policy guides and directs the nominations committee when considering new appointments to the board. The policy recognises that an appropriate balance of gender, race, culture, age, skills, experience and field of knowledge is important for a board to be effective.

Specific targets have been set for race and gender, with an aim to achieve 30% representation for both attributes. While achievements against the targets were negatively impacted by the recent board changes the board remains committed to keeping them top of mind at the next opportunity.

Board committees

Post the changes to the board, adjustments have been made to the composition of committees. More details are available in the governance report.

The nominations committee recommended the establishment of a credit risk committee for the group. This committee has been set up as a management committee with the group FD as the chairman. It will play a strong role in monitoring credit performance in line with the board approved risk tolerance levels.

Personal Loans

Disbursements up 29% to
R4.3bn

Unsecured Loans Market
3.6%

MobiMoney

Mobi money wallet users
215k
up 27%

Utilisation increasing to
R1.4bn

Homewares

Retail Sales
R1.6bn
down 5.6%

Product range with delivery
720k parcels

Insurance

GWP
R116m
up 22%

Customers
108k

Wallet

Transactions
781k
increasing 17%

Send money VAS, bill, QR payments

Payments

GMV
R747m
growing > 260%

Transactions using BNPL product
>556k

Responsible corporate citizen

The group is based in Mauritius; however, our HomeChoice Retail business has a significant people footprint in South Africa. Transformation, creating opportunities for small and medium enterprises, upliftment of communities and managing the environmental impact of doing business is very much at the top of mind when we develop the group strategy.

Operationally, much work has been done to achieve a Level 7 score in the B-BBEE scorecard. A strong focus on preferential procurement has delivered improved points, while the support provided to small distribution partners – independent service providers – and our sales agents continue to deliver maximum points. The shareholding structure of the group means the Level 7 is discounted down to Level 8. Nevertheless, we are very pleased with the results we've achieved integrating the elements of B-BBEE into day-to-day operations of the group.

Load shedding has been, and will continue to be, the scourge of a well-functioning economy in South Africa. Due to the digital nature of the group and the limited physical footprint of HomeChoice Retail the group has not experienced a significant cost burden like other bricks and mortar retailers. However, load shedding impacts cellphone connectivity and viewership of television adverts has decreased by one-third. This has negatively impacted retail sales and necessitated change in marketing strategies to greater use of digital technology to mitigate this. Additional generator capacity will be approved by the board to ensure business continuity during electricity outages.

We are pleased that the South African office building has maintained its 5* Green Building status post the three-year review conducted in the year.

Recycled polyester can now be found in the fiberfill for duvet and pillow inners in selected homeware products. We are excited with this development enabling an average of 134 PET bottles to be recycled in each set of our Jade duvet offering. Previously, sturdy plastic bags were supplied with our well-loved blankets enabling customers to store them during the summer months when not in use. We have now changed these bags to non-woven PVC, another way in which we are eliminating the use of plastic in our packaging solutions.

The HomeChoice Development Trust has been in operation since 2002 and is focused on the upliftment of communities through infrastructure, training and support in the early childhood development sector. Disappointingly, Covid-19 and the aftermath it left behind has slowed down our activities in the Trust, but we looked to re-energise and reinvigorate our contribution in the coming year.

Outlook

Weaver Fintech is expected to continue its rapid customer adoption using the digital payment product offered by PJN. Growth will be driven through product progression, increasing the customer base and cross-selling of products to our Fintech customers.

HomeChoice Retail, in pursuit of its turnaround plan, will continue to face economic and infrastructure headwinds in the South African economy. Consumers are under significant pressure with increasing unemployment, escalating transport and food costs prices resulting in lower levels of disposable income. We will continue to focus on providing quality, affordable products within credit granting rules appropriate for market conditions.

Appreciation

To our more than 1 800 staff – a huge thank you for their resilience, commitment and dedication to deliver 2022's results.

Our sincere thanks are extended to the group's executive team for delivering a strong set of results, due in no small measure to the innovation, expertise and commitment of our people. It's in tough times that businesses demonstrate their resilience and we are proud to have led the group during the past year.

We also extend our appreciation to our board colleagues for their valued advice, guidance and support for the strategic direction of the group.

Group Finance Director's Report

> "Weaver Fintech is in a very exciting growth phase with strong customer appeal for their financial services products using digital channels, which are scalable and cost efficient. The Retail business has worked hard on its turnaround and is gaining traction."
>
> **Paul Burnett**

Strong growth in profits with improved conversion

The group delivered operating profit of R482 million (up 83% on last year), primarily driven by continued strong growth of Weaver Fintech, which now accounts for 85% of the group's profit (before other group costs).

Performance review

		2022	2021	2020	2019**	2018***
Revenue	(Rm)	**3 656**	3 432	3 275	3 484	3 247
Growth in revenue	(%)	**6.5**	4.8	(6.0)	7.3	8.5
Loan disbursements	(Rm)	**4 301**	3 336	1 919	2 266	1 784
Growth in loan disbursements	(%)	**28.9**	73.8	(15.3)	27.0	21.5
Buy Now, Pay Later gross merchandise value	(Rm)	**747**	204*	–	–	–
Retail sales	(Rm)	**1 610**	1 706	1 792	1 951	1 860
Growth in retail sales	(%)	**(5.6)**	(4.8)	(8.1)	4.9	6.3
Gross profit margin	(%)	**46.6**	45.1	44.9	47.4	49.6
Operating profit	(Rm)	**482**	263	270	679	763
Growth in operating profit	(%)	**83.3**	(2.6)	(60.2)	(11.0)	2.6
Operating profit margin	(%)	**13.2**	7.7	8.2	19.5	23.5
Cash (used in)/generated by operations	(Rm)	**(214)**	(30)	630	437	474
HEPS	(cents)	**288.5**	203.5	164.2	436.0	507.7
Growth in HEPS	(%)	**41.8**	24.0	(62.3)	(14.0)	0.7
Dividend cover	(times)	**2.0**	2.4	–	2.6	2.6
Net debt to equity	(%)	**45.8**	29.6	19.8	30.2	27.6
Return on equity	(%)	**9.0**	5.2	5.5	16.2	20.9

* PayJustNow acquired during 2021.
** IFRS 16, Leases adopted effective 1 January 2019.
*** IFRS 9, Financial Instruments, adopted effective 1 January 2018.

Revenue

Group revenue increased by 6.5% – boosted by a 31.1% increase from Weaver Fintech and a more muted decrease of 5.0% from the HomeChoice Retail business. FinChoice loan disbursements grew by 28.9% to R4.3 billion, and PayJustNow's (PJN) gross merchant value (GMV) increased by 260% to R0.7 billion, as its digital payment product gathers momentum.

Retail sales

Retail sales decreased by 5.6% to R1.6 billion, a disappointing result in comparison to the rest of the South African retail market. Credit tightening and a strategic decision to apply more stringent credit granting rules for new customers impacted the level of sales particularly in the first-half of the year.

As with most companies, the impact of loadshedding has had a significant impact on Retail's trade, specifically in the latter part of H22022 when up to 10 hours a day no electricity was available. Loadshedding has impacted the Retail business in two main ways – firstly, cellphone coverage and reliability was under pressure, negatively impacting our ability to call customers from the contact centre. Secondly, the reach and viewership of our television advertising was noticeably lower during electricity outages.

Finance income

Finance income grew by 16.3% to R1.4 billion primarily driven by the Weaver Fintech gross debtors' book increasing by 33.2% to R3.3 billion. The repo rate increase of 325 basis points (bps) from April 2022 to December 2022 was also a contributing factor to higher finance income earned.

Statement of profit and loss

	2022 Rm	% change	2021 Rm
Revenue	**3 656**	6.5	3 432
Retail sales	**1 610**	(5.6)	1 706
Finance income	**1 378**	16.3	1 185
Fees from ancillary services	**668**	23.5	541
Cost of Retail sales	**(859)**	(8.2)	(936)
Other operating costs	**(2 340)**	6.0	(2 208)
Credit impairment losses	**(1 081)**	10.9	(975)
Other trading expenses	**(1 259)**	2.1	(1 233)
Other net gains and (losses)	**9**	>100.0	(43)
Other income	**16**	(11.1)	18
Operating profit	**482**	83.3	263
Interest income	**3**	(50.0)	6
Interest expense	**(129)**	38.7	(93)
Profit before taxation	**356**	>100.0	176
Taxation	**(54)**	>100.0	(9)
Profit and total comprehensive income for the period	**302**	80.8	167
Profit and total comprehensive income for the period attributable to:			
Owners of the parent	**308**	1.8	170
Non-controlling interest	**(6)**	100.0	(3)
	302	80.8	167
Earnings per share (cents)			
Basic	**289.4**	81.1	159.8
Diluted	**282.7**	81.6	155.7
Headline earnings per share (cents)			
Basic	**288.5**	41.8	203.5
Diluted	**281.8**	42.1	198.3

weaver fintech

R1.4bn Revenue — 39%

R438m Segmental operating profit* — 85%

homechoice

R2.2bn Revenue — 61%

R78m Segmental operating profit* — 15%

* Group operating profit of R482m is after other group company costs of R33m

Gross profit margin increase

150bps

Fees from ancillary services

Pleasingly, the group's strategy to diversify revenue is also gaining momentum, with the contribution of fee and other income continuing to grow, now accounting for 18.3% (2021: 15.8%) of the group's total revenue. Key drivers of this fee-generation vertical are the fees earned from fast-growing PJN's Buy Now, Pay Later (BNPL) product offering and the growing suite of personal insurance products.

Gross profit

Gross profit margin achieved a 150 bps increase from FY2021 and is now back to pre-Covid levels. Through effective merchandise management and supply chain optimisation initiatives, we managed to improve the margin despite higher shipping, transport and fuel costs which have faced most retailers during the year.

Debtor costs

Debtor costs have been well managed, with the 10.9% increase reflective of the sizeable growth in FinChoice loan disbursements and lower write-off costs in Retail. Appropriate provisions continue to be maintained in Weaver Fintech and HomeChoice Retail.

Other trading expenses

The group's digital-first strategy continues to deliver meaningful cost efficiencies and trading expenses have been tightly controlled. Retail has benefited from a restructured and lower cost base while they invested in higher marketing costs to increase targeted marketing reach. Weaver FinTech invested in higher digital marketing expenses to drive the strategic growth in customers and loan disbursements.

Interest expense

Given the higher debt levels to support the funding requirements for Weaver Fintech's growth, interest paid increased by 44.8%, also impacted by repo rate increases during the year.

Profit for the year

Operating profit increased by 83.3%, driven by Weaver Fintech's strong growth and HomeChoice Retail returning to profitability.

Operating profit growth benefited from R123 million of once-off costs incurred in FY2021 mainly from Retail's turnaround strategy and an improved operating margin of 13.2%.

Statement of financial position

Property, plant and equipment and intangible assets

Capital expenditure increased by 16.3% to R56 million.

Retail's capital expenditure in the first-half was actively managed as part of their turnaround strategy and returned to more normal levels in the second-half of the year. A new smaller-format Retail showroom was opened in December 2022 and this will be closely monitored to assess the future roll out strategy.

Weaver Fintech continued their technology investment spend, delivering new products to market and systems to streamline customer experience journeys.

Inventories

Stock levels were 52.7% higher to R403 million (2021: R264 million).

Given the challenges in supply chain for much of the year, a decision was made to bring forward some of the stock buy from Q12023 into December 2022 resulting in higher closing stock levels.

Trade and loans receivables

The group's gross trade and loan receivables increased by 18.4% to R5.3 billion (2021: R4.5 billion), a consequence of Weaver Fintech's strong top-line growth. PJN has a high-yielding book with low levels of default.

Group debtor costs, at 29.6% (2021: 28.4%) of revenue, increased due to the impact of the provision required on FinChoice's increased loan disbursements, softened by the decrease in Retail's debtor costs.

The Weaver Fintech and Retail credit books are separately managed and operate on independent platforms.

Statement of financial position

	2022 Rm	% change	2021 Rm
Assets			
Non-current assets			
Property, plant and equipment	**421**	(6.0)	448
Intangible assets	**187**	(2.6)	192
Right-of-use assets	**32**	(34.7)	49
Other Investments	**93**	69.1	55
Deferred taxation	**115**	35.3	85
	848	2.3	829
Current assets			
Inventories	**403**	52.7	264
Taxation receivable	**2**	(33.3)	3
Trade and other receivables	**4 212**	19.4	3 528
Trade receivables – Retail	**1 341**	(1.7)	1 364
Loans receivable – Weaver Fintech	**2 782**	32.4	2 102
Other receivables	**89**	43.5	62
Cash and cash equivalents	**116**	(42.9)	203
	4 733	18.4	3 998
Total assets	**5 581**	15.6	4 827
Equity and liabilities			
Capital and reserves			
Stated and share capital	**1**	–	1
Share premium	**3 039**	–	3 039
Reorganisation reserve	**(2 961)**	–	(2 961)
Treasury shares	**(45)**	(4.3)	(47)
Other reserves	**49**	(23.4)	64
Retained earnings	**3 386**	6.9	3 168
Equity attributable to equity holders of the parent	**3 469**	6.3	3 264
Non-controlling interest	**(7)**	>100.0	(1)
Total equity	**3 462**	6.1	3 263
Non-current liabilities			
Interest-bearing liabilities	**1 483**	39.9	1 060
Lease liabilities	**19**	(17.4)	23
Deferred taxation	**50**	13.6	44
Other payables	**22**	>100.0	4
	1 574	39.1	1 131
Current liabilities			
Interest-bearing liabilities	**44**	–	44
Lease liabilities	**19**	(42.4)	33
Taxation payable	**20**	11.1	18
Trade and other payables	**360**	6.5	338
Bank overdraft	**102**	100.0	–
	545	25.9	433
Total liabilities	**2 119**	35.4	1 564
Total equity and liabilities	**5 581**	15.6	4 827

Weaver Fintech

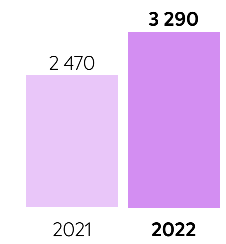
Weaver Fintech's gross debtors' book increased by R820 million to R3.3 billion driven by a 28.9% increase in FinChoice loan disbursements.

Loans to existing customers with a proven track record grew to 84.5% of total loan disbursements (2021: 81.2%), resulting in a modest increase in book term to 20.9 months (2021: 19.2 months).

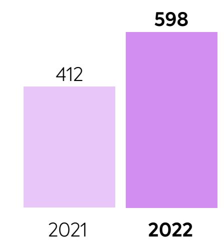
The sizeable growth in the gross debtors' book resulted in an expected increase in the IFRS 9 provision required, and debtor costs as a percentage of revenue increased to 41.3% (2021: 37.3%). Market wide, consumer stress is evident in higher levels of debt review transfers and we have also experienced an increase in demand for our debt rehabilitation products. This is evident in the provision for impairment increasing by 50 bps to 15.4% at the end of the year (2021: 14.9%).

Stages 2 and 3 loans cover percentage has been conservatively increased to 68.9% from 65.3% as at December 2021.

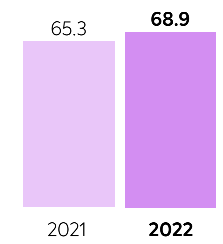
Gross book Rbn



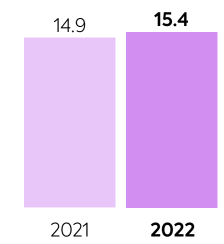
Debtor cost Rm



Stages 2 and 3 cover %



Provision % of gross receivables



Retail

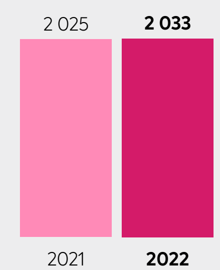
Retail debtor costs have decreased by 14.2% to R483 million, benefiting from the credit risk tightening at the end of FY2021 and during FY2022.

Gross debtors remained flat year on year. The average book term has been maintained at 18.6 months.

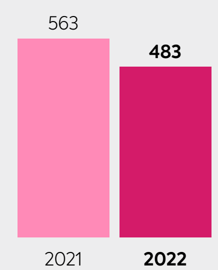
We have seen a stabilising of Retail's vintages with improvements evident in the early roll rates. New digital collections strategies are expected to deliver higher collections and further improvement in the debtors' book.

The provision has increased to 34.0% (2021: 32.6%) reflective of market conditions. Stages 2 and 3 cover percentage has been maintained at 67.2%

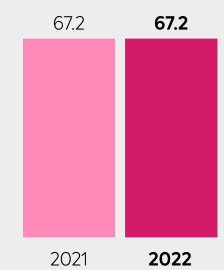
Gross book Rbn



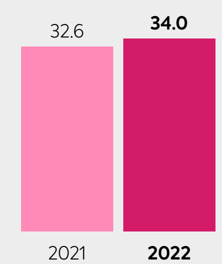
Debtor cost Rm



Stages 2 and 3 cover %



Provision % of gross receivables



Cash management

		2022	2021	% change
Operating cash flows	(Rm)	**556**	392	41.8
Working capital	(Rm)	**(770)**	(422)	82.5
Cash used in operations	(Rm)	**(214)**	(30)	>100.0
Capex	(Rm)	**(56)**	(49)	16.3
Cash balance	(Rm)	**14**	203	(93.1)
Net debt	(Rm)	**1 551**	957	62.1
Net debt to equity	(Rm)	**45.8%**	29.6%	–

Our strong profit increase has generated healthy operating cash flows increasing by 41.8% to R556 million.

Much of the increase in working capital was for the growth in Weaver Fintech's debtors book. The Weaver Fintech debtors book now makes up 62% (2021: 55%) of group receivables.

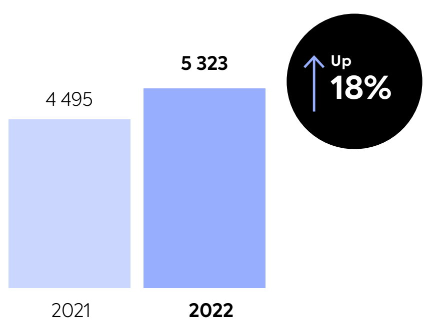
Despite the tough financial conditions faced by consumers, real-time DebiCheck mandate integration has ensured collections from customers remained strong, amounting to R7.3 billion, an increase of R1.4 billion on 2021 levels. Weaver FinTech collected R5.3 billion from customers, while Retail's cash collections were R1.9 billion, reflecting the strong cash generative nature of our credit books.

Net debt of R1.5 billon is up 62.1% (2021: R1.0 billion). Net debt:equity at 45.8% is well within our long-term target of <60%. The group has cash on hand and ample undrawn funding facilities of R0.6 billion to fund the continuing growth in Weaver Fintech.

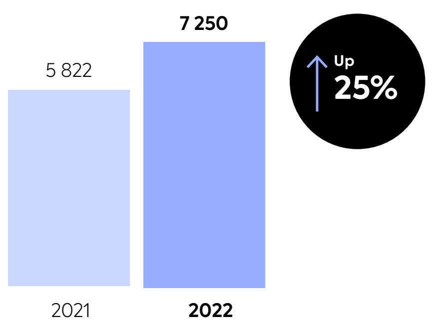
Available undrawn funding facilities

R0.6bn

Trade and loan books



Group collections (Rm)



Weaver Fintech ecosystem

The Weaver Fintech ecosystem is made-up of two businesses. FinChoice, a digital personal lending, insurance and value-added services business and PayJustNow (PJN) a digital Buy Now, Pay Later (BNPL) payments business.

Fast growing and highly profitable performance

Weaver Fintech delivered revenue growth of 31% with loan disbursements up 29% to R4.3 billion and an outstanding growth of 260% of R0.7 billion in gross merchant value from PJN's BNPL product.

Debtor costs grew ahead of revenue up 44.9%, a function of the book growth of 33% to R3.3 billion and an increase in impairment provisions to 15.4% (2021: 14.9%) to cater for constrained market conditions. Against the 31.1% high growth in revenue, trading expenses grew 23%, driven by the efficiencies of a scaling digital business. The operating cost-to-income ratio has improved to 28.8% from 31% in FY2021.

Operating profit increased by 29% to R438 million with strong profit conversion achieving an operating profit margin of 30%, consistent with that achieved in FY 2021.

Rapid customer adoption base now 940 500

The Weaver Fintech customer base doubled during 2022 to 940 500 (2021: 450 000) driven chiefly by the rapid adoption of the BNPL product by South African consumers. Over 450 000 new BNPL customers were acquired in the year. Loans and insurance customers increased by 17% to 316 000 on the more established FinChoice base.

There is a high level of similarity in the demographics of the FinChoice and PJN customer bases. Two-thirds are female, while PJN generally have customers who have a higher average monthly income and are younger. Our customers are very digitally savvy preferring to use their mobile phones to transact with both FinChoice and PJN. All PJN's transactions are digital and over 90% of transactions in FinChoice are digital.

Customer engagement is high. FinChoice customers transact with the brand 6.7 times in a 90-day period, while PJN customers purchase 2.1 times in the same period.

The combination of our frictionless customer journeys and our responsive customer service and support teams have driven high levels of customer satisfaction. Customers rate the service they receive with market-leading Google star ratings of 4.6 and 4.7 for FinChoice and PJN respectively.

	Dec 2022 Rm	Dec 2021 Rm	% change
Revenue	**1 447**	1 105	31.1
Finance and other income	**964**	757	27.3
Fee income	**483**	348	38.8
Other gains/(losses)	**14**	8	72.0
Debtor costs	**(598)**	(412)	44.9
Insurance costs	**(47)**	(55)	(15.0)
Trading expenses	**(378)**	(307)	23.0
Operating profit	**438**	339	29.2
Interest expense	**(104)**	(68)	52.0
Profit before tax	**334**	270	23.0

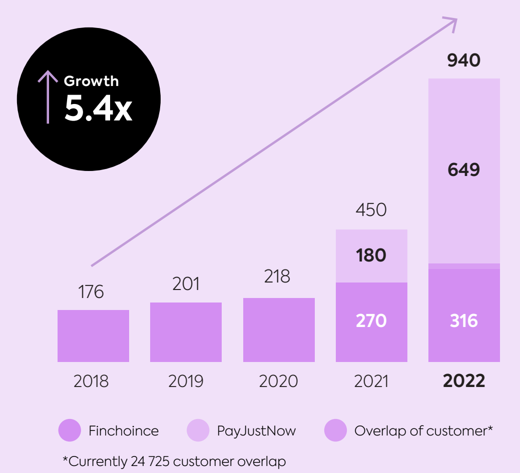
45.5%
Net Banking Income* to Average Debtors Book reduced from 46.8% (2021)

28.8%
Operating costs to Net Banking Income* improved from 31.0% (2021)

20.8%
Debtors cost to Average Debtors Book slight increase from 19.5% (2021)

* Net Banking Income (NBI) is defined as Revenue less interest and insurance costs

Loans, Insurance and BNPL customer base



64%
Women

14.8k
Avg income

47%
Gen Z / Millennial

4.6 ★
Google rating

66%
Women

16.7k
Avg income

76%
Gen Z / Millennial

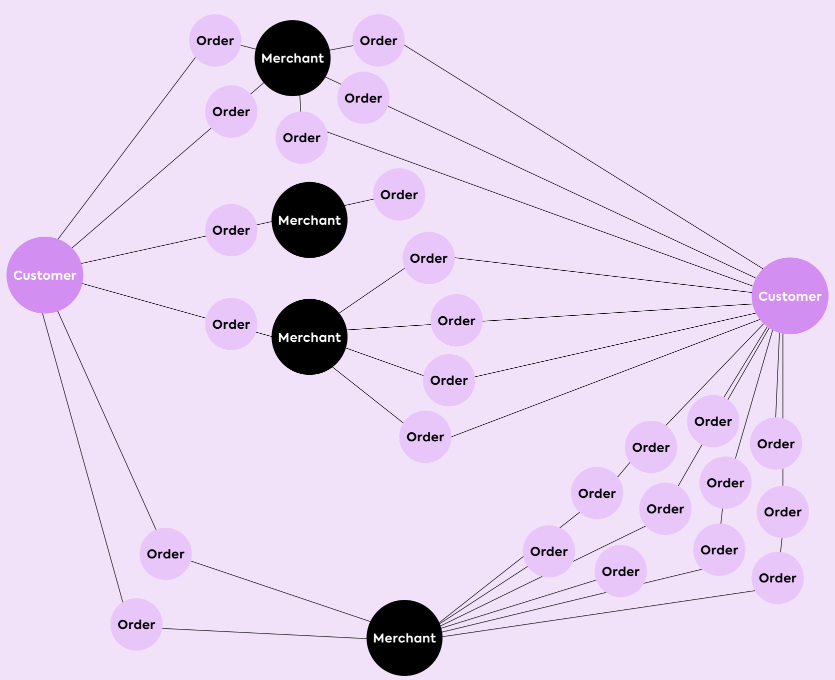
4.7 ★
Google rating

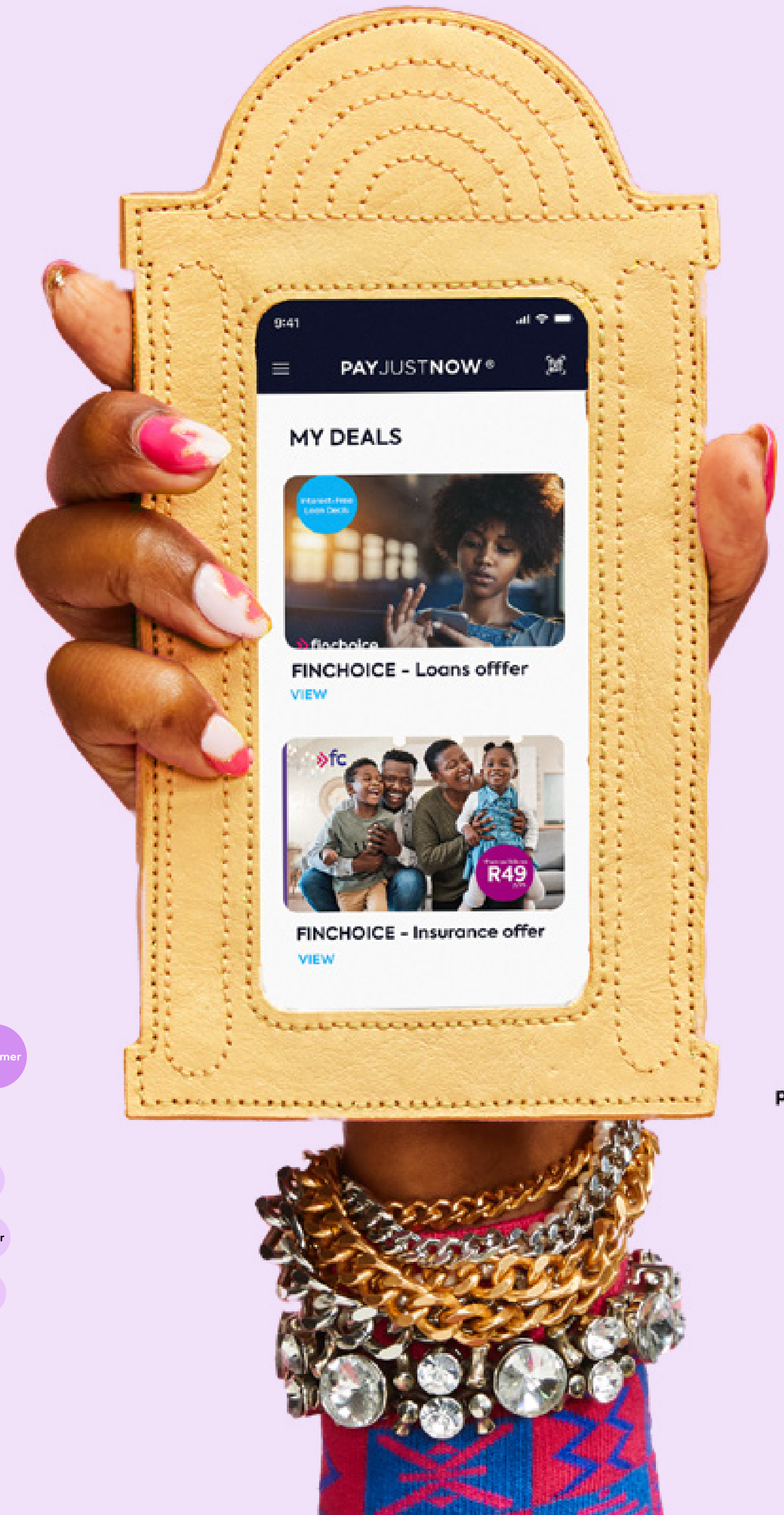
Cross-selling opportunities

Customers generate transactional data with the products that they engage with, and the merchants that they interact through. Using graph database technology, we are able to understand the complex interrelationships between customers, transactions and products. Using that data, we are then able to predict a customer's preference for a loan or insurance product and then curate personalised offers to her.

We have close to 1 million customers in the Weaver Fintech ecosystem and this base is continuing to grow rapidly.

With only a 3% overlap between FinChoice and PJN customers, there is a huge opportunity to cross-sell our financial products. During the year these cross-sell strategies have been tested using 'MyDeals' on the PJN platform and in Q12023 personalised loans and insurance offers will have been operationalised.





Building a virtuous circle through the Weaver Fintech ecosystem

The Weaver Fintech ecosystem comprises both customers and merchants and it is key that we develop products and create value for both parties to create synergies and drive overall growth.

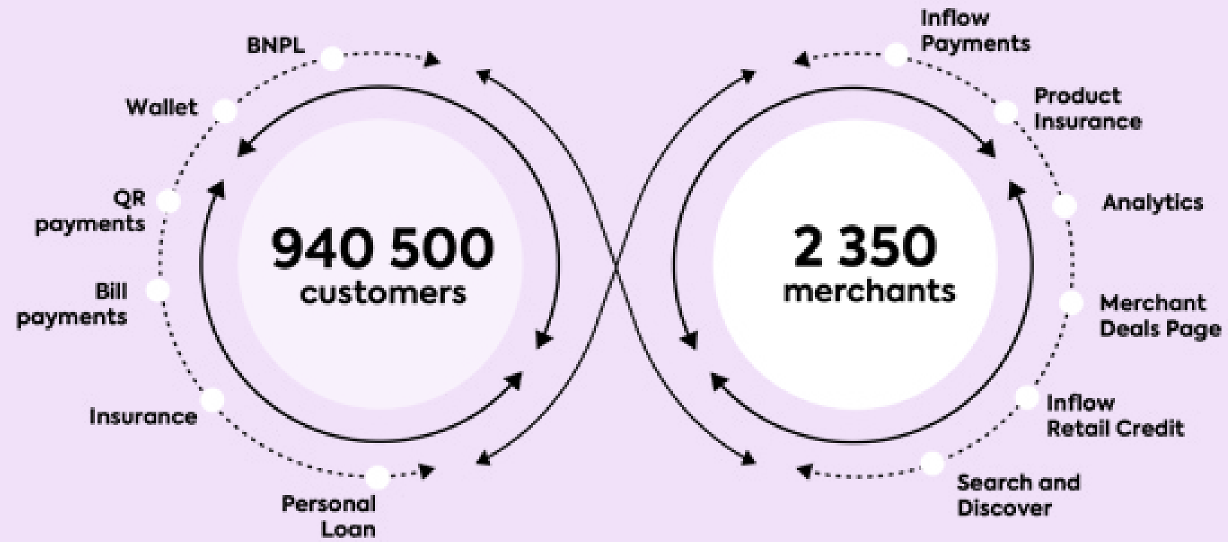
The growth is further enhanced by the number of merchants who offer products to our customers. The doubling of merchants to 2 350, generates the opportunity to cross sell to their customers with a suite of digital lending, insurance and payment solutions. As more merchants are onboarded, and we can embed Weaver Fintech into their business model, so it increases the number of customers to the base which in turn, provides more cross selling opportunities.

Value is not only created for merchants through our digital payment products (BNPL and FinChoice Pay) increasing their revenue. We also provide merchants with reporting solutions, data analytics, 'search and discover' leads and the opportunity to offer personalised offers to PJN customers through MyDeals. Search and discover is being developed to allow customers to quickly find the products they are looking for and direct that traffic to merchants. During the year, the significant interest in PJN has driven over 11 million lead referrals back to merchants thereby increasing their sales revenue.

It is this virtuous ecosystem of merchants and customers that will drive significant value to the Weaver Fintech business.

For Customers: suite of digital lending, insurance and payment solutions

For Merchants: an integrated solution

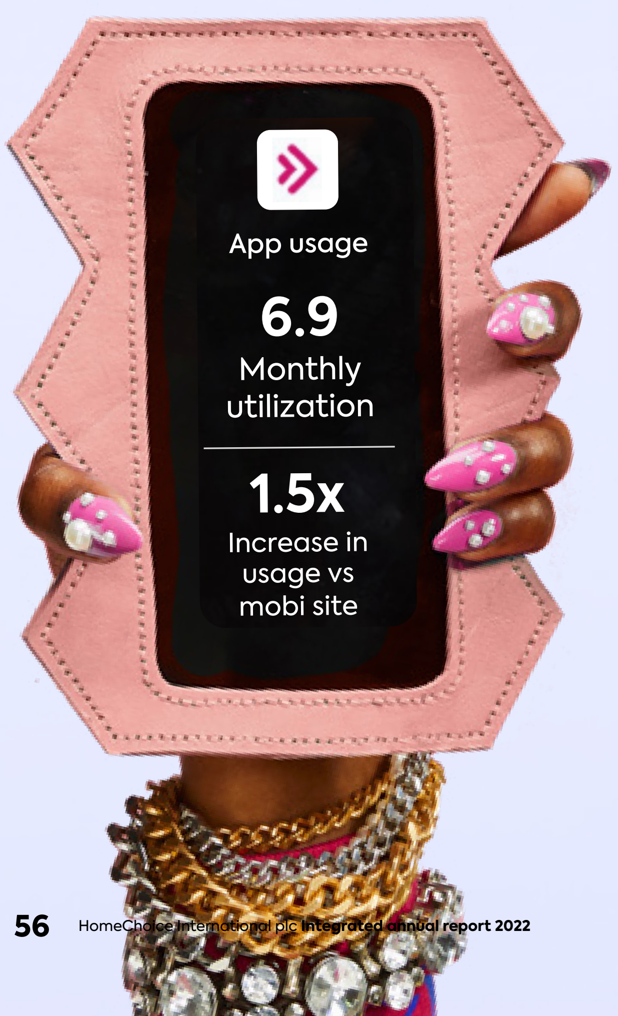


finchoice

Q&A with Finchoice CEO Sean Wibberley

How did the FinChoice business perform in 2022?

FinChoice had a strong year with double-digit revenue growth converting to a strong profit growth. Much of our success is driven by the retention of existing, good paying customers and the digital nature of our business enabling usage 24/7 and driving cost efficiencies. We reacted quickly to the challenging conditions at the end of 2022 to manage the quality of the credit book and keep expenses tightly controlled.



Can you elaborate on the loan disbursements growth of 29% to R4.3 billion?

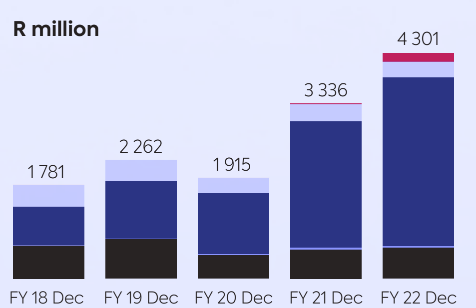
The demand for consumer credit facilities remained high in 2022, and pleasingly we continue to gain market share. As at Q3 2022 we had a 3.6% share of the unsecured loans disbursements market. Our loans disbursements have doubled in the last two years, a testament to the loyalty of existing customers and the appeal of the brand to new customers.

Disbursements to existing customers contributed 84.5% (2021: 81.2%) of all disbursements made during the year. The digital nature of the business and the level of trust we have garnered for our digital platforms translating into 95% of all loans being facilitated through digital channels.

At the end of FY2022, we launched our FinChoice App and are very excited by the strong usage of it. On average, App users log in 6.9 times a month, nearly 50% higher than those using the mobi site which is already a highly engaged platform by customers.

We believe that our App is going to be our fastest growing platform during 2023, as customers prefer the richer experience compared with the mobi site.

Disbursements (R'm) up 29% overall



Engaged digital existing customer

84.5%
Disbursements up from 81.2%

95%
Digital repeat loans up from 94%

Origination of new customers

74%
Acquired via digital channels vs 70% LY

72%
Sourced outside the group which has increased from 64% LY

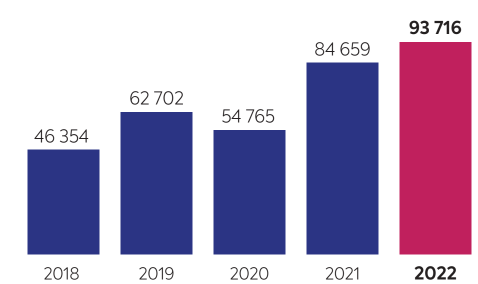
You acquired 93 700 new customers, up 11% from 2021. Are these acquired digitally and where do you source them from?

68 000 or 72% of FinChoice's new customers were brand new to the group, digitally sourced from external partners. The remaining new customers were sourced by targeting good-performing customers from our sister company, HomeChoice. In Q4 we piloted the cross-selling of our lending and insurance products to PayJustNow customers, which represents a significant opportunity.

The external customers are acquired by leveraging our data-driven application programming interface (API) technology to provide real-time, personalised and largely pre-qualified offers to potential customers at our partner sites, resulting in high conversion rates and customer reassurance that they will qualify for the bespoke credit we offer. In line with our 'low and grow' credit strategy, new customers are offered our shorter-term loan products and popular MobiMoney three-month facility, with initial low levels of credit provided to them. Once they have built up their data profile with us and proven themselves, they are offered higher levels of credit and longer-term loans.

Pleasingly we now concluded nearly three-quarters of all our new loan acquisition end-to-end digitally on customers' mobile phones, with no human dialogue in the origination process.

New customers acquired



Customer withdrawls on your FinChoice MobiMoney™ product have increased by 38%. What is driving this impressive growth?

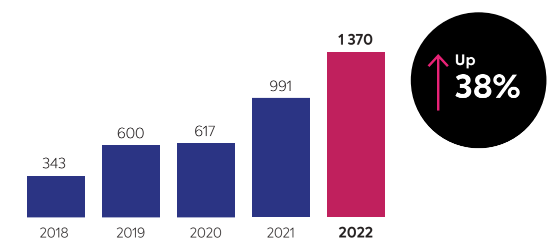
Yes, the MobiMoney product has had another year of pleasing performance.

MobiMoney is our digital-only credit-backed wallet and is the cornerstone digital lending product for FinChoice. Customers appreciate the 'credit card on my phone' concept and we have worked hard to ensure utility and a great digital experience. We grew our customer base by 27% over the year.

During 2022 we added incremental functionality to the wallet enabling customers to scan QR codes at retailers' point of sale supporting purchases to be made via her wallet. This is in addition to the sale of airtime, data and electricity.

Going forward we will look to add increased integration between the wallet and retailers' point of sale to further entrench the convenience to customers wanting to shop using their wallet.

Significant engagement on Fintech wallet (R'000)



How successful have you been in increasing your fee income from non-interest bearing products?

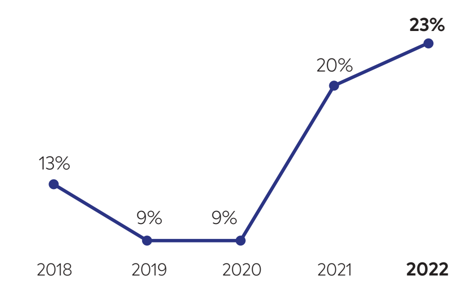
A key driver in our fee income vertical is our personal insurance business which is showing consistent growth.

Our fee income mix is sitting at approximately 30% constant with that in 2021. Gross written premiums grew by 22% with a steady increase in the number of primary policyholders in force to 108 000 (2021: 94 500).

What is very pleasing is the increasing digital nature of the insurance business with nearly one in four (2021: one in five) policies written through digital channels. We have achieved this through a deliberate focus on improving and streamlining customers digital journeys. We now cross sell all our funeral policies across most of our digital lending customer journeys in the FinChoice business. We have recently started selling insurance products to PJN customers via their ‘MyDeals’ page functionality and this exciting opportunity will be progressed further in FY2023.

At the end of Q42022 we launched personal accident cover as a digital only insurance product to complement our suite of funeral products. We are pleased with the performance to date.

Momentum in digital acquisition of insurance policies (proportion %)



With a 33.1% increase in the debtors book to R3.3 billion, how is the quality of your book?

I am very pleased with the quality of the book despite the challenging socio and economic conditions experienced in 2022. We continue to focus on existing customers who show good credit behaviour, granting them credit limit increases and offering higher value loans with longer payment terms. This is evident in our reloan mix increasing to 84.5% (2021: 81.3%) and a modest book term increase to 20.9 months (2021: 19.2 months).

In response to the challenging economic environment we tightened our credit acceptance and affordability criteria, resulting in a reduction in the acceptance rate from to 72.9% from 76.7% in 2021.

The credit market showed stresses in the year with an increased demand for customers going into debt review as they looked to manage their overall debt levels. We also saw an increase in the demand for our internal rehabilitation products which has resulted in an increase in debtor costs and the bad debt provision increasing from 14.9% to 15.4%. Pleasingly, the health of our portfolio has improved with 83.2% eligible to borrow, up from 81.4% in the previous year.

Cash collections remained strong in the year, well exceeding the value of our R3.2 billion debtors’ book. All loans are collected via DebiCheck and this has stood us well in this tough macroeconomic environment.

	FY: 2021	FY: 2022
Applications accepted	76.7%	72.9%
Disbursed ave loan term	13.0 months	13.6 months
Average balances	R7 737	R8 393
Active account holders able to borrow	81.4%	83.2%

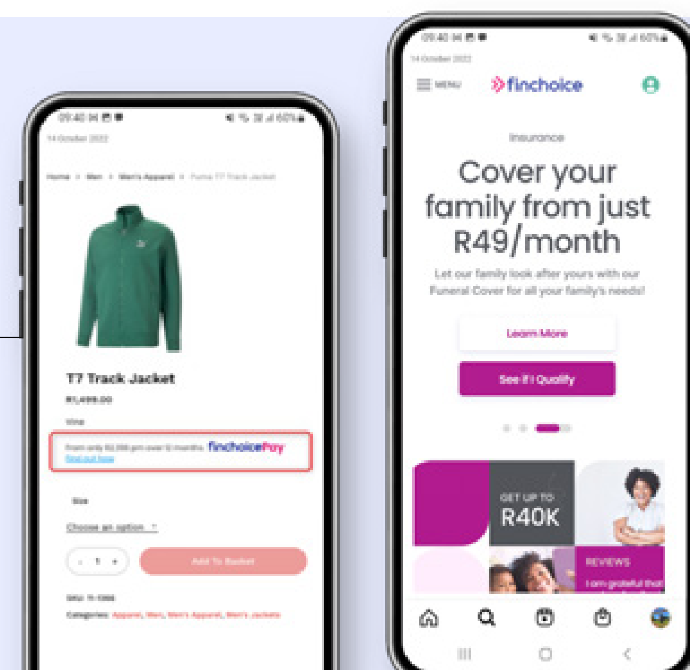
What are your focus areas for 2023?

We aim to increase the number of digital touch points a customer can experience with the brand and in the broader Weaver FinTech ecosystem. Specifically, we will:

- Upscale the cross-selling of FinChoice products into the Weaver Fintech customer base
- Continue with the pilot phase of our retail instalment credit product, FinChoicePay, and look to scale it in the latter part of 2023 to more merchants
- Enhance the utility and customer experience of our popular MobiMoney wallet product
- Focus on digital acquisition of our insurance products to enable end to end digital insurance sales
- Introduce new insurance products and scale the personal accident product
- Increase adoption of our FinChoice App by existing customers

Retail Instalment Credit

Unique offering to merchants in SA supporting customer growth



Digital insurance

Integrated with digital onboarding flows and improved customer journey

PAYJUSTNOW®

Q&A with PayJustNow CEO Craig Newborn

Can you explain your business model?

We offer a digital payment product – Buy Now, Pay Later (BNPL). It is a split payment product which allows a consumer to pay for their product over three instalments. The first one-third is paid at the time of purchase, the second third at the end of the next month and the final third at the end of the following month. It is interest free, with fees only charged on late payments.

The BNPL product benefits both the retailer and the customer. The retailer receives the full value of the purchase upfront. For the customer, the product becomes more affordable as she can split the full purchase price. In addition, and unlike a layby offering, the customer has the benefit of enjoying her purchase immediately.

Our business model consists of two different parties who operate in a symbiotic relationship. On the one side we have a database of customers wanting to take advantage of the BNPL payment functionality and then on the other side we have a pool of merchants offering our BNPL product as a payment mechanism to potential customers. This results in the accumulation of an integrated database with complex interrelationships.

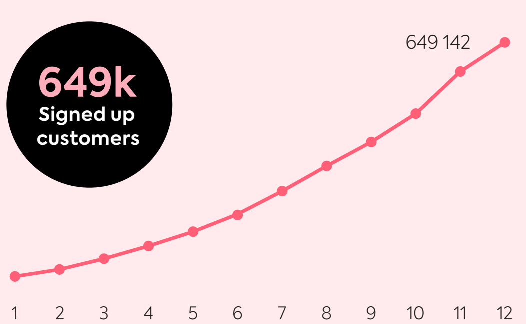
Your customer base has more than tripled over the last 12 months to 649 000. Can you elaborate on this?

We are very pleased with the way in which customers have adopted our BNPL product as a payment mechanism. An acquisition of 469 000 new customers is exceptional. I compare it to signing up the seating capacity of an average sized soccer stadium every month.

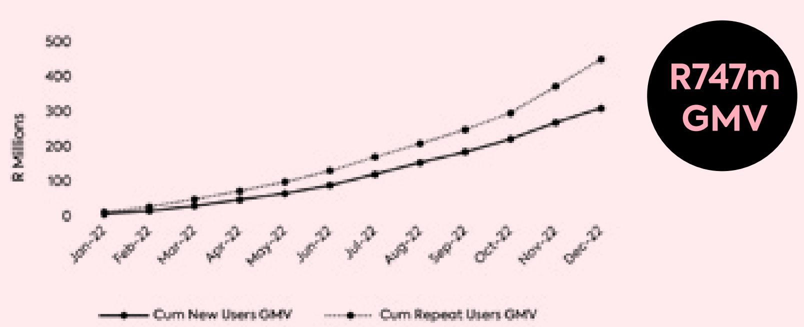
What is also very exciting is that all these customers have signed up using their mobile phone or on the web – even if they come into a merchant store – the signup process is all digital.

Having launched at the end of 2019, we are now experiencing high levels of repeat purchases from customers. In FY2022, more than half of the GMV is from repeat business, quite an achievement in only our third full year of business. In Q4 2022 58% of GMV was from returning customers. It is this strong product appeal, combined with more merchants offering our product that I am most excited for in 2023.

Signed up BNPL Customers – FY2022



Gross Merchandise Value – FY2022



2 350
Merchants up 101%

4 610
Active points of presence

17
Product verticals from merchants

Unlike a normal payment solution, adopting PJN as a digital payment partner brings benefits to the merchants. Can you expand on this?

As explained earlier, merchants are a key player in our business model. We track gross merchant value, the purchases made by our customers at merchants, as a proxy for revenue from which we earn a merchant fee.

Customer growth and product utilisation are largely affected of the number of merchants offering the PJN product. We have doubled the number of merchants offering PJN from 1 165 to 2 350 and this results in 4 610 active points of presence available online or in-store. The PJN offering extends to merchants across the wide spectrum of the consumer retail market with a focus on 17 product verticals. We will look to deepen our penetration in these verticals and introduce new verticals.

Our top ten merchants have seen a 270% increase in the number of BNPL transactions, a testament to the benefits they are achieving from offering this innovative digital payment solution.

1 770 of our merchants make use of our bespoke PayUp App. This merchant app provides each merchant with their trading information and facilitates easy integration to our technology and systems, supporting a streamlining and scalability of operations.

With the rapidly escalation of customers and merchants how did you manage your debtor costs with the current cost of living crisis?

That's a great question and one which I'm very focused on making sure that as we grow we don't lose sight of the constrained consumer economy in South Africa.

Within the current business model, we have a relatively small debtors' book of R100 million. Given the short-term nature of the BNPL product, the average book term is 1.5 months. In line with the rest of the group we follow a 'low and grow'

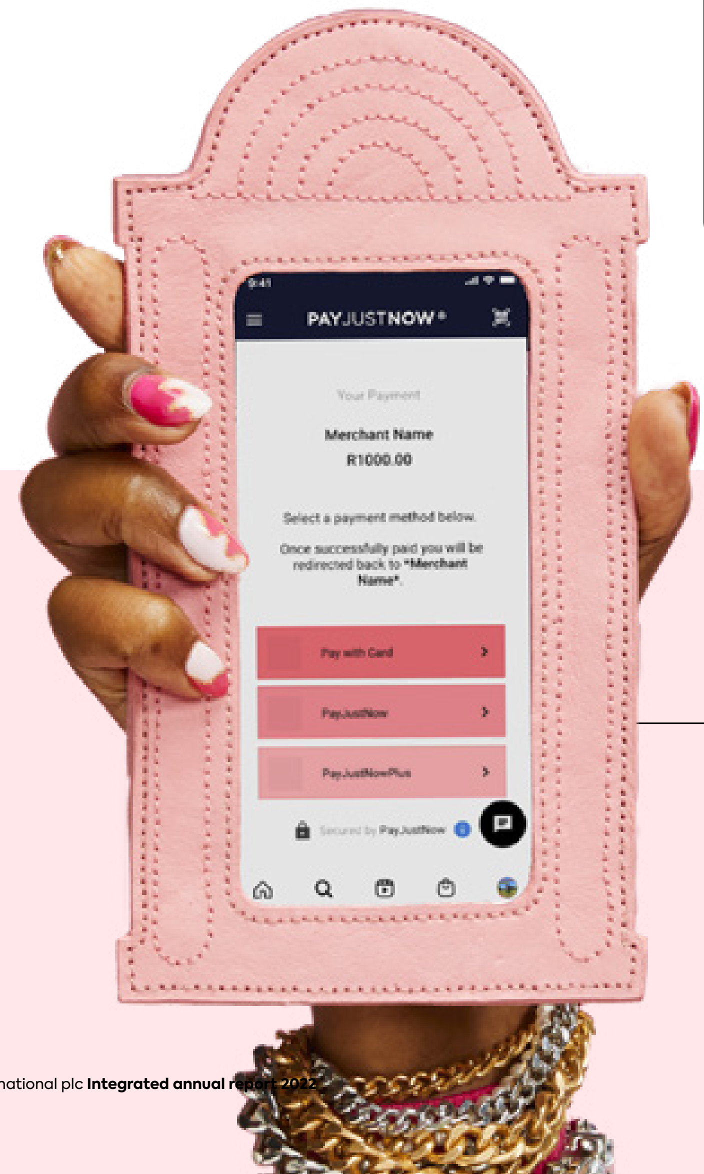
PJN used by all kinds of Merchants

strategy providing new customers with relatively lower credit limits and then increase them over time. In addition, we take a further conservative approach as to the number of transactions a customer can run concurrently to manage our credit risk.

Despite onboarding in excess of 400 000 new customers, the number of applications accepted has reduced from 82.5% to 76.2% and we have tightened the credit acceptance and limits in Q42022 in order to maintain the quality of the portfolio.

Payments against customer accounts are strong despite experiencing some degradation due to technical issues with certain bank cards. Payments have steadily increased from 182 000 in Q12022 to 557 000 in Q42022.

	FY: 2021	FY: 2022
Applications accepted	82.5%	76.2%
Average credit limit	R3 200	R3 070
Average basket size	R1 354	R1 374
Average utilisation	52.1%	59.6%



PJN Product Suite

Giving consumers multiple ways to pay from straight payment to BNPL to PJN Plus.

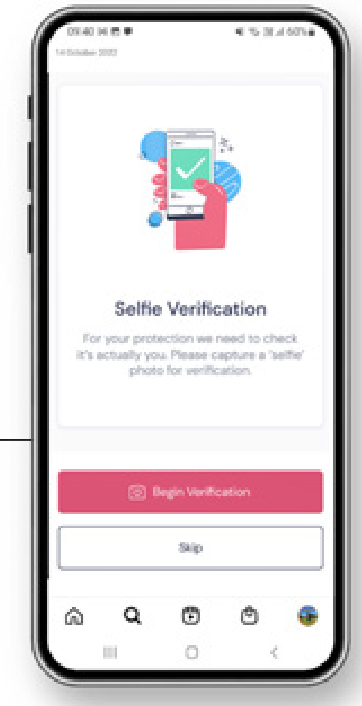
Can you talk about your innovation during the year?

Investing in innovation is a critical factor to keep up the fast adoption of BNPL and maintain our growth trajectory.

Delivering innovation encompasses delivery to both customers and merchants and indeed to our own operations. With Gen z or millennials making up 76% of our customer base it is critical that we provide easy and convenient ways in which to manage their accounts. In response to this, we launched bespoke 'selfie' technology. In less than 2 seconds, we can authenticate a customer's identification enabling them to open an account while she is at the merchants point of sale.

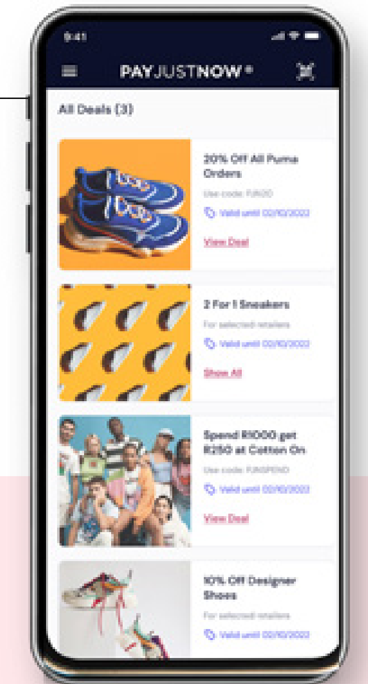
We recently launched 'MyDeals' – providing benefits to both customers and merchants. It is an exclusive area within our platform, where customers can access bespoke offers from our merchants. Using our proprietary data models, merchants can curate bespoke and unique offers to targeted customers.

We are currently trialing cross selling opportunities of FinChoice loan and insurance products to the PJN customer base. The initial uptake has been positive, and we will look to drive this further in 2023. Both the loans and insurance offers are fully integrated with the digital onboarding flows and are offered as standalone products.



Fraud prevention

Risk based biometric tool assisting customers and merchants.



PJN Deals

Proprietary data models with unique offers to consumers and benefits for merchants.

What are your plans for 2023?

Our plans are focused around five key strategies:

- Grow our customer and merchant base and gain a greater share of the South Africa BNPL market.
- Increase the frequency of customer purchases and drive the level of repeat business from existing customers.
- Introduce new payment products to include PayJustNow straight and PayJustNow plus.
- Enhance merchant analytics and reporting and provide a platform for merchants to target their offers to specific customers.
- Implement cross selling of Weaver Fintech products to the broader fintech customer base in digital flows using data-driven insights.

homechoice

Q&A with Retail CEO Chris De Wit

How is your turnaround strategy progressing?

We have had some good successes in our turnaround strategy, however we are not at the level we had hoped to be at this point. We delivered an operating profit of R78 million after posting an operating loss of R43 million in FY2021.

Retail sales were disappointing at 5.6% lower, comparable finance and other income was down 3.5% on a stable debtor's book. This was balanced by 150 bps improvement in the gross profit margin, well managed debtors cost reducing by 14.2% and comparable expense growth was up 3%.

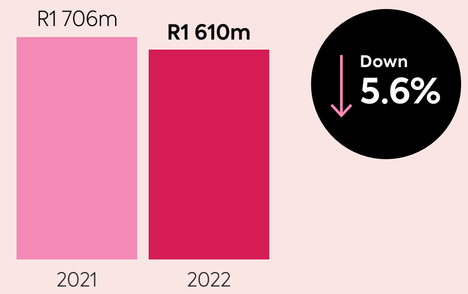
What drove the 5.6% decrease in sales to R 1.6 billion?

There were two major factors contributing to the disappointing sales – tightening credit for new customers and the impact of load shedding. The severe load shedding regime in the latter part of the year negatively impacted our ability to acquire new customers. Television has been a successful media strategy for customer acquisition, however load shedding significantly reduced the viewership of our advertising and thus the overall reach. Compounded with the lack of viewership, our contact centre experienced high dropped call rates as cell phone coverage and connectability is compromised during periods of load shedding.

A key element of the turnaround strategy has been a strategic management of credit to reduce the risk into the business. Credit tightening measures meant that we have acquired less new customers than in previous years. So, while it has impacted sales, we are now bringing on board quality new more profitable customers. We continue to shift the contribution of sales originated from the contact centre and have seen good growth from digital channels, now 28% (2021: 27%) contribution and our showrooms now contribute 14% of total sales, up from 12% in 2021.

	2022	2021	% change
Revenue	**2 209**	2 326	(5.0)
Retail sales	**1 610**	1 706	(5.6)
Finance and other income	**612**	583	5.0
Gross profit	**751**	770	(2.4)
Gross profit margin	**46.6%**	45.1%	1.5
Debtor costs	**(483)**	(563)	(14.2)
Trading expenses	**(802)**	(832)	(3.6)
Operating profit	**78**	(43)	>100.0

Retail Sales (R'm)



Sales contribution

28% digital

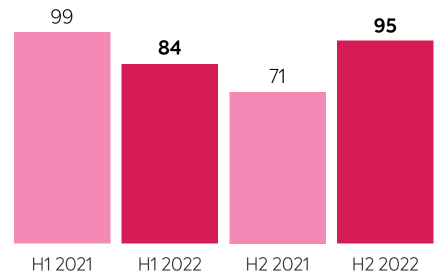
14% showrooms

Your customer base has decreased by 4.6% to 436 000. Can you elaborate on this?

Yes, this is mainly a function of the credit tightening strategy, as new customers on boarded was only up 4.9% to 179 000. This was more evident in H1 when new customers acquired was down 15% on H12021 and then as we managed the credit parameters in H22O22 new customers were up 33% on H22021.

Pleasingly, our customer retention is improving with a 25% increase in reactivations of previously dormant customers, write-offs are down 15% and attrition rates are also lower showing a 7% decrease. A positive shift in our acquisition strategy has resulted in 28% of new customers acquired using digital channels

New customers ('000) acquisition initially curtailed due to changes in credit strategy



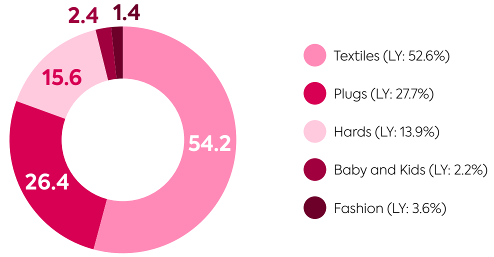
Your gross profit margin increased by 150 bps to 46.6%. What drove this improvement?

I'm very pleased with the gains we have been able to achieve in the gross profit margin, which is now back in line with pre-Covid levels. A strong focus on rebuilding our heritage bedding categories, a reduction in clothing fashion and effective management of markdowns has delivered good results, despite the market headwinds the country has been facing.

We managed to cushion the higher global supply chain costs which were more pronounced in H1, and the increase in petrol and diesel prices on the margin by consolidation initiatives in warehousing and efficiency measures in the fulfillment of products delivered to customers.

Product innovation, selected range expansion and an unrelenting focus on quality and value ensures that we deliver great product to our customers.

Sales mix by category



Debtor costs reduced by 14% to R0.5 billion. This is quite an achievement in the challenging consumer credit business. Can you comment?

It goes back to the credit tightening measures we put in place to acquire new customers who are lower risk and therefore better quality. New applications accepted are down to 47.8% from 50% in 2021, with a book term stable at 18.6 months and a marginal increase in the average balances.

We've also been very focused on collections engaging with customers in advance of their monthly repayments to ensure they have sufficient funds to meet their repayments and do not fall overdue. DebiCheck has been successfully implemented and we are experiencing improved success with new DebiCheck mandates. Proactively preventing fraud particularly in the digital acquisition channel is also evident in the lower debtor costs.

This will continue to be a focus into 2023 to improve the quality of our customer and acquire profitable customers

You launched a new format for your showrooms. Do you see this as being a strategy for the future?

Yes, we do. During Covid, trade from our showrooms was hard hit as customers stayed at home and shopped online. However, customers are now returning to the malls for their shopping. Our customers and target market see visiting malls as aspirational, a place where they can take the whole family for an outing and a time to meet and catch up with their friends and do their shopping together. As a result of this the contribution of showrooms to total sales has increased from 12% in 2021 to 14% in 2022.

Late in Q42022, we launched a smaller format showroom taking advantage of digital interventions to still give customers access to the full range of products on offer. It is this combination of experiential shopping and digital technologies that we are most excited about. Digital components include: ability to scan QR codes for specific showroom offers, use the HomeChoice App and WhatsApp to check account balance and track orders, and complete purchases on mobile devices located in the showroom. We are testing installed 'payment kiosks' in some of the showrooms and they are proving very popular. Customers make specific trips to make their payments in a trusted HomeChoice environment.

Our customers are very digitally engaged, and have a strong social media following with 154 000 Instagram followers and 1.1 million Facebook friends. 42% of all sales originate from our digital and showroom channels.

We anticipate rolling out up to 30 new format showrooms over the next two years as we harness the combination of experiencing the product and being able to complete the sale on the customer's own phone.

Digital experience in physical showroom

Scan QR code for showroom offers

Digital offering in showrooms

HC App to check her balance in-store

WhatsApp self-service to track orders and pay

Sales completed on mobile devices

What are your plans for 2023?

2023 will be a period of building on the momentum we have achieved in the last year with a particular focus on our technology systems, and on maintaining a credit risk focus. We will:

- Develop our e-commerce engine to provide increased flexibility and significantly improve the customer experience.
- Implement a smart fulfillment system to support greater choice of delivery options for customers and optimise the logistics network capability.
- Further enhance the credit offering and overall management of credit risk by implementing bespoke credit scorecards.
- Assess and roll out new format showrooms.
- Continue to build on our strong customer digital engagement with social commerce, the HomeChoice App and digital showrooms.

HC App

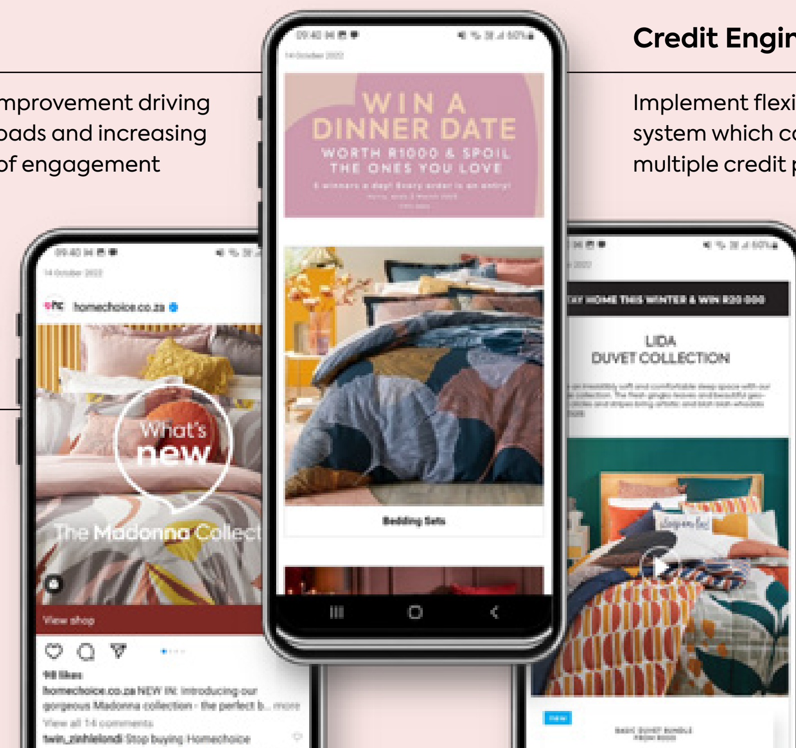
Continual improvement driving App downloads and increasing frequency of engagement

Credit Engine

Implement flexible credit system which can manage multiple credit products

Social commerce

Frictionless shopping on Instagram driving uplifts in conversion



Smart Fulfillment

Simplify the delivery experience for customers and optimize logistics networks products

Homechoice 2.0

Implementing improved ecommerce platform to provide flexibility and improve CX

Governance

Our Directors

International Board

CHAIR

Shirley Maltz (51)
Appointed Nov 2014
Appointed Chair Nov 2020

Executive chair

©

LEAD INDEPENDENT DIRECTOR

Pierre Joubert (57)
Appointed May 2019

Independent non-executive director

Marlisa Harris (49)
Appointed Feb 2021

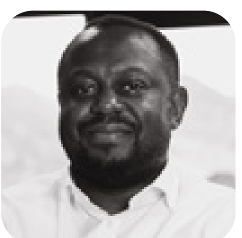
Independent non-executive director

Eduardo Gutierrez-Garcia (55)
Appointed Nov 2014

Non-executive director

Roderick Phillips (49)
Appointed Dec 2022

Independent non-executive director



Adefolarin Ogunsanya (37)
Appointed Mar 2018

Alternate director for Eduardo Gutierrez-Garcia

Sean Wibberley (52)
Appointed Dec 2022

HIL chief executive officer

GROUP FINANCE DIRECTOR

Paul Burnett (47)
Appointed Nov 2014

Executive director

Chief Executive Officers

FINCHOICE

finchoice

Sean Wibberley (52)

PAYJUSTNOW

PAYJUSTNOW®

Craig Newborn (42)

RETAIL

homechoice

Chris de Wit (43)

Composition

Executive chair	12.5%
Executives	25%
Independent non-executives	37.5%
Non-independent non-executive	12.5%
Alternate non-executive	12.5%

Average age 50 years

Board experience

Leadership	100%
Financial Services	100%
Digital	50%
Retail	50%
Financial	100%

Tenure

0-3 years	37.5%
3-5 years	25%
6-9 years	37.5%

Average tenure of four years

Demographics

Female (Target 30%)	25%
Race (Target 30%)	12.5%

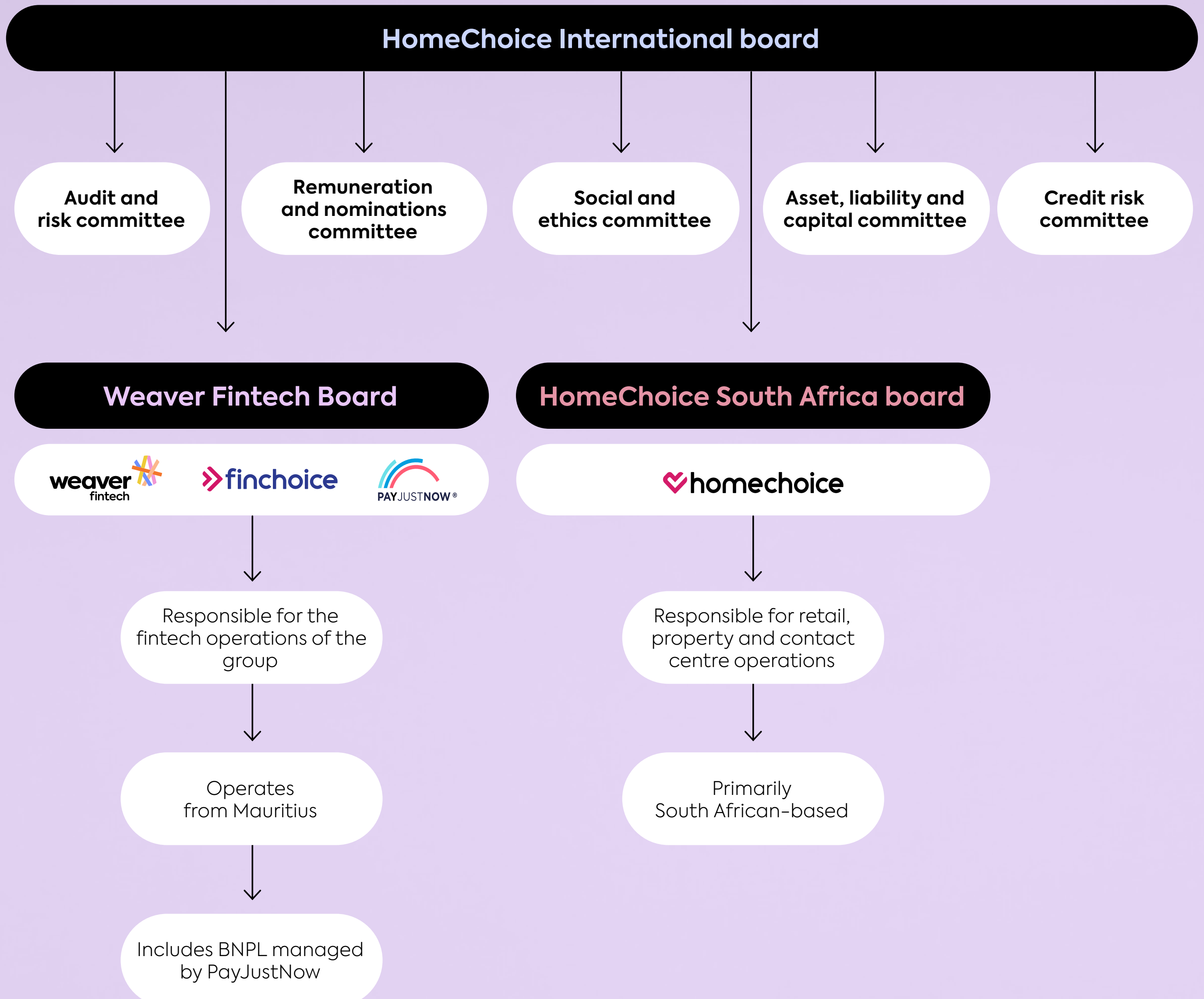
Attendance

Board	98%
Committees	100%

- Nominations committee
- Remuneration committee
- Audit and risk committee
- Social and ethics committee
- Asset, liability and capital committee
- Credit risk committee
- © Chairman
- LID Lead independent director

Governance Report

The board has adopted the King IV Report on Corporate Governance for South Africa 2016 (King IV™) to guide and direct the governance of the group.



Our approach to corporate governance

We understand that adhering to the highest standards of corporate governance is fundamental to the sustainability of our business. Our business practices are conducted in good faith, in the interests of the company and all its stakeholders with regard for the principles of good corporate governance.

The group comprises two main operating subsidiaries – Weaver Fintech, based in Mauritius, and HomeChoice, based in South Africa. Weaver Fintech is primarily a fintech business offering personal loans, insurance and payment options through digital channels. HomeChoice is an omnichannel homeware retail business with a growing digital contribution.

The governance framework of the group applied going forward is shown in the graphic on the left.

Weaver FinTech and HomeChoice are separate legal entities, each with their own board of directors operating according to their memorandum of incorporation and board charters.

Board governance

Board composition and changes during the year

Board composition at 31 December 2022

8 **Total board members**

Composition

- **3** Independent non-executive directors
- **1** Non-independent non-executive director
- **1** Alternate to non-independent non-executive director
- **3** Executive directors

The chair of the board is an executive director, and therefore a lead independent director has been appointed to be available to lead board discussions where the exec chair has a conflict of interest or a perceived one.

The board is satisfied that there is a balanced distribution of power in respect of membership across committees so that no individual has the ability to dominate decision-making and/or have unfettered power.

Changes to the board

On 15 December 2022, Amanda Chorn (independent non-executive) and Gregoire Lartigue (group CEO) resigned from the board. The board extends its gratitude to both Amanda and Gregoire for their significant roles on the HiL board and the management of the group from when it was constituted in November 2014.

The board was pleased to appoint Roderick Phillips as an independent non-executive director and Sean Wibberley to the position of HIL CEO and executive director with effect from 15 December 2022. Post the appointment of the new directors, changes were also made to the committees' composition. Further details on the changes can be found on pages 76 to 81.

Independence of non-executive directors

The nominations committee reviews the independence of all non-executive directors on an annual basis, using the independence criteria from King IV™ as guidance.

Based on that review, the board is satisfied that Pierre Joubert, Marlisa Harris and Roderick Phillips are independent of the group. Eduardo Gutierrez-Garcia is not independent by virtue of him being a representative of a significant shareholder of the group.

Conflict of interest

All directors, on an annual basis, table a register of their personal financial interests and a director is recused from board discussions on matters that they may have an interest in.

Rotation and tenure

In line with the company's constitution, one third of non-executive directors are required to retire from the board by virtue of rotation. Subject to continued eligibility, the directors may make themselves available for re-election at the annual general meeting (AGM).

The nominations committee has reviewed the rotation schedule and having considered the directors' contribution to and attendance at meetings, and their independence, has recommended to the board that Marlisa Harris and Pierre Joubert should retire by virtue of rotation at the upcoming AGM on 18 May 2023. Both directors have made themselves available for re-election.

Directors standing for re-election at AGM

- Marlisa Harris (independent non-executive)
- Pierre Joubert (lead independent and independent non-executive)

In line with JSE Listings Requirements, any director appointed to the board between AGM's should be subject to shareholder approval at the next AGM. Consequently, the appointment of Roderick Phillips and Sean Wibberley will be tabled at the upcoming AGM for shareholder approval.

Directors appointed during FY2022 and subject to shareholder approval at AGM

- Roderick Phillips (independent non-executive)
- Sean Wibberley (HIL CEO)

Board process

Delegation of authority

The board has established a formal delegation of authority (DOA) to provide guidance in decision-making between the board and its sub-committees and the management of investee subsidiaries – Weaver Fintech and HomeChoice. The DOA aims to minimise duplication of effort, streamline decision making and ensure that the most appropriate skills and experience are utilised in the decision-making process of the group. The DOA guides the level of oversight and guidance required by the board and provides a financial limit for decision-making at board and executive level.

Meetings

The board meets at least four times a year to consider the business and strategy of HIL and its subsidiaries. It reviews reports from the chief executive officer, group finance director, divisional chief executives and other senior executives. Feedback is provided by the chairmen of the committees at each board meeting to ensure that all board members are aware of matters discussed during the committee meetings.

Agendas for board meetings are prepared by the company secretary in consultation with the exec chair.

Advice and information

There is no restriction on a director's access to company information, records, documents and property. Non-executive directors have access to management and regular interaction is encouraged. All directors are entitled to seek, at the company's expense, independent professional advice on the affairs of the company.

Directors' fees

Non-executive directors have no fixed term contracts and do not participate in any group incentive schemes. Their fees are determined on an annual basis and approved by shareholders at the annual general meeting.

Board and committee evaluations

In line with the company's policy, board and committee assessments are conducted biennially as recommended by King IV™. Given the changes in the board at the end of FY2022, and the appointment of a new HIL CEO, the evaluations previously scheduled for FY2022 will be conducted in FY2023.

Dealing in shares

The board complies with the JSE Limited Listings Requirements in relation to restrictions on directors and employees trading HIL shares during closed periods.

Committees

The board has established three sub-committees (audit and risk, remuneration and nominations, and social and ethics) in line with the JSE Listings Requirements and a further two committees (asset, liability and capital, and credit risk) to assist it in fulfilling its responsibilities in line with the board charter and delegation of authority. These committees play a crucial role in ensuring that matters can be dealt with by members with specific skills and experience in their deliberations. The committees are governed by a charter and annual planner, and any amendments to them are required to be approved by the board. Each JSE Listings required committee is chaired by a non-executive director, and where required, by regulations, an independent non-executive director

The board acknowledges that delegating authority to these committees does not detract from its responsibility to discharge its fiduciary duties to the company.

Homechoice International Board

Members

Shirley Maltz (exec chair), Marlisa Harris, Pierre Joubert, Roderick Phillips, Eduardo Gutierrez-Garcia, Sean Wibberley (CEO) and Burnett (FD).

Adefolarin Ogunsanya is alternate for Eduardo Gutierrez-Garcia.

Changes during the year
Amanda Chorn resigned, and Roderick Phillips was appointed on 15 December 2022.

Gregoire Lartigue resigned, and Sean Wibberley was appointed on 15 December 2022.

98% attendance

5 Meetings

3 Independent non-executive directors

1 Non-independent non-executive director

3 Executive directors

Other attendees
Divisional CEOs

Decisions made that enhance and support the group's value-creation process:

- Approved the group's interim and annual financial statements, including dividend payments
- Confirmed that the dividend cover is appropriate to provide an acceptable return to shareholders and allow capital reinvestment in the business
- Approved the five-year strategy of the investee companies and the one-year operating budget
- Continued to monitor the HomeChoice Retail turnaround plans to build a more future-fit business
- Approved the implementation of a credit risk committee
- Approved the updated board and committee charters and the DOA
- Reviewed the board's broader diversity policy, including race and gender against the targets

Outcomes

Strong governance and oversight

Clarity of focus areas based on material issues for the group

Shared understanding of the group's strategic intent and targets to measure success

Audit and Risk Committee

Responsibility

- Ensure the integrity of the group's annual financial statements and integrated report
- Provide an independent review over the effectiveness of the financial reporting process, the effectiveness of internal financial controls, the system of internal control and the effective management of risks
- To be satisfied with the effectiveness of the group's assurance functions, including external assurance providers, internal audit and the finance function

Members

Roderick Phillips (chair), Marlisa Harris and Pierre Joubert.

Changes during the year
Amanda Chorn resigned, and Roderick Phillips was appointed on 15 December 2022.

Marlisa Harris stepped down as chair on 15 December 2022.

100% attendance

5 Meetings

3 Independent non-executive directors

Other attendees
Group executive chair, CEO, finance director, divisional CEOs, internal audit, external auditors, divisional IT officers, head of corporate services, senior members of the finance team

Decisions made that enhance and support the group's value-creation process:

- Reviewed the integrity of the group's interim and annual financial statements, and trading announcements and recommended them to the board for approval
- Reviewed the external audit plan, their terms of engagement and monitored their effectiveness and independence, which included pre-approving any non-audit services performed
- Recommended the reappointment of PricewaterhouseCoopers at the upcoming AGM
- Based on the approved audit plan, received regular reports from Deloitte & Touche, the group's internal auditors, on the effectiveness of the group's systems of internal control including internal financial controls, financial reporting procedures and risk management
- Monitored reports providing evidence to support the CEO and finance director's responsibility statement in the annual financial statements
- Is satisfied that the group finance director has the appropriate qualification, expertise and experience for the group's requirement and is suitably qualified, and adequately supported by the finance team, to oversee the preparation of the financial statements
- Reviewed the solvency and liquidity and going concern assessments provided by management
- Approved the strategic risks of the group and the mitigation plans to manage them
- Reviewed IT governance reports
- Received regular updates on changes to material legislation impacting the group and noted that there were no material breaches with the legislation
- Assessed whether the integrated annual report presented a fair and balanced view of the group and all material issues have been reported appropriately

More details can be found in the Report from the audit and risk committee on page 4 to 6 of the annual financial statements.

Outcomes

Stakeholders can rely on the integrated report to understand how the group creates value for the short, medium and long term and have comfort that all material aspects of the group have been addressed in the report

Group complies with material legislation

Shareholders can be satisfied that the external auditors are independent of the group

Shareholders and financial stakeholders can place reliance on the integrity of the annual financial statements

Remuneration and Nominations Committee

Responsibility

- Ensure that the group's remuneration policy is appropriate and relevant to attract and retain talent to implement the group's strategic intent
- Ensure that the board is appropriately constituted and has the relevant skills, expertise and diversity to execute its duties effectively

Members

Pierre Joubert (chair), Marlisa Harris and Eduardo Gutierrez-Garcia.

Changes during the year
Marlisa Harris stepped down as chair on 15 December 2022.

100% attendance

2 Meetings

2 Independent non-executive directors

1 Non-independent non-executive director

Other attendees
Group executive chair, divisional CEOs, group finance director, head of group transformation

Decisions made that enhance and support the group's value-creation process:

- Monitored the application of the remuneration framework and approved the mechanics of the newly introduced long-term incentive plan (LTIP)
- Approved the targets for the FY2022 short-term incentive scheme (STI), including awards for the STI, medium-term incentive (MTI) and LTIP
- Approved the remuneration paid to the executive directors, including the remuneration package for the incoming HIL CEO
- Proposed the fees payable to non-executive directors, including fees for the chair, and recommended them to the board for approval
- Approved the disclosure in the remuneration report and implementation report for inclusion in the integrated annual report as being an accurate reflection of events in FY2022
- Recommended for board approval the appointment of Roderick Phillips as an independent non-executive director and Sean Wibberley as the incoming HIL CEO
- Reviewed the committee composition and recommended changes to the audit and risk, remuneration and nominations, and social and ethics committees to ensure that they are able to discharge their responsibilities in terms of their charters and delegation of authority
- Recommended the appointment of a credit risk committee as an executive committee responsible for monitoring the credit risk management policy
- Considered the board's diversity policy in board appointments during the year; including actuals against targets
- Confirmed that there is an arm's length relationship between the board and company secretary, Sanlam Trustees International, and that they have the appropriate qualification, experience and competence to perform the duties on behalf of a JSE listed company
- Reviewed the performance and independence of the directors available for re-election at the 2023 AGM
- Reviewed the performance and independence of the members of the audit and risk committee and recommended their re-appointment at the 2023 AGM

Outcomes

Board skills, experience and diversity appropriate for the group

The committees are adequately structured to support the board in its deliberations

Remuneration policy achieved significant support from shareholders at previous AGM

Social and Ethics Committee

Responsibility

- Ensures that the group acts as a responsible corporate citizen
- Oversees the group's 'sustainable growth' intent for a business model that creates long-term financial, environmental and social capital value creation

Members

Eduardo Gutierrez-Garcia (chair), Roderick Phillips and Sean Wibberley.

Changes during the year
Shirley Maltz and Paul Burnett stepped down from 15 December 2022.

Roderick Phillips and Sean Wibberley appointed from 15 December 2022.

100% attendance

2 Meetings

1 Independent non-executive director

1 Non-independent non-executive director

1 Executive director

Other attendees
Divisional CEOs, human resources, compliance and legal, divisional heads of customer experience and head of sustainability

Decisions made that enhance and support the group's value-creation process:

- Monitored the progress made against the B-BBEE scorecard, and the strategic initiatives to make further improvements
- Monitored progress on employment equity plans
- Noted the good progress made in the training and development of employees and the effective utilisation of awards from the retail and financial services sector education and training authorities (SETA) for learnerships and bursaries
- Monitored the divisional customer surveys and actions to improve or maintain the scores
- Monitored progress on plans to reduce water and energy consumption
- Received updates on the activities undertaken by the HomeChoice Development Trust in early childhood development

Outcomes

Progress made in achieving sustainable growth business model

Asset, Liability and Capital Committee

Responsibility

- Oversight of the group's treasury management functions
- Recommending the optimal funding and liquidity mix in line with the group's treasury risk strategy
- Oversight of the group's capital and debt allocation

Members

Pierre Joubert (chair), Eduardo Gutierrez-Garcia and Paul Burnett.

100% attendance

4 Meetings

1 Independent non-executive director

1 Non-independent non-executive director

1 Executive director

Other attendees
Group executive chair, HIL CEO, divisional CEOs, external advisors and senior members of the finance team

Decisions made that enhance and support the group's value-creation process:

- Approved a treasury dashboard and monitored performance against it on a quarterly basis
- Monitored quarterly cash flow statements to ensure liquidity meets the operational requirements
- Monitored compliance to funding and debt covenants
- Reviewed and approved amendments to forward exchange cover policy
- Considered regular updates on optimal funding strategies and advised the board on enhancements

Outcomes

Group's funding strategy actively considered in support of the group's forward strategy and capital allocation

Credit Risk Committee

Responsibility

- Monitor and oversee the processes and outcomes of the credit risk policy
- Recommend any changes to the credit risk policy in response to market conditions and actual performance

Members

Paul Burnett (chair), Sean Wibberley and Chris de Wit.

100% attendance

3 Meetings

1 Executive director

2 Divisional CEOs

Other attendees
Divisional credit risk heads, external advisors

Actions that enhance and support the group's value-creation process:

- Approved credit risk thresholds
- Reviewing quarterly credit risk dashboards
- Conducted benchmarking of the divisional credit books
- Reviewing changes to the IFRS 9 models
- Considered the impact of regulatory changes and macro-economic factors on the group's credit products

Outcomes

Progress made in achieving sustainable growth business model

Credit management report

The provision of credit to the mass middle-income market is a key element of the group's business model.

The fintech digital loans, Buy Now, Pay Later (BNPL) digital payments product and retail sales on credit require robust credit management processes. The group draws on its more than 35 years of experience and knowledge of the mass market customer in determining which customers are most likely to be able to service their debt.

The group's customer base has a strong female bias and experience has shown that female customers have proven to have better credit risk than their male counterparts. 70% of the group's customer base are women.

Credit product offering

The group's credit offering is mainly short term in nature and is unsecured.

homechoice

Retail

3 months
Interest-free

6, 12 and 16 months
Revolving credit

24 and 36 months
Instalment credit

24 and 36 months
Revolving credit

weaver fintech

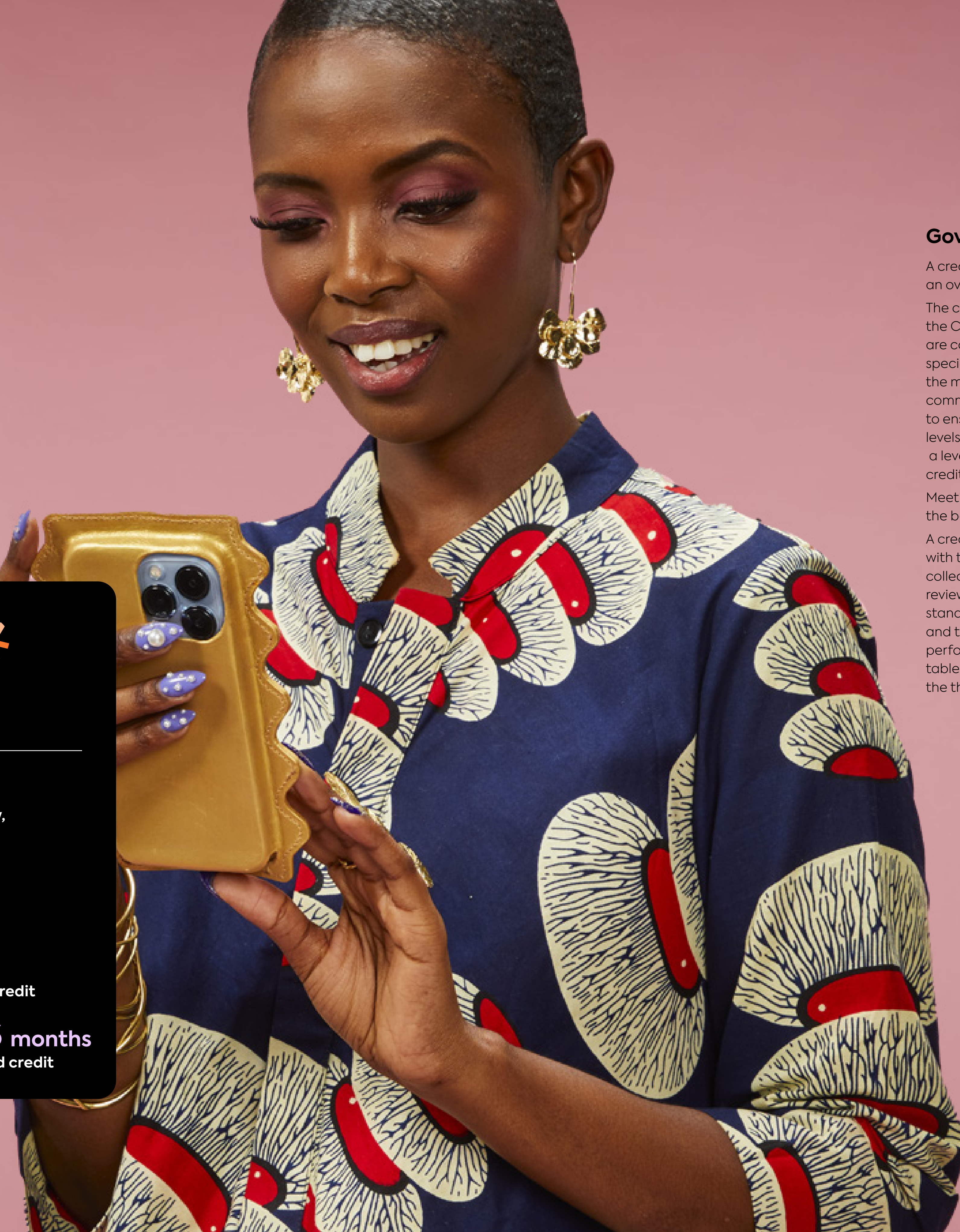
Weaver Fintech

1 to 3 months
split payment Buy Now, Pay Later

1 to 3 months
MobiMoney wallet revolving credit

6 months
Flexi loan short-term credit

12, 24 and 36 months
Premier loan unsecured credit



Governance oversight

A credit risk committee is mandated to perform an oversight role for the group's credit functions.

The committee is chaired by the group FD and the CEO's of FinChoice and HomeChoice Retail are committee members. External industry specialists and divisional heads of risk attend the meetings by invitation. The mandate of the committee is to monitor the credit risk metrics to ensure that they are within the risk tolerance levels approved by the board and to provide a level of oversight on changes to the IFRS 9 credit models.

Meetings are held quarterly, with feedback to the board on the deliberations of the meeting.

A credit risk dashboard has been developed with threshold metrics for origination, fraud, collections, recoveries, book health and debt review. Threshold ranges, based on industry standards, have been assigned to each metric and the credit risk committee monitors actual performance against target. Action plans are tabled when actual performance is out of the threshold ranges.

Credit strategy and policy

The overarching credit strategy for the group is 'low and grow'. First-time customers start with lower limits and shorter payment term products which are then increased as they exhibit good repayment behaviour..

This strategy allows customers that are new to credit to orientate and understand how they can service their accounts within their budget. It also allows the group to monitor customer payment behaviours with relatively low exposure risk. Behavioural and alternative data internal to the group enables the group to increase credit limits to long standing customers who exhibit good payment behaviour. This results in improved performance of the book.

Market and economic conditions guide the application of the strategy. Challenging conditions will result in increased credit thresholds, actively managing the risk to targeted credit risk performance levels.

Weaver Fintech and HomeChoice Retail independently manage their credit books with policies unique to their business operations. Strategy, origination, decisioning, vetting and collection processes are managed by separate credit risk teams based in Mauritius and South Africa. Where appropriate, fraud, behavioural and negative payment data are shared at a group level.

Origination and acquisition

Weaver Fintech

The vast majority of Weaver Fintech's customers are acquired digitally and are new to the group.

The successful application of API technology and the use of affiliate partners, operating on digital platforms, drives FinChoice's acquisition strategy. Using initial data provided by customers, FinChoice curates a personalised product offer with good conversion rates. Stricter credit policies apply to external customers, with the low and grow strategy resulting in higher credit thresholds, lower maximum credit limits and shorter terms being provided to customers new to the group. FinChoice supplements its customer acquisition strategy with HomeChoice Retail customers who have a proven credit record. These customers have an acceptable level of risk with a lower group cost of acquisition.

The FinChoice MobiMoney™ digital only account is the entry point for many FinChoice customers. Using e-wallet technology, customers can withdraw funds against their approved credit limit access and the platform enables Weaver Fintech to offer value-added services and payment products to customers.

All PJN's customers are acquired digitally. Customers love the digital experience and the convenience and scalability has resulted in PJN rapidly bringing on board an average of 39 000 new customers a month. The streamlined customer experience encourages repeat business using the group's low and grow credit strategy.

During the year FinChoice piloted the digital offer of personal loan and insurance products to PJN customers. Based on the actual results achieved, the pilot will be extended deeper into the c.650 000 PJN customer base with its proven payment performance.

Retail

Retail acquires new customers through multiple origination channels. Television advertising has traditionally been the primary acquisition channel supplemented with digital, targeted list mailings, showrooms and sales agents.

Short codes included in TV adverts allow customers to respond by SMS, which in turn will trigger an automatic credit bureau check and other vetting processes. Successful customers are then contacted to finalise their account application.

The number of new customers onboarded during FY2022 has been negatively impacted by credit tightening measures and lower response from television advertising as high load shedding levels has reduced our market reach. As some form of load shedding is expected to continue into FY2023, acquisition strategies will be adjusted accordingly.

Vetting and decision making

Affordability, processing, vetting and decision-making processes operate independently within Weaver Fintech and HomeChoice Retail with teams in Mauritius and South Africa respectively.

The group applies the South African National Credit Act (NCA) regulations. Proprietary experience and metrics appropriate to business operations are overlaid on top of the NCA guidelines to manage credit risk within the approved tolerance levels.

Bespoke credit scorecards, developed in partnership with external specialist service providers, are supplemented and strengthened with external credit bureau data. Relevant behavioural scorecards make use of specific transactional data relevant to each business and group data relating to payment performance.

These scorecards are also used to determine credit extension available to good paying customers eligible to repurchase and take a repeat loan, which reduces average bad debt. Scorecards are regularly reviewed and adjusted to ensure that the credit performance is in line with an acceptable level of risk for repeat business.

Technology plays a critical role in ensuring efficient and convenient customer processes. Our membership of the Document Exchange Association has enabled a streamlined process to obtain customers' relevant banking information. The use of technology also enables us to give customers quicker responses to their credit applications.

Streamlining of processes in vetting have resulted in improvements in the time it takes to authorise customers' credit. Advanced fraud detection technology tools and predictive models are used to manage fraud. Fraud detection technology is complemented by a team of fraud specialists. Although improvements in the prevention of fraud have reduced existing account takeover fraud and improved detection on new business fraud, the retail business has had a challenging year with higher new business fraud.

PJN has recently introduced selfie technology to quickly and seamlessly confirm a customer's identification, which is a strong fraud prevention tool. PJN also has transaction level decision rules which allow them to make approve/decline decisions not only at sign-up stage, but also at the point of transaction. This is a powerful fraud prevention mechanism. This technology will be rolled out to the rest of the group in FY2023.

Collections

Weaver Fintech collects all of its payments digitally.

FinChoice uses the regulated digital DebiCheck authenticated collection system to collect most of customers' loan repayments. DebiCheck provides greater protection to both the customer and the group as the customer is required to confirm the debit order with their bank during the credit application process. It is mandatory for FinChoice customers to pay via the digital DebiCheck debit order. Consequently, only arrears payments are collected by a dedicated collections team based in South Africa given language considerations.

PJN customers pay by card and are always required to pay their first instalment up front when using the BNPL payment method. This reduces the need for a large collections team and is more efficient for the business. PJN is also developing alternative payment channels including DebiCheck to serve as an additional collection mechanism.

In addition to convenient and easy-to-use digital payment options, Retail customers can make use of multiple physical payment points throughout South Africa and neighbouring countries, which include selected retailers and banks. It makes use of a large dedicated collections team to contact customers in advance of their repayment to track and confirm their payments will take place.

Proprietary telephony technology enables the collections teams to be more efficient in when and how they contact customers to request payments.

Late-stage account collections, where recoveries from customers may be more onerous, are outsourced to pre-approved specialist external debt collection (EDC) agencies. The EDC's are actively monitored based on service-level agreements and metrics, and non-performance may result in the cancellation of their contract with the group.

During FY2022 the group experienced an increase in customers entering a formal NCA debt review process and higher demand for its rehabilitation credit products. The group actively manages this through customer communications and regular reviews of credit vetting thresholds beyond regulatory requirements.

Periodically, accounts which cannot be collected either internally or through EDCs are sold to external third parties.

Cash collections

Weaver Fintech	Retail
R5.3bn	**R1.9bn**

Remuneration Report

SECTION 1 Report from the chair of the remuneration committee

The committee was pleased to appoint Pierre Joubert in the role of Chair from 1 January 2023, in line with a planned rotation approved in November 2022. Marlisa Harris will continue to be a committee member. The committee expresses its thanks to Marlisa for her expertise and significant input in driving the introduction of a new remuneration policy and framework over the past two years.

Remuneration policy and framework

During FY2021 much of the committee's effort was focused on the introduction of appropriate variable remuneration mechanisms more relevant to the group's strategic path and the nuances required for two divisions at very different growth trajectories.

In FY2022, a key focus was the approval of the mechanics of the long-term incentive plan (LTIP). Allocations were awarded to executive directors and senior executives in the group in May 2022. The LTIP is based on a divisional balanced scorecard with metrics pertinent to each division. It is measured over a three-year performance period and includes malus and clawback provisions.

The committee also reviewed the implementation and the outcomes of the short-term (STI) and medium-term (MTI) schemes and is satisfied that they are well placed to drive their intended outcomes.

Further details of LTIP can be found on page 92.

Approval of remuneration for HiL chief executive officer (HIL CEO)

Gregoire Lartigue resigned as the HIL CEO on 15 December 2022. Prior to the nominations committee approving the appointment of Sean Wibberley as the HIL CEO, the committee reviewed and approved his remuneration. The proposed remuneration was benchmarked against other groups of a similar size to HiL.

Non-executive directors' fees

Given the need to attract high calibre non-executive directors, the committee recommended that the maximum amount payable for non-executive fees for FY2024 would be US$65 000, increasing from US$60 000 in FY2022 and FY2023. The proposed fees will be tabled at the annual general meeting (AGM) on 18 May 2023 for shareholder approval.

The executive chair performs a dual role of the board chair and a member of the executive team focusing on the South African businesses. Her annual earnings were benchmarked against the market and categorised into directors fees for the Chair role and remuneration for the Executive role. As is customary, only the executive remuneration portion of the role will be eligible to participate in the incentive schemes.

Other key decisions made by the committee

The following decisions were made by the committee during the year:

- Approved the FY2022 short-term incentive (STI) targets
- Approved the vesting of FY2022 STI scheme
- Approved MTI and long-term incentive (LTI) allocations
- Approved a new charter and remuneration policy framework

King IV

The committee continues to consider the King IV recommendations contained in Principle 14. Disclosure of the remuneration at all levels of the group is included in Section 3, Implementation report, and the executive directors' remuneration has been shown according to the single-figure remuneration methodology suggested by the South African Reward Association.

Shareholder voting

FY2021 AGM voting approval

Shareholders overwhelmingly approved the remuneration policy and implementation report.

Non-executive directors' remuneration	**91.33%**
Remuneration report	**91.33%**
Implementation report	**91.33%**

The committee uses remuneration consultants to provide input as and when required.

The group's Remuneration policy (Section 2) and Implementation report (Section 3) will be tabled at the upcoming AGM and are subject to non-binding advisory votes by shareholders on 8 June 2023..

If shareholders do not approve the Remuneration policy or the Implementation report by more than 75% at the AGM the board will institute a formal engagement process with interested shareholders to assess their views and steps that they expect the company to take.

Future focus for the committee

- Expand external benchmarking outcomes to inform organisational design for the group
- Improve the processes related to KPA setting, cascade and performance appraisals
- Build on the work done in Retail to improve job descriptions and corporate grading
- Further develop the remuneration policy framework across the group

SECTION 2 Remuneration policy

Our employees play a critical role in the delivery of the group's strategy and the achievement of business objectives and therefore contribute to the sustainability of the business for the medium and long-term.

The group's Remuneration policy has been formulated to ensure that the group attracts, motivates and retains exceptional talent, drives a high-performance culture aligned to the group's business objectives and strategy, and achieves the following objectives:

- internal consistency, ensuring that all employees are remunerated fairly in relation to one another and reflects their value to the group and their individual performance;
- external consistency, through participation in industry remuneration surveys managing employees' remuneration fairly in relation to the market;
- responsible remuneration, which attempts to address any income disparities based on gender and race; and
- aligns the executive's interests with shareholders, with a combination of short-, medium- and long-term incentives.

Components of remuneration

The remuneration mix includes a combination of monetary and non-monetary rewards.

- guaranteed pay (GP)
- short-term variable remuneration (commission and STI)
- medium-term variable remuneration (MTI)
- long-term variable remuneration (LTI)

For the purposes of the remuneration policy, employees are categorised as follows:

- executives – executive directors and senior executives in operating companies
- group services – employees who provide services across all businesses within the group
- specialists – junior to senior management with core functional skills, experience and/or professional qualifications in business divisions
- operations – employees in contact centres, retail showrooms and distribution centres.

In addition to their guaranteed pay, all permanent employees in the group receive a component of variable remuneration, dependent on their level and role.

Remuneration framework

The details of each component of the remuneration framework applicable for the 2023 financial year are shown in the tables below.

Guaranteed pay

Rationale	• Salary is based on competitive market value and adjusted in accordance with performance and contribution. • A market-related suite of benefits is made available, which is included in the cost-to-company basis.
Basic salary	• Reviewed annually, benchmarked against the market and assessed against prevailing economic metrics in relevant geographies. • Annual increases are granted on 1 March.
Benefits:	
Provident fund	• Defined contribution provident fund is compulsory for all South African and Mauritian employees. • Employees have the flexibility to elect from 6% to 20% of pensionable salary. • Provident fund also provides cover for death and disability.
Medical aid	• Membership is encouraged but is not compulsory. Two South African and Mauritian approved schemes are available, providing flexibility in terms of affordability and benefit coverage.
Discount	• Product discount on Retail merchandise sold by the group is available to all employees.
Other	• Expatriate staff in Mauritius receive additional benefits appropriate to the nature of their contract. Certain inclusions in guaranteed pay are dependent on in-country legislation.
Executive contracts and notice periods	• The notice period is three months for executives. Key executives have contracts that include restraint of trade conditions. • Executive directors' agreements do not provide for ex-gratia or other lump sum payments on retirement or severance from the group.

Operational staff participate in commission schemes dependent on their roles

Commission schemes

Customer-facing staff in the contact centres, retail showrooms and credit collections team have the opportunity to supplement their guaranteed pay by participating in a commission scheme dependent on the achievement of operational targets.

Certain categories of staff in the distribution centres may earn commission based on productivity and despatch targets.

Rationale	Participants	Period	Mechanics	Conditions
Drive and reward performance against critical operational targets aligned to the strategic pillars	Customer-facing employees Categories of distribution centre staff	Monthly	Formula driven dependent on commission scheme Payments made monthly in cash	Contact centre and Showrooms • Retail sales • Loan disbursements • Credit collections Distribution • Despatches • Productivity

Short-term performance bonus scheme

The short-term incentive scheme is based on one-year performance measures which include both segmental and individual performance metrics. It is available to Executives, group services and specialist employees. STI is also available to operations staff who do not earn commission.

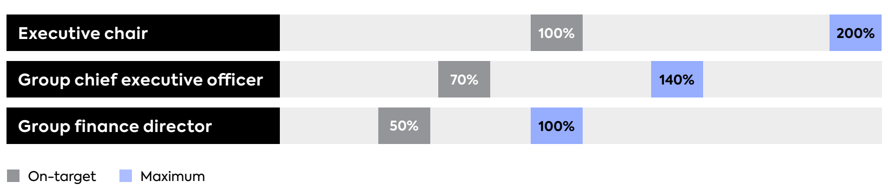
The bonus pool is calculated in relation to segmental profit before tax. An agreed percentage of Profit before tax (PBT) range will be applied to each segment based on accepted market norms.

Individual performance determines the respective allocations from the pool. Individuals must achieve an acceptable performance in order to qualify for a bonus. The allocations for the categories are depicted below, with further details provided in the table.

Available to all directors group services and specialist employees

Rationale	Participants	Period	Mechanics	Conditions
Rewards performance for short-term financial and non-financial performance	• Executives • Senior executives • Management • Group services and specialist employees • General office staff • Operations staff who do not earn commission	One year	Threshold, on-target and stretch targets segmental profit Fixed percentage based on market norms No gatekeeper applied	Performance metrics: • Based on segmental financial performance • Individual performance

Allocations



Other

Targets agreed annually in advance.

Remuneration committee retains discretion on whether to award a bonus and the quantum.

Payments made in cash post year-end.

Medium-term incentive scheme

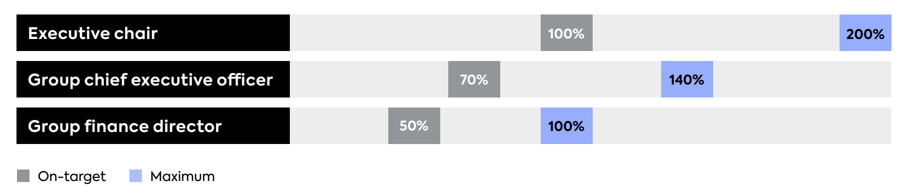
The medium-term incentive scheme is based on one-year financial performance measures and includes non-financial performance, and individual performance. It is available to Executives, group services and specialist employees.

Allocations are calculated in relation to segmental PBT. An agreed percentage of PBT range will be applied to each segment based on accepted market norms. Allocations are made annually.

Individuals must achieve an acceptable performance in order to qualify for an MTI award, and their performance determines the respective allocations from the pool.

Rationale	Participants	Period	Mechanics	Conditions
Attract, motivate, and reward employees for sustainable performance of the group and commitment to delivery of medium-term performance	• Executives • Senior executives • Key and critical roles	Three years	Threshold, on-target and stretch targets segmental profit Vesting occurs in three equal tranches over the performance period Participants can elect to receive allocation in cash or a combination of cash and equity (Forfeiture share plan) at the date of the award	Participants must be in the employ of the group and have an acceptable performance rating at respective vesting dates

Allocations



Long-term incentive schemes

The group's long-term variable remuneration comprises the Forfeiture Share Plan (FSP) and the Long-term Incentive Plan (LTIP).

The mechanics of LTIP were approved by the committee during the year and are explained below.

Forfeiture Share Plan (FSP)

Rationale	Participants	Performance period	Mechanics	Performance conditions	Other
Attract, motivate, reward and retain employees who can influence the performance of the group	Executives who remained on the FSP when the new schemes were introduced, and employees on the MTI scheme who elect to receive a portion of MTI in equity at the date of the award	One to four years	For those remaining on the original FSP, vesting periods are set at award date For the new MTI participants, vesting is aligned to the vesting periods of the MTI award	Employee to remain in the group's employ at vesting date CPIX performance condition has temporarily been waived	Dividends and voting rights are dependent when FSP's were awarded Shares are held in escrow and forfeitable on resignation until the vesting date

Long-term Incentive Plan (LTIP)

Rationale	Participants	Performance period	Mechanics	Performance conditions	Other
Attract, motivate, reward, and retain executive directors and senior executives who are responsible for the driving of strategy and consistent sustainable achievement of financial performance above economic conditions	Executives	Three years	LTIP payments are determined by the balanced scorecard outcome and then reduced by any amounts received under MTI for the LTIP period	Based on divisional scorecards Metrics include a combination of financial (e.g. PBT, GMV etc.) and non-financial (e.g. quality of debtors' book, customers, digital contribution etc.)	Predominately cash settled Malus and clawback provisions apply

Allocations

Non-executive directors' remuneration policy

The table below sets out the Remuneration policy applicable for the 2023 financial year

Component	Details
Rationale	Market-related fees to attract and retain non-executive directors
Fees	Non-executive directors receive fees for their services on the board and participation on the board committees. The role of Chair will attract an annual director fee, based on the expertise and participation of that position. In the case of an Executive Chair, the directors' fees will not attract any variable remuneration payments. A base fee will be paid to all non-executive directors, with an additional amount paid dependent on the expertise and participation on committees. Fees are determined in US Dollars and may be paid in an alternative currency dependent on the country of residence. The fees paid recognise the responsibilities of non-executives to provide their expertise throughout the year on an ongoing basis and, therefore, an annual fee has been adopted. Fees are proposed by executive directors and discussed by the remuneration committee. The remuneration committee recommends the fees to the board for final approval by shareholders.
Contracts	Non-executive directors do not have service contracts with the company but receive letters of appointment.
Other	Non-executive directors may not receive any payments linked to organisational performance, nor are they entitled to participate in the long-term share incentive schemes.

Shareholder engagement and voting

In line with King IV, the company will table its Remuneration policy and implementation report for two separate non-binding advisory votes by shareholders at the AGM to be held on 8 June 2023.

If 25% or more of the shareholders vote against either resolution (or both), the Remuneration committee will engage with the dissenting shareholders to ascertain their concerns with the company's remuneration framework.

Shareholders are requested to approve the maximum fees payable. The Remuneration committee can exercise its discretion in remunerating directors based on their participation and membership on board committees up to the approved maximum amount.

SECTION 3 Implementation report

This section details the implementation of the Remuneration Policy for the 2022 financial year.

The committee confirms that it has largely applied the FY2022 Remuneration policy with discretion exercised in the application of the STI awards.

The Board has confirmed that there are no prescribed officers in the group.

Guaranteed pay

The committee approved a 6.0% inflation-linked increase to guaranteed pay effective 1 March 2022.

Executive directors' annual adjustments to guaranteed pay (based on constant currency) is 6.9%, predominantly impacted by a market correction to the Finance Director's compensation and below inflation increases for other senior executives.

Short-term incentive scheme (STI)

The short-term incentive scheme and medium-term incentive plan awards are based on the FY2022 financial performance.

The group achieved strong financial performance during the year. Weaver Fintech – FinChoice and PayJustNow – achieved a 23% growth in profit before tax, and the turnaround strategy in Retail delivered an operating profit from an operating loss in FY2021.

Based on the actual profit before tax for FY2022 against the agreed segmental financial performance targets, STI payments were made as follows:

Division	STI achievement level	Outcome
Weaver Fintech	Above threshold and below target Operational performance achieved	Approved STI awards
Retail	Turnaround target partially achieved	Approved STI awards, with substantially moderated percentage allocations

STI awards to the group executive directors are detailed on page 97.

Medium-term incentive scheme (MTI)

Based on the remuneration policy, the FY2022 MTI allocations made to executives are required to be taken as Forfeiture Shares (FSP). However, as the executives currently hold various allocations of FSP equity (with the last ones vesting in FY2025), only the final tranche of the FY2022 FSP equity has been awarded and will vest in March 2026. The FY2023 and FY2024 MTI tranches have been forfeited in lieu of the existing FSP.

Therefore, the committee approved MTI allocations to executive directors as below:

	MTI Award Rand	FY2025 tranch only	% of GP
Executive chair	R3.6m	R1.2m	53.3%
Group FD	R1.2m	R0.4m	47.5%

The awards are based on the FY2022 remuneration policy tabled in the integrated annual report.

Long-term incentive schemes

2018 allocations vested in 2022

The FSP allocations awarded in FY2018, with a three-year performance period, were approved by the committee for all participants in the employ of the group at the vesting date. No additional vesting requirements were applicable.

	Number	Vesting %
Executive chair	**48 300**	**100%**
Group FD	**7 500**	**100%**

2022 allocations

No direct annual allocations of FSP shares were made to executive directors during the year as the group transitioned to the new Long-term and Medium-term incentive plans. See Medium-Term Incentives above for an explanation of FY2022 FSP portions of MTI.

LTIP allocations, with a three-year performance period from FY2022 – FY2024, were made to the executive directors, as follows:

	Value	Performance conditions
Executive chair	**R20.0m**	Based on balanced scorecard metrics as at end FY2024: PBT, GMV, quality of debtors' book, customers, digital contribution
Group FD	**R7.0m**	

Non-executive directors' remuneration

Details of the remuneration paid to non-executive directors can be found on the opposite page.

Component	Details
Rationale	Market-related fees to attract and retain non-executive directors.
Fees	The proposed fees for non-executive directors were tabled by the executive directors for consideration by the remuneration committee. The board proposed a fee of a maximum of US $65 000 per annum for non-executive directors and US $60 000 per annum for chair fees for the financial year ended 31 December 2024.
Other	Non-executive directors did not receive any payments linked to the group's performance nor did they participate in the long-term share option incentive schemes. Any travel costs incurred are paid for by the company.

Directors' remuneration and shareholding

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:

	Notes	Directors' fees R'000	Fees earned from subsidiary companies R'000	Salary R'000	Benefits[1] R'000	Guaranteed pay R'000	Short term: Performance bonus R'000	Long term: Fair value of shares[2] R'000	Long term: Dividends received[3] R'000	Single-figure remuneration R'000
2022										
Executive directors										
Shirley Maltz		**–**	**–**	**5 436**	**633**	**6 069**	**3 200**	**2 999**	**312**	**12 580**
Gregoire Lartigue	**4**	**–**	**–**	**375**	**–**	**375**	**–**	**–**	**–**	**375**
Sean Wibberley	**5**	**–**	**–**	**150**	**73**	**223**	**–**	**1 499**	**–**	**1 722**
Paul Burnett				**2 443**	**977**	**3 420**	**1 200**	**500**	**96**	**5 216**
		–	**–**	**8 404**	**1 683**	**10 087**	**4 400**	**4 998**	**409**	**19 894**
Non-executive directors										
Amanda Chorn	**6**	**144**	**206**	**–**	**–**	**–**	**–**	**–**	**–**	**350**
Eduardo Gutierrez-Garcia	**7**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Robert Hain		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Marlisa Harris	**9**	**745**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**745**
Pierre Joubert		**682**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**682**
Roderick Phillips	**8**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
		1 571	**206**	**–**	**–**	**–**	**–**	**–**	**–**	**1 777**
Total		**1 571**	**206**	**8 404**	**1 683**	**10 087**	**4 400**	**4 998**	**409**	**21 671**
2021										
Executive directors										
Shirley Maltz		–	–	5 273	2 047	7 320	3 325	1 477	197	12 319
Gregoire Lartigue		–	–	375	–	375	–	–	–	375
Paul Burnett		–	–	1 951	1 274	3 225	1 100	229	58	4 612
		–	–	7 599	3 321	10 920	4 425	1 706	255	17 306
Non-executive directors										
Amanda Chorn		132	207	–	–	–	–	–	–	339
Eduardo Gutierrez-Garcia	8	–	–	–	–	–	–	–	–	–
Robert Hain		280	–	–	–	–	–	–	–	280
Marlisa Harris	9	407	–	–	–	–	–	–	–	407
Pierre Joubert		444	–	–	–	–	–	–	–	444
		1 263	207	–	–	–	–	–	–	1 470
Total		1 263	207	7 599	3 321	10 920	4 425	1 706	255	18 776

Notes

1. *Benefits include retirement fund contributions and benefits appropriate to expatriate staff employed in Mauritius operations.*
2. *Fair value of shares: Value of FSP awards vesting based on the three-year period FY2019 – FY2022. Valued at 31 December 2022 of R24.99 (Dec 2021: R30.57).*
3. *Gross value of dividends received on unvested FSP shares.*
4. *Gregoire Lartigue resigned from the Board effective 15 December 2022. 2022 fees were kept in line with 2021.*
5. *Sean Wibberley was appointed as the HIL CEO effective 15 December 2022. His remuneration is disclosed for the period 15 December 2022 to 31 December 2022.*
6. *Amanda Chorn retired from the Board effective 15 December 2022.*
7. *Eduardo Gutierrez, as a representative of ADP II Holdings 3 Limited on the HIL board, does not earn any directors fees.*
8. *Roderick Phillips was appointed to the Board effective 15 December 2022 and no fees accrued for 2022.*
9. *Marlisa Harris was appointed to the Board effective 23 February 2021. Marlisa spent additional time on Remuneration Committee activities.*

					As at 31 December 2021		Awarded in 2022		Sold during 2022			As at 31 December 2022		
	Share scheme	Award date	Vesting date	Expiry date	Number	Grant price (Rand)	**Number**	**Grant price (Rand)**	**Number**	**Exercise price (Rand)**	**Realisation value[1] (Rand)**	**Vested**	**Unvested**	**Fair value[2] (Rand)**
Shirley Maltz	ESOS	31 Mar 2014	31 Mar 2018	31 Mar 2024	100 000	14,44						**100 000**		
	ESOS	20 Mar 2015	20 Mar 2019	20 Mar 2025	40 500	33,70						**40 500**		
	ESOS	1 May 2016	1 May 2020	1 May 2026	52 000	28,00						**52 000**		
					192 500		**–**	**–**	**–**	**–**	**–**	**192 500**	**–**	**–**
	FSP	23 Oct 2018	31 Mar 2022	31 Mar 2022	48 300	38,00						**48 300**		
	FSP	4 April 2019	31 Mar 2023	31 Mar 2023	120 000	38,00							**120 000**	**3 000 000**
	FSP	31 Mar 2020	31 Mar 2024	31 Mar 2024	101 550	21,55							**101 550**	**2 538 750**
	FSP	30 Jun 2021	31 Mar 2025	31 Mar 2025	150 000	20,00							**150 000**	**3 750 000**
					419 850		**–**	**–**					**371 550**	**9 288 750**
					612 350		**–**	**–**	**–**	**–**	**–**	**192 500**	**371 550**	**9 288 750**
Paul Burnett	ESOS	20 Mar 2015	20 Mar 2019	20 Mar 2025	12 000	33,70						**12 000**		
	ESOS	1 May 2016	1 May 2020	1 May 2026	12 000	28,00						**12 000**		
					24 000							**24 000**	**–**	**–**
	FSP	23 Oct 2018	31 Mar 2022	31 Mar 2022	7 500	38,00						**7 500**		
	FSP	4 April 2019	31 Mar 2023	31 Mar 2023	20 000	38,00							**20 000**	**500 000**
	FSP	31 Mar 2020	31 Mar 2024	31 Mar 2024	14 850	21,55							**14 850**	**371 250**
	FSP	30 Jun 2021	31 Mar 2025	31 Mar 2025	80 000	25,00							**80 000**	**2 000 000**
					122 350		**–**	**–**					**114 850**	**2 871 250**
					146 350		**–**	**–**	**–**	**–**	**–**	**24 000**	**114 850**	**2 871 250**
Sean Wibberley[3]	FSP	16 Mar 2022	31 Mar 2022	31 Mar 2022	–		**175 000**	**27,61**				**175 000**		
	FSP	16 Mar 2022	31 Mar 2023	31 Mar 2023	–		**60 000**	**27,61**					**60 000**	**1 500 000**
	FSP	16 Mar 2022	31 Mar 2024	31 Mar 2024	–		**65 000**	**27,61**					**65 000**	**1 625 000**
	FSP	16 Mar 2022	31 Mar 2025	31 Mar 2025	–		**100 000**	**27,61**					**100 000**	**2 500 000**
					–		**400 000**	**–**	**–**	**–**	**–**	**175 000**	**225 000**	**5 625 000**

1 *Realisation value is calculated as being the taxable benefit of the sale.*
2 *Fair value is calculated using a 30-day VWAP at 31 December 2022 of R25.00 and assumes a 100% vesting probability for all unvested awards.*
3 *Sean Wibberley received an allocation of shares vesting from 31 March 2022 through to March 2025 on assuming a new role in the Finchoice Africa subsidiary. These shares could only be issued post the closed period.*

There were no FSP allocations to directors other than to Sean Wibberley in 2022 as the business transitions to the new incentive schemes.

Social and Ethics Committee Report

"I am inspired and impressed to see all the social and environmental initiatives across the group undertaken in a meaningful way with strong links to the commercial drivers of the business – driving the group forward in the achievement of our strategy."

Eduardo Gutierrez-Garcia

I am pleased to present this report on behalf of the Group.

This financial year has been a challenging year for many of our stakeholders. At the beginning of the year, the war between Russia and Ukraine led to high fuel prices and a negative impact on food prices, global economies are raising interest rates in a bid to curb escalating inflation and there has been continued disruption to supply chains particularly products imported from China.

South Africa's economy has not escaped these global shocks and has been further impacted by a severe energy crisis leading to loadshedding being implemented at unprecedented levels. The social construct in South Africa has been put under severe strain, and so it is more important than ever that as a responsible citizen, the group plays a role in helping to alleviate and support our staff, customers and wider community to navigate through these challenging times.

Our people

With a complement of +1 800 employees, our people management practices are a key element in our business operations. Execution of strategy is largely enabled by our people and consequently it is critical to ensure that the employee value proposition and remuneration policies are appropriate to attract and retain high performing individuals.

93% of employees are black and female representation is 70% in South Africa and 27% in Mauritius.

Employees in the contact centres are able to communicate in seven of South Africa's official languages, thereby appealing to all customers in their mother tongue.

Employees
1 873
61% permanent
39% contractors

Retail
1 438

Weaver
378

Values and promises

The HomeChoice Retail business recently reinvigorated their values into a set of promises – three promises from the company to the employees and three promises from employees to our customers and the business. The promises have been well received by the employees and are a cornerstone of the group's culture and employee value proposition.

Supporting the promises and to provide a safe space for employees to raise concerns, a new service provider was engaged to provide an anonymous facility for employees to report any potential items of fraud or willful wrongdoing. Training was provided to all staff and posters have been placed in the offices to ensure that this is at the top of people's minds. The whistle-blower policy is included in the group code of ethics policy.

Tip-off information can be provided by e-mail, SMS, App or by phoning the toll-free 0800 number assigned to the group.

The committee receives reports from the service providers and the internal fraud team assists in the investigation of any reported items.

26
bursaries awarded to assist employees in furthering their studies.

Training

Training and upskilling employees has received strong focus during the year. More than 46 000 training interventions were carried out during the year, a 100% increase over FY2022. This translates to an average of 25 interventions per employee.

90% of the training interventions are focused on the operational employees, upskilling them in onboarding on joining the group, functional training and also compliance related training.

We have successfully increased our digital component of training interventions. This has allowed us to deploy training more efficiently and enables us to reach a larger audience more efficiently. Updates, particularly compliance to updated regulations can be more easily deployed and responded to quickly.

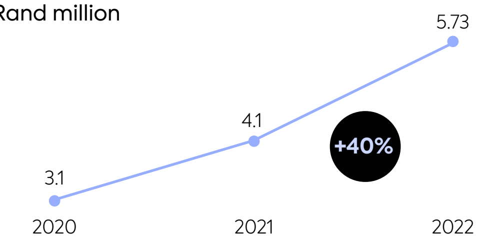
The learning and development teams have worked very closely with local and national government departments, utilising SETA funding to increase our training programmes that we offer for specific learnership programmes.

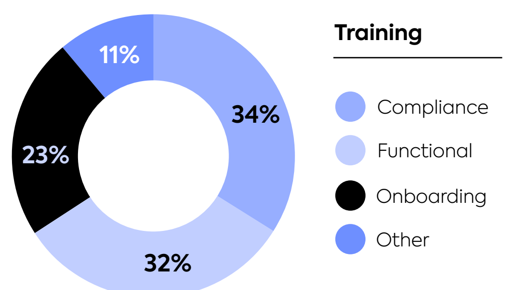
A 40% increase in funding (primarily through additional discretionary grants) has allowed us to place 235 employees on SETA accredited programmes.

HomeChoice launched a Retail academy in 2022. The Academy provides mentoring and training to develop leaders in the business. 15 employees were enrolled on the programme – our NextGEN interns.

Funding received

Rand million





96% of training is deployed digitally, up from 51% in FY2021

Employee value proposition

Several of the people policies have been updated during the year, to reflect current thinking on employment practices and revised benefits for employees.

The annual leave policy now provides for employees to take two additional days a year – a day during their birthday month and a MyDay – a day for the employees to disconnect, recharge and have some time to recharge their batteries.

Other policies updated

- Social media
- Harassment
- Maternity/parental leave

Wellness

A successful 'Wellness Wednesday' campaign has been running during the year providing tips and tools for employees to manage their wellness. In support of the campaign, two very successful 'Market/Wellness' days were held in the South African office and in the distribution centre.

These days took a holistic approach to wellness. Using specialist service providers, staff were provided access to financial, physical and social advice and general self-care activities. Given the success of these days, they will be continued into 2023.

Transformation

The group has achieved a B-BBEE compliant rating for FY2022 – Level 7 discounted to Level 8 due to not meeting certain minimum targets in priority elements in the scorecard.

A strong focus on the preferential procurement element of the scorecard, has translated into a significant improvement from FY2021. A review of all suppliers was undertaken and where a comparable service could be provided by a supplier with higher levels of transformation, that new supplier was brought on board. Several suppliers have improved their transformation score, which in turn has benefited the group's scorecard.

We continue to achieve maximum points in socio-economic development, supplier development and enterprise development – the latter two achieving bonus point. More details of this is provided below.

Supplier and enterprise development

Integrated into the HomeChoice Retail business has been the work done in assisting and nurturing small enterprises into business operations. Through this strategy, black and black women-owned enterprises are provided with a vehicle to enable the growth of their businesses. Part of this support is not only providing a source of revenue but also includes non-monetary contributions in the form of training and mentoring.

Independent Service Providers (ISP) are part of the logistics network enabling some 100 000 orders to be delivered direct to customers' homes. Pleasingly one of the ISP providers graduated to a fully-fledged supplier in the year.

ChoiceCollect containers provide a convenient pick-up point for customers to receive their orders at a location close to their home. Operating in partnership with third parties and sales agents, HomeChoice provides a fully fitted container, support and training which empower and develop these micro-enterprises. Both financial and non-financial support is provided to the ChoiceCollect operators assisting them to develop their entrepreneurial skills and improve their business operations.

Our current containers are located in a close radius of Retail showrooms so as to leverage existing operational management structures. This not only provides support for the owners but also maintains the customer experience philosophy of the group.

We have provided support to more than 100 sales agents during the year. Our sales agents are primarily black women and provide them with the opportunity to either earn an additional or secondary income or actively drive their primary income.

Previously they have operated independently of Retail's structures, in 2023 we will look to empower them to support our 13 showrooms in activating new customers.

ChoiceCollect containers
11
Some relocations to showroom proximities

Opened in FY2022
3

Customer order collections
100 000

ISPs
7 Mainly focused in Gauteng

Vehicles and drivers
24

Direct-to-home deliveries
14%

Customer engagement

The committee receives regular feedback on customer experiences with the brands. Friction points in the various customer journeys are identified from that feedback and using that information we can adjust the flows and interactions to improve our customer experience.

With 75% of the group's transactions conducted digitally, it is critical that the digital experience is a rewarding and positive customer experience. Pleasingly the Weaver Fintech business continues to score high Google ratings. The HomeChoice Retail customer experience teams are focused on improving their Google ratings to more acceptable levels.

finchoice
Google rating
4.6 ★

"I am so happy. I have always received amazing service and it's so super easy."
SHAMEEMAH from BONTHEUWEL

PAYJUSTNOW®
Google rating
4.7 ★

"Since finding out about payjustnow, I have never looked back, talk about a go-to friend who always has your back, consultants are readily and easily accessible, your issues are sorted in minutes. I have found myself a new home with PJN."
MAMOETI ALINAH MASOBE

homechoice
Google rating
3.8 ★

"I have always received the best service from Homechoice, for over a decade."
MISS NOMATHAMSANGA MATLWANA

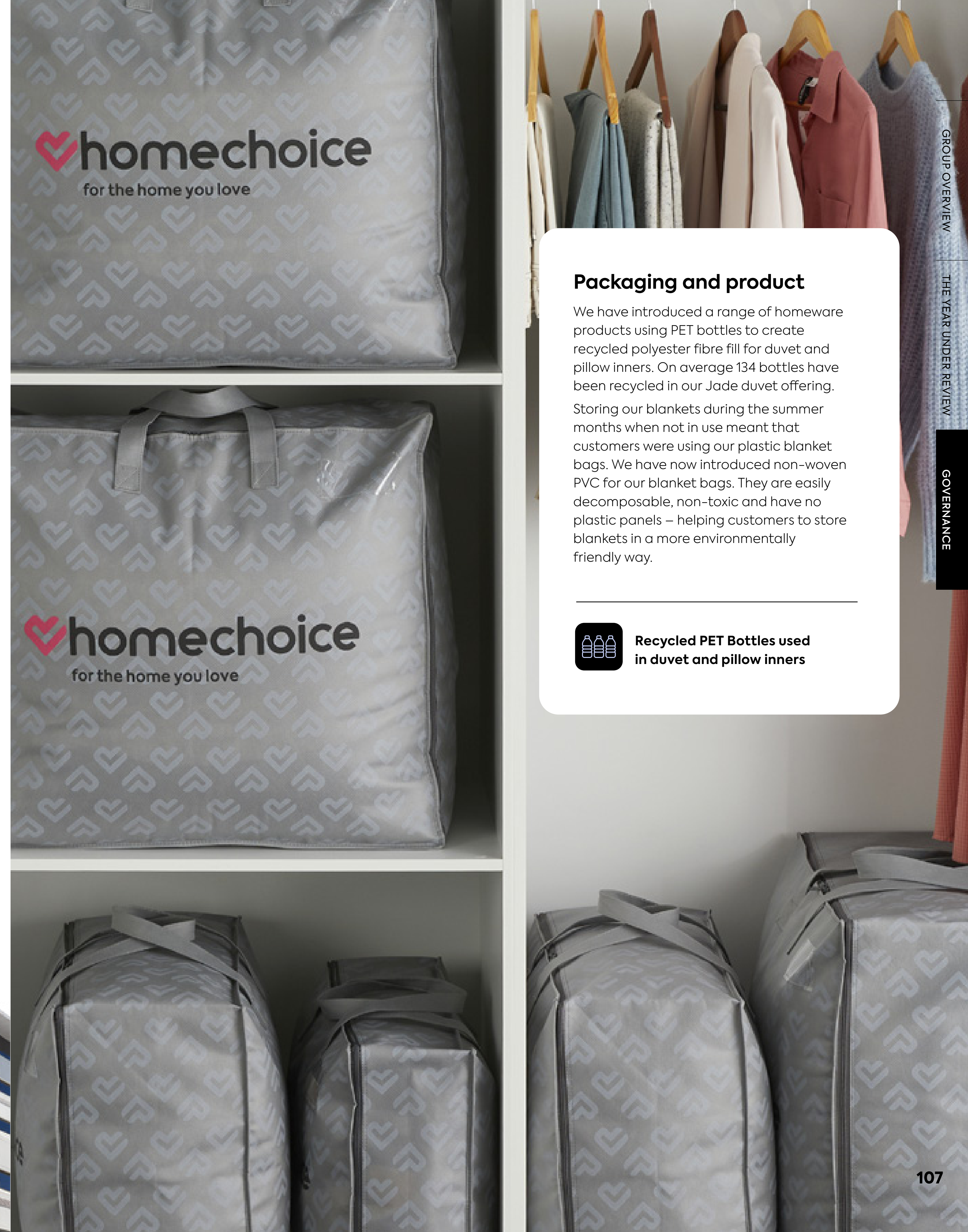
Environmental and sustainability

Much of the group's environmental programme has been focused on South Africa's office. Due to Retail housing more than 70% of the group's employees and understanding that a significant impact can be made in making the operations more sustainable it was ideal to concentrate our activities there.

The building was rated as a 5* green building in 2019, an enormous feat to achieve for an existing building and one of only 11 buildings to be given that rating by the Green Building Council of South Africa. This rating is valid for a three-year period, and in FY2022 we were successfully audited by the GBCSA and are able to maintain that rating.

Electricity and water usage and the amount of waste recycled is monitored on a quarterly basis against agreed targets. Solar panels have been installed on the roof of the building, and although we were unable to harness the same levels of solar energy as we did in FY2021, plans have been put in place to improve the levels. There is an opportunity to install solar panels on the roof of HomeChoice Retail's distribution centre, located in the Western Cape, to make use of solar energy to run the distribution centre's operations.

Water is harvested either directly from the ground, in the case of the office, and from run-off from the roofs of the DC and the office. Tanks situated in the basement parking garage feed water into the building and in the DC outside tanks supply their operations.



Packaging and product

We have introduced a range of homeware products using PET bottles to create recycled polyester fibre fill for duvet and pillow inners. On average 134 bottles have been recycled in our Jade duvet offering.

Storing our blankets during the summer months when not in use meant that customers were using our plastic blanket bags. We have now introduced non-woven PVC for our blanket bags. They are easily decomposable, non-toxic and have no plastic panels – helping customers to store blankets in a more environmentally friendly way.

Recycled PET Bottles used in duvet and pillow inners

Our community

The corporate social responsibility strategy of the group is managed by the HomeChoice Development Trust (HCDT). The Trust's main focus is the upliftment of underprivileged communities in the Western Cape through focusing on early childhood development by building schools, improving educator skills and sustainable operating processes. With the group's main South African operations based in Cape Town, the primary target is the underprivileged community situated in the Western Cape. The Trust has developed and maintains long-standing partnerships with key non-profit organisations who share the Trust's vision and have a sustainable track recorded in the Early Childhood Development (ECD) sector.

homechoice development trust

Bringing on board partners to assist with execution

2012

True North

Vrygrond & Overcome

- Infrastructure builds
- Skills development
- Capacity building
- Leadership dev
- Bursaries
- Registration App

2013

Grassroots

Across the Western Cape

- ECD outreach
- Playgroup model – Happy Valley area

Sikhula Sonke

Khayelitsha

- ECD outreach
- Infrastructure solutions
- Mobile toy & book libraries

Starting Chance

Mfuleni

- Infrastructure builds & upgrades
- Skills development
- Capacity building
- Leadership dev
- Computer training

2017

Rotary Newlands

Langa

- Infrastructure upgrades
- Skills development
- Capacity building
- Toy & book libraries
- Computer training

Appreciation

In closing, the committee would like to express their gratitude to the staff and their contributions to the progress made by the business.

We continue to positively contribute to goals to enable the group to make a meaningful, sustained and positive impact in South Africa and Mauritius.

During 2022

Total Donations
R4.3m

Donations in kind
R2.1m

Donations
R2.2m in support of Early Childhood Development

Educare Centres
12 New centres built with financial support

Supported
720+ Educare centres

Trained
3 000+ Educare practitioners

Quality Education
40 000+ Children under 6

Appendix

Summary consolidated statement of financial position

	2022 Rm	% change	2021 Rm
Assets			
Non-current assets			
Property, plant and equipment	**421**	(6.0)	448
Intangible assets	**187**	(2.6)	192
Right-of-use assets	**32**	(34.7)	49
Other investments	**93**	69.1	55
Deferred taxation	**115**	35.3	85
	848	2.3	829
Current assets			
Inventories	**403**	52.7	264
Taxation receivable	**2**	(33.3)	3
Trade and other receivables	**4 212**	19.4	3 528
Trade receivables – Retail	**1 341**	(1.7)	1 364
Loans receivable – Weaver Fintech	**2 782**	32.4	2 102
Other receivables	**89**	43.5	62
Cash and cash equivalents	**116**	(42.9)	203
	4 733	18.4	3 998
Total assets	**5 581**	15.6	4 827
Equity and liabilities			
Capital and reserves			
Stated and share capital	**1**	–	1
Share premium	**3 039**	–	3 039
Reorganisation reserve	**(2 961)**	–	(2 961)
Treasury shares	**(45)**	(4.3)	(47)
Other reserves	**49**	(23.4)	64
Retained earnings	**3 386**	6.9	3 168
Equity attributable to equity holders of the parent	**3 469**	6.3	3 264
Non-controlling interest	**(7)**	>100.0	(1)
Total equity	**3 462**	6.1	3 263
Non-current liabilities			
Interest-bearing liabilities	**1 483**	39.9	1 060
Lease liabilities	**19**	(17.4)	23
Deferred taxation	**50**	13.6	44
Other payables	**22**	>100.0	4
	1 574	39.1	1 131
Current liabilities			
Interest-bearing liabilities	**44**	–	44
Lease liabilities	**19**	(42.4)	33
Taxation payable	**20**	11.1	18
Trade and other payables	**360**	6.5	338
Bank overdraft	**102**	100.0	–
	545	25.9	433
Total liabilities	**2 119**	35.4	1 564
Total equity and liabilities	**5 581**	15.6	4 827

Summary consolidated statement of profit or loss and other comprehensive income

	2022 Rm	% change	2021 Rm
Revenue	**3 656**	6.5	3 432
Retail sales	**1 610**	(5.6)	1 706
Finance income	**1 378**	16.3	1 185
Fees from ancillary services	**668**	23.5	541
Cost of Retail sales	**(859)**	(8.2)	(936)
Other operating costs	**(2 340)**	6.0	(2 208)
Credit impairment losses	**(1 081)**	10.9	(975)
Other trading expenses	**(1 259)**	2.1	(1 233)
Other net gains and (losses)	**9**	>100.0	(43)
Other income	**16**	(11.1)	18
Operating profit	**482**	83.3	263
Interest income	**3**	(50.0)	6
Interest expense	**(129)**	38.7	(93)
Profit before taxation	**356**	>100.0	176
Taxation	**(54)**	>100.0	(9)
Profit and total comprehensive income for the period	**302**	80.8	167
Profit and total comprehensive income for the period attributable to:			
Owners of the parent	**308**	81.2	170
Non-controlling interest	**(6)**	100.0	(3)
	302	80.8	167
Earnings per share (cents)			
Basic	**289.4**	81.1	159.8
Diluted	**282.7**	81.6	155.7
Headline earnings per share (cents)			
Basic	**288.5**	41.8	203.5
Diluted	**281.8**	42.1	198.3

Summary consolidated statement of changes in equity

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

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

Summary consolidated statement of cash flows

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

Interest received has been included in cash generated from operations.

Cash and cash equivalents comprise cash balances of R116 million and an overdraft balance of R102 milion.

Group segmental information

	2022 Total Rm	2022 Retail Rm	2022 Weaver Fintech Rm	2022 Property Rm	2022 Other Rm	2022 Intra-group Rm	2021 Total Rm	2021 Retail Rm	2021 Weaver Fintech Rm	2021 Property Rm	2021 Other Rm	2021 Intra-group Rm
Segmental revenue	3 656	2 209	1 447	41	–	(41)	3 432	2 326	1 104	39	–	(37)
Retail sales	1 610	1 610	–	–	–	–	1 706	1 706	–	–	–	–
Finance income	1 378	414	964	–	–	–	1 185	429	756	–	–	–
Fees from ancillary services	668	185	483	41	–	(41)	541	191	348	39	–	(37)
EBITDA	589	194	459	13	(35)	(40)	433	135	360	13	(34)	(41)
Depreciation and amortisation	(107)	(114)	(21)	–	–	28	(104)	(116)	(17)	–	(1)	30
Impairment of assets	(2)	(2)	–	–	–	–	(66)	(62)	(4)	–	–	–
Interest income	–	–	–	–	46	(46)	1	–	–	–	66	(65)
Interest expense	(109)	–	(106)	–	(49)	46	(72)	–	(69)	–	(68)	65
Segmental operating profit/(loss)*	373	78	332	13	(38)	(12)	192	(43)	270	13	(37)	(11)
Interest income	3	–	3	–	–	–	5	5	–	–	–	–
Interest expense	(20)	(21)	–	(11)	–	12	(21)	(25)	–	(10)	–	14
Profit/(loss) before taxation	356	57	335	2	(38)	–	176	(63)	270	3	(37)	3
Taxation	(54)	(10)	(42)	1	(3)	–	(9)	22	(32)	(1)	3	(1)
Profit/(loss) after taxation	302	47	293	3	(41)	–	167	(41)	238	2	(34)	2
Segmental assets	5 581	2 297	3 903	347	1 537	(2 503)	4 827	2 275	2 415	347	1 596	(1 806)
Segmental liabilities	2 119	1 200	1 513	257	687	(1 538)	1 564	1 155	1 363	260	611	(1 825)
Gross profit margin (%)	46.6	46.6					45.1	45.1				
Segmental results margin (%)	10.2	3.5	22.9	31.7			5.6	(1.8)	24.5	33.3		
Capital expenditure												
Property, plant and equipment	15	10	5	–	–	–	18	16	2	–	–	–
Intangible assets	41	18	23	–	–	–	49	21	28	–	–	–
Significant expenses included in operating profit												
Credit impairment losses	1 081	483	598	–	–	–	975	563	412	–	–	–
Marketing costs	273	224	49	–	–	–	245	204	41	–	–	–
Staff costs	528	358	157	–	13	–	522	391	123	–	8	–

HiL PLC