HOMECHOICE INTERNATIONAL P.L.C.
(Incorporated in the Republic of Malta on 22 July 2014)
Share code: HIL ISIN: MT0000850108
(Registration number C66099)
(**"the Company"** or **"HIL"**)

PRE-LISTING STATEMENT

The definitions and interpretations commencing on page 9 of this Pre-listing Statement apply to this cover page.

This Pre-listing Statement has been prepared and issued in compliance with the Listings Requirements for the purpose of providing information to the public and investors in respect of HIL. This Pre-listing Statement is not an invitation to the public to subscribe for Shares in HIL.

The JSE has granted HIL an inward listing by way of introduction in respect of all of its ordinary shares in the "General Retailers: Broadline Retail" sector on the Main Board of the JSE under the abbreviated name "HomChoice", symbol "HIL" and ISIN MT0000850108, with effect from 4 December 2014.

At the Listing Date:

- the authorised share capital of HIL will comprise 200 000 000 ordinary shares with a par value of 1 (one) cent;
- the issued share capital of HIL, excluding treasury shares, will comprise 101 379 351 fully paid up ordinary shares with a par value of 1 (one) cent;
- 72 900 000 shares in HIL will be held by HIL as treasury shares*;
- the share capital of HIL will amount to R1 013 794;
- the share premium of HIL will amount to R3 040 366 736; and
- all the shares in HIL will rank *pari passu* with one another in all respects, including in respect of voting rights and dividends.

* These treasury shares which represent the shares issued in HIL on incorporation and have been repurchased by HIL pursuant to the Scheme, are in the process of being cancelled. Refer to paragraph 7 on page 56 of this Pre-listing Statement.

HIL Shareholders are advised that the HIL Shares will only be tradable on the JSE in dematerialised format. HIL Shareholders whose HIL Shares are issued in certificated format will accordingly have to dematerialise their HIL Shares in order to trade them on the JSE. Such HIL Shareholders must accordingly contact their CSDP or Broker in order to dematerialise their HIL Shares. HIL Shareholders who do not have a CSDP or Broker should contact a CSDP or Broker in order to dematerialise their HIL Shares. Details of CSDPs or Brokers can be obtained from Strate per e-mail at info@strate.co.za.

The Directors, whose names are given in paragraph 1 on page 32 of this Pre-listing Statement, collectively and individually accept full responsibility for the accuracy of the information contained herein and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-listing Statement contains all information required by law and the Listings Requirements.

The Independent Reporting Accountants and each of the experts, whose names appear in the "Corporate Information" section of this Pre-listing Statement, have given and have not, prior to the formal approval of this Pre-listing Statement by the JSE, withdrawn their written consents to the inclusion of their names, and acting in the capacities stated and, where applicable, to their reports, being included in this Pre-listing Statement.

This Pre-listing Statement is only available in English and copies thereof may be obtained during normal business hours from Thursday, 27 November 2014 until Thursday, 4 December 2014 from HomeChoice Holdings, the Transfer Secretaries and Rand Merchant Bank, at their respective physical addresses which appear in the "Corporate Information" section on the inside front cover of this Pre-listing Statement.

An abridged version of this Pre-listing Statement will be released on SENS on Thursday, 27 November 2014 and published in the press on Friday, 28 November 2014.

SALIENT DATES AND TIMES RELATING TO THE LISTING	2014
Abridged Pre-listing Statement published on SENS on	27 November
Pre-listing Statement posted to HIL Shareholders on	27 November
Issue of Scheme Consideration to Scheme Participants	27 November
Abridged Pre-listing Statement published in the press on	28 November
Listing of Shares on the JSE expected at commencement of trade on	4 December

All times referred to in this Pre-listing Statement are times in South Africa. Any changes to the foregoing dates and times will be released on SENS.

For a list of definitions of terms used in this document, including this page, see the "Definitions, Glossary and Interpretation" section commencing on page 9 of this Pre-listing Statement.

Sponsor	South African Legal adviser to HIL	Independent Reporting Accountants and Auditors
RAND MERCHANT BANK A division of FirstRand Bank Limited	DLA CLIFFE DEKKER HOFMEYR	pwc

Date of issue: 27 November 2014

CORPORATE INFORMATION OF HIL

Registered Office
HomeChoice International P.L.C.
(Registration number C66099)
93 Mill Street
Qormi
QRM3102
Malta

Incorporated in the Republic of Malta

Date of Incorporation: 22 July 2014

Registered Address of HIL Holding Company
Stockdale Investment Holdings Limited
2nd floor
Geneva Place
333 Waterfront Drive
Road Town
Tortola BVI

Company Secretary
George Said
93 Mill Street
Qormi
QRM3102
Malta
(Level 5, Airways House, High Street,
Sliema SLM 1551, Malta)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
South Africa
(PO Box 61051, Marshalltown 2107, South Africa)

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited
(Registration number 1929/001225/06)
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton
2196
South Africa
(PO Box 786273, Sandton 2146, South Africa)

South African Legal Adviser
Cliffe Dekker Hofmeyr Inc.
(Registration number 2008/018923/21)
11 Buitengracht Street
Cape Town
8001
South Africa
(PO Box 695, Cape Town 8000, South Africa)

Independent Reporting Accountants and Auditors
PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
No. 1 Waterhouse Place
Century City
Cape Town
7441
South Africa
(PO Box 2799, Cape Town 8000, South Africa)

Corporate Bank
Deutsche Bank International Limited
(Company number 5905)
St Paul's Gate, New Street, Jersey JE48ZB, Channel Islands

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EXECUTIVE SUMMARY

This summary highlights information from this Pre-listing Statement. It is not complete and does not contain all of the information that readers of this Pre-listing Statement should consider. Shareholders should read this Pre-listing Statement carefully in its entirety, including the "Risk Factors" section commencing on page 50, the financial statements provided and the notes to those financial statements.

All terms used in this executive summary have the meanings set out in the "Definitions, Glossary and Interpretation" section commencing on page 9 of this Pre-listing Statement.

1 INTRODUCTION AND BACKGROUND

The HomeChoice Group is a leading home shopping retailer selling homeware merchandise and financial services products to the rapidly expanding urban middle-income mass market in southern Africa. Established in Cape Town in 1985, the Group has developed into an omni-channel home shopping retailer which offers products through mail order (catalogue), electronic channels (Internet and mobile phone) and telemarketing (call centres). The Group currently operates in South Africa and the neighbouring countries of Botswana, Lesotho, Namibia, Swaziland and Zambia.

Expansion into Africa and other territories presents a major strategic growth opportunity in the medium to long term. After appropriate due diligence, the Board of HomeChoice Holdings proposed the Scheme to the shareholders of HomeChoice Holdings. The purpose of the Scheme is to optimise the Group structure to facilitate such expansion with the creation of an international holding company.

On or about 24 November 2014, the shareholders of HomeChoice Holdings duly authorised the Scheme. In terms of the Scheme, HIL SA, a subsidiary of HIL, acquired all the HomeChoice Holdings Shares held by the shareholders of HomeChoice Holdings in terms of section 114 of the SA Companies Act for the Scheme Consideration, which Scheme was implemented on or about 27 November 2014, immediately prior to the issue of this Pre-listing Statement.

HIL was incorporated as a public company under the laws of Malta on 22 July 2014 specifically for purposes of holding all the HomeChoice Holdings Shares, through its subsidiary, namely HIL SA. Malta is the domicile of the Group's current controlling shareholder and is a European Union member country. HIL holds all but 1 (one) of the shares in the issued share capital of HIL SA, who in turn will, pursuant to the implementation of the Scheme, hold 100% (one hundred per cent) of the HomeChoice Holdings Shares. As at the Last Practicable Date, the only asset of HIL, save for nominal working capital, is its shareholding of HIL SA. It does not have any operating history or any other subsidiaries.

HIL SA was incorporated as a public company under the laws of Malta on 14 October 2014 specifically for purposes of holding all the HomeChoice Holdings Shares. HIL SA holds 100% (one hundred per cent) of the HomeChoice Holdings Shares pursuant to the implementation of the Scheme. As at the Last Practicable Date, HIL SA does not have any assets. It does not have any operating history or any other subsidiaries.

The HomeChoice Group has three operating segments:

Retail

HomeChoice is an omni-channel home shopping retailer offering an extensive range of household textiles, homeware merchandise and personal technology through a convenient shopping experience, together with a home delivery service. The product offering has broadened under the FoneChoice brand to include laptop computers, tablets and mobile smartphones. Credit is the enabler of sales on terms of six, 16, 24 and 36 months. Over 90% of sales are made on credit.

Financial Services

FinChoice is a niche provider of unsecured personal loan products to HomeChoice customers in South Africa with good credit records. FinChoice leverages the HomeChoice customer database and marketing platforms to acquire loan customers at low cost and predictable repayment behaviour. Loan terms range from one to 36 months. Customers are able to transact on their loan accounts conveniently through their mobile phones 24 hours a day, accessing further credit over time as needed. FinChoice has a strategic focus on short-term and low value loans, with an average product term of 18,9 months and average loan balance of R7 804 at June 2014.

Property

The Group owns the head office building, a property adjacent to the head office which has been acquired for future expansion and the new centralised warehouse and distribution facility which was completed in January 2014. Built at a cost of R150 million, the distribution centre has more than doubled storage capacity providing the Group with a strong platform for future growth plans. These properties are used exclusively by the Group.

Specialist omni-channel marketer

As an omni-channel specialist, the Group uses multiple channels to attract and service customers. These include electronic channels such as the Internet and mobile phone, through the catalogue using inbound and outbound call centres and direct mail, and more recently through pop-up shops.

During 2013, the business distributed 7,4 million catalogues, had 13,7 million telephone calls with customers, attracted 5,6 million website and 1,4 million mobi visitors, dispatched 731 000 parcels, granted 205 000 personal loans and generated revenue of R1,7 billion.

Growing customer base

The Group has a customer base of 1,3 million, of which 85% are female and predominantly in the mass market LSM 4 to 8 categories. The profile of a typical HomeChoice customer is a black, urban female, between the ages of 25 and 45 and employed with an average monthly income of R7 500. The Group has a loyal customer base, with over 80% of business being conducted with existing customers of known credit standing.

Strong credit risk and customer analytics expertise

The Group makes significant investment in its credit systems and processes and has established a strong team with extensive analytical skills and credit expertise in the middle-income mass market.

Strong organic growth

Revenue has grown at a compound annual growth rate (CAGR) of 23,1% over the past 10 years, with operating profit showing a CAGR of 18,3% over the same period. This strong organic growth has been driven by product innovation and merchandise range extension, and growth of the customer base through customer acquisition and retention. Further growth has been delivered by leveraging the Group's customer base with the launch of FinChoice and FoneChoice. This is demonstrated by FinChoice accounting for 33% of the Group's operating profit, only seven years after being launched.

African expansion

Expansion into the rest of Africa presents a sustainable growth opportunity for both HomeChoice and FinChoice in the medium term. HomeChoice has experienced strong demand in Africa over the last 18 months. Customers in the neighbouring countries of Botswana, Lesotho, Namibia and Swaziland accounted for 9,5% of retail sales in 2013 and has grown to 11,8% in the first half of 2014. HomeChoice has entered Zambia in Q4 2014.

2 RATIONALE FOR LISTING

Core to the Group's long-term strategy is to expand into new markets to sustain growth. Expansion into Africa and other territories will be accelerated through listing (for example, certain African jurisdictions will require local equity participation unless the group is listed). The listing will provide access to capital markets for potential funding for future expansion and unlocking value for existing shareholders.

The Listing will also improve incentives for Directors, managers and employees by making their Shares more tradeable, while also assisting the Group in attracting and retaining talented and scarce management and staff skills.

3 COMPETITIVE STRENGTHS

The Group's competitive strengths motivate a compelling investment case, highlighting how the positioning in a growth segment, the business model, the ability to leverage the customer base across the Group, and the highly experienced and skilled team are expected to sustain growth.

Home shopping model

Home shopping offers customers a convenient experience that suits their lifestyle and time constraints. The omni-channel contact points, including call centres, Internet and mobile phone, allow customers to shop at any time of day or night. The home shopping model enables the Group to serve a geographically dispersed customer base without the limitations of a physical store presence, as well as predict purchasing behaviour, response rates and profitability of marketing campaigns.

Brand loyalty in a growing market

HomeChoice has created strong brand loyalty with its predominantly female customer base in the urban middle-income mass market. In the past year over 80% of the Group's business was generated from existing customers. The rapidly growing LSM 4 to 8 target market accounts for 73% of the country's population, having grown from 55% only eight years ago.

Customers are expected to continue to migrate up the LSM spectrum as they benefit from rising living standards and higher income. This demographic is playing out across the African continent, and the Group remains committed to this market segment.

Growing online sales

Greater access to the Internet and mobile smartphones is expected to boost online retail sales in South Africa in the next few years. HomeChoice is at the forefront of this trend with growing volumes of customers using electronic sales channels. In 2013, 8% of HomeChoice sales were made through the Internet and 74% of FinChoice customers requested further loans via the KwikServe mobile channel. This compares strongly against the estimated 1% of online retail sales in South Africa. The business has an advantage over most traditional retailers in South Africa who are entering the direct marketing arena for the first time. These retailers have yet to make the investment in technology and back-end processes, test and launch their online offerings, and convert customers to using their online channels. In addition, traditional retailers need to develop distribution networks and their processes for product returns.

A dedicated technology team has been created to develop the electronic sales channels and capitalise on the expected strong growth in Internet and mobile retail sales in South Africa over the next 10 years. This growth will be enhanced due to the fact that South Africa currently lags the developed world in terms of Internet and mobile penetration.

Expertise in managing the risk of credit

Credit is an enabler of sales to the mass market female customer base. The Group has extensive experience in mass market credit management and the credit records of over 1,3 million customers inform credit decision-making processes. Strict and consistent credit and affordability criteria, together with internally developed scorecards, are applied to all new credit applications. New customers are granted low credit exposure, allowing the Group to observe payment behaviour without significant exposure risk.

Leveraging the customer base

HomeChoice filters new customers for the Group. FinChoice leverages the HomeChoice database by direct marketing personal loans to selected credit-qualifying customers. This ensures that FinChoice offers are marketed to relatively low risk prospects and the selection criteria have enabled the business to select a profitable group of loan customers, with a stable and acceptable risk of bad debt. This leverage is illustrated by the value extracted across the Group from an average HomeChoice customer over a 24-month period. Following an initial purchase, each new HomeChoice customer will make further purchases to the value of 189% of their initial purchase. The value of credit extended by the Group is further increased by the customer taking a loan from FinChoice and buying products from FoneChoice, so that on average the credit extended to a customer over a two-year period is over 300% of their first purchase.

The history of initial loan risk within FinChoice is testament to the consistency and predictability of the HomeChoice behaviour scorecards. Customers with a good credit performance in both HomeChoice and FinChoice are identified for repeat loan offers. This multiple level risk filtering process is key to the Group’s ability to maintain relatively low risk across the FinChoice portfolio.

The same leverage and credit expertise has been applied with the launch of FoneChoice which markets mobile phones and computer products to HomeChoice customers with good credit records.

Proven organic growth strategy

Organic growth is the Group’s preferred strategy to expand the business and gain market share. Growth has been driven through product innovation, merchandise range extension and the launch of FinChoice. Revenue has grown at a compound annual growth rate (CAGR) of 24% over the past five years from 2008, with operating profit showing a CAGR of 47%. FinChoice now accounts for 33% of the Group’s operating profit, only seven years after being launched.

Expanding presence in Africa

While Africa presents an attractive medium to long-term growth opportunity, customers in Botswana, Lesotho, Namibia and Swaziland already account for 11,8% of retail sales. As a home shopping retailer, the Group does not face many of the challenges, risks and costs encountered by traditional retailers expanding into Africa. Increasing Internet penetration and broader bandwidth, together with the rapid growth in mobile phone ownership, will support growth of online retailing on the rest of the continent.

Entrepreneurial and experienced management team

Omni-channel marketing relies on specialist skills which are scarce and highly sought after in the South African retail environment. The ongoing investment in people has enabled the Group to retain key skills and attract some of the leading talent in the industry.

The executive team has a healthy balance of industry and company experience, with home grown talent complemented with externally recruited specialists. The specialist units in the business also have a blend of youth and experience. In the merchandise team, for example, the three senior buyers have been with HomeChoice for an average of 17 years, while younger buyers and planners appointed to the team constantly energise the pool of talent. This same mix of skills is found in the credit risk, direct marketing and customer analytics teams.

The entrepreneurial spirit that launched the retail business remains core to the Group's values. The Group has demonstrated this skill in launching FinChoice and FoneChoice. Specialists are recruited to enable the Group to capitalise on other new opportunities, such as the formation of an electronic team to spearhead the Group's drive into electronic sales channels such as the Internet and mobi.

Refer to paragraph 1.6 of the "Management and Corporate Governance" section commencing on page 36 for background information on the senior management team.

4 STRATEGIES FOR SUSTAINED GROWTH

The Group's growth strategy focuses on organic growth of the existing businesses through attractive product offerings. Attracting New Customers and retaining quality customers through repeat business is key to sustaining growth.

The HomeChoice growth strategy is focused on:

- broadening the merchandise range;
- attracting New Customers;
- increasing revenue from existing customers;
- enhancing the customer experience through technology; and
- expanding warehousing capacity and the distribution network.

FinChoice presents a strategic growth opportunity for the Group and is positioned to increase its share of the personal loan market by:

- attracting initial loan customers;
- increasing revenue from existing FinChoice customers; and
- enhancing the customer experience through technology.

Sustained economic growth and the increasing spending power of the emerging middle class in several African countries makes the sub-Saharan region attractive for growth. Expansion into Africa presents a strong growth opportunity.

5 BOARD OF DIRECTORS

The Board of the Company is responsible for the direction and governance of strategy, assets and liabilities, risk, audit, compliance, compensation and operating performance.

The Board consists of experienced individuals who are respected members of the South African and European community and as at the Listing Date comprises the following persons:

5.1 Executive Directors

Gregoire Lartigue – Chief Executive Officer

Paul Burnett – Finance Director

Shirley Maltz – Executive Director

5.2 Non-executive Directors

Stanley Portelli – Independent Non-executive Director (Chairman)

Amanda Chorn – Independent Non-executive Director

Richard ("Rick") Garratt – Non-executive Director

Eduardo Gutierrez-Garcia – Non-executive Director

Robert Hain – Independent Non-executive Director

Carmel ("Charles") Rapa – Independent Non-executive Director

6 SHAREHOLDING

HIL has 72 900 000 Shares in issue as at the Last Practicable Date and 101 379 351 Shares, net of treasury shares, in issue at as the Listing Date. Details of the authorised and issued share capital of HIL are set out in paragraph 2 of the "Incorporation, History and Share Capital" section on page 54 of this Pre-listing Statement.

Details of the major and controlling shareholders are set out in paragraph 10 of the "Incorporation, History and Share Capital" section on page 57 of this Pre-listing Statement.

The indirect and direct beneficial interests of the Directors in the HIL Shares are set out in paragraph 3 of the "Management and Corporate Governance" section on page 39.

7 SUMMARISED CONSOLIDATED FINANCIAL INFORMATION

HIL was only incorporated on 22 July 2014, so it has not yet completed its first financial year and has no trading history. Historical financial information in respect of the last three financial periods of HIL are accordingly not available, but the financial statements of HIL in respect of the two-month period between incorporation and 30 September 2014 are annexed to this Pre-listing Statement as **Annexure 1**.

The report of historical financial information of HomeChoice Holdings and its subsidiaries in respect of the last three financial years, being the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 are annexed to this Pre-listing Statement as **Annexure 3**.

The following selected financial information is derived from the consolidated financial statements of HomeChoice Holdings as presented in **Annexure 3**, and the reviewed interim historical financial information as presented in **Annexure 5**.

The financial and other information presented below should be read in conjunction with those Annexures as well as the "Management's discussion and analysis of financial condition and results of operations and selected historical consolidated financial and other information" section commencing on page 42 of this Pre-listing Statement. All information presented below is from continuing operations.

Selected financial information

HomeChoice Holdings has a proven track record of delivering profitable growth and sustained returns to shareholders, supported by a strong balance sheet.

The following table shows highlights of the Group's audited results for the three years ended 31 December 2011, 2012 and 2013 and reviewed six months results to June 2014 and June 2013.

	Reviewed 6 months ended Jun 2014 R'000	Reviewed 6 months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000	Audited year ended Dec 2012 R'000	Audited year ended Dec 2011 R'000
Profitability:					
Revenue	**860 632**	762 179	1 661 952	1 434 359	1 121 060
Revenue growth (%)	**12,9***	21,7*	15,9	27,9	28,9
Retail gross profit margin (%)	**50,1**	49,5	49,1	51,1	53,4
Operating profit	**229 650**	201 503	438 321	402 862	341 591
Operating profit margin (%)	**26,7**	26,4	26,4	28,1	30,5
EBITDA	**239 655**	207 466	450 174	412 565	352 485
EBITDA margin (%)	**27,8**	27,2	26,4	28,1	30,5
Profit after tax	**158 169**	141 871	309 323	284 497	239 996
Headline earnings per share (cents)	**157,1**	140,8	306,9	282,1	234,8
HEPS growth (%)	**11,6***	10,2*	8,8	20,1	22,9
Return on equity (%)	**23,8****	25,4**	26,3	29,8	31,9
Solvency and liquidity:					
Cash-generated from operations	**96 847**	109 679	278 010	153 718	143 508
Growth in cash generated from operations (%)	**(11,7)***	24,1*	80,9	7,1	40,8
Net debt:equity ratio (:1)	**0,2**	0,1	0,1	0,1	–
NAV per share (cents)	**1 367,2**	1 153,2	1 275,8	1 062,0	829,9
Distributions to shareholders:					
Interim distribution proposed/paid (cents)	**61**	44	44	–	35
Final distribution paid (cents)	**–**	–	66	50	50
Total distribution (cents)	**61**	44	110	50	85
Distribution cover (times)	**2,6**	3,2	2,8	5,6	2,8

* Growth on comparable six-month period
** Annualised

Selected unaudited *pro forma* financial information

The following information has been selected from the *pro forma* statement of comprehensive income and statement of historical financial position of HIL, presented in **Annexure 7**.

(R'000)	Before*	After
Revenue	**860 632**	860 632
Operating profit	**229 650**	223 150
Total comprehensive income	**158 169**	151 669
Headline earnings per share (cents)	**157,1**	150,7
NAV per share (cents)	**1 367,2**	1 360,8

* Reviewed for the six months ended 30 June 2014

8 PROSPECTS

The Group's target LSM 4 to 8 market has seen significant growth in the past 10 years, with this segment benefiting from real income growth, increasing home ownership and rising living standards.

Merchandise ranges are continuously being expanded and new product categories are being introduced to enhance the brand's appeal to its middle-income mass market customer base. HomeChoice will continue to capitalise on the growth of the Internet and smartphone as online shopping channels and is competitively advantaged in these markets.

Credit risk strategies will be maintained and the Group will continue to review and enhance scorecards and vetting procedures.

The Group has a strong balance sheet, is cash generative despite being a credit-based business, and has a track record of paying dividends. The proven business model, positioning in a growth sector, expertise in managing mass market credit and focused strategies for growth should ensure sustainable returns to shareholders.

9 DIVIDENDS AND DIVIDEND POLICY

HIL is a recently formed company, which has not traded. HIL has never declared any dividends.

HomeChoice Holdings declared and paid dividends on the ordinary shares in respect of the years ended 31 December 2011, 31 December 2012 and 31 December 2013.

HIL intends declaring dividends semi-annually in November and May respectively. The Directors will seek to ensure that the future annual dividend will be covered between 2,2 times and 2,5 times by headline earnings. There is, however, no assurance that a dividend will be paid in respect of any financial period, and any future dividends will be dependent on the cash requirements of HIL and the Group for expansion and other growth opportunities. The Board reserves the right to change the dividend policy from time to time.

10 RISK FACTORS

The section of this Pre-listing Statement entitled "Risk factors" commencing on page 50 describes certain risk factors that should be considered together with the other information in this Pre-listing Statement. Although information has been provided in this Pre-listing Statement in relation to the HIL Shares, an Applicant should use his or her own judgement and seek advice from an independent financial adviser as to the appropriate value of the HIL Shares.

DEFINITIONS, GLOSSARY AND INTERPRETATION

In this Pre-listing Statement, unless otherwise stated or the context clearly indicates otherwise, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and vice versa, words importing one gender include the other genders and references to a person include juristic persons and associations of persons and vice versa:

"Articles of Association"	the Company's Articles of Association adopted in terms of the Malta Companies Act and the Listings Requirements;
"Board of Directors", "Board" or **"Directors"**	the HIL board of directors from time to time, presently comprised of the persons specified in the "Management and Corporate Governance" section on page 32;
"Business Day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"SA Companies Act"	the South African Companies Act, No. 71 of 2008, as amended;
"Common Monetary Area"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"Company" or **"HIL"**	HomeChoice International P.L.C., registration number C66099, a public company duly incorporated in the Republic of Malta and holding (parent) company of HIL SA;
"Comparable Offer"	the comparable offer made to, the holders of HomeChoice Holdings Share Options in terms of Regulation 87 of the Takeover Regulations, pursuant to the Scheme, further details of which are set out in paragraph 11 of this Pre-listing Statement;
"Consideration Shares"	the scheme consideration issued pursuant to the Scheme consisting of 1 (one) HIL Share for every 1 (one) one share held in HomeChoice Holdings by the Scheme Participants;
"CAGR"	compound annual growth rate;
"CSDP"	a Central Securities Depository Participant operating in terms of the Financial Markets Act;
"ERP"	enterprise resource planning;
"Exchange Control Approval"	in relation to a transaction, the approval of an authorised dealer or the Financial Surveillance Department of the SARB, as the case may be;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, as amended, made in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
"Existing Customer Base"	currently active customers of the Group plus recently inactive customers of the Group;
"Financial Markets Act"	the South African Financial Markets Act, No. 19 of 2012;
"FinChoice"	FinChoice Proprietary Limited, a private company incorporated in South Africa under registration number 1993/005310/07 and a wholly owned subsidiary of HomeChoice Holdings;
"FirstRand Bank"	FirstRand Bank Limited, a public company incorporated in South Africa under registration number 1929/001225/06;
"GFM"	GFM Limited, a private limited company incorporated in the Republic of Malta under company number C53257 and a wholly-owned subsidiary of Stockdale;
"Group" or **"HomeChoice Group"**	before the implementation of the Scheme, HomeChoice Holdings and all its operations and subsidiaries, and after the implementation of the Scheme, HIL and all its operation and subsidiaries, unless the context otherwise requires;
"HIL SA"	HomeChoice South Africa P.L.C., registration number C67092, a public liability company duly incorporated in the Republic of Malta and subsidiary of HIL;
"HIL SA Share"	an ordinary share in the share capital of HIL SA;
"HIL Shareholders" or "Shareholders"	registered holders of HIL Shares;
"HIL Share Options"	the options to acquire shares in the HIL Share Option Scheme;

"HIL Share Scheme"	the HomeChoice International Share Option Scheme adopted by the shareholders of HIL on or about 21 November 2014;
"HIL Shares"	ordinary shares in the share capital of HIL having a par value of 0,01 (one cent) each;
"HomeChoice"	HomeChoice Proprietary Limited, a private company incorporated in South Africa under registration number 1985/002759/07 and a wholly-owned subsidiary of HomeChoice Holdings;
"HomeChoice Holdings"	HomeChoice Holdings (registration number 1991/005430/06), a public unlisted company initially incorporated in South Africa as a private company which converted to a public company on or about 15 August 1996 and, pursuant to the implementation of the Scheme, a wholly-owned subsidiary of HIL SA as at the Listing Date;
"HomeChoice Holdings Shares"	ordinary shares of no par value in the share capital of HomeChoice Holdings;
"HomeChoice Holdings Share Options"	the options to acquire shares in HomeChoice Holdings in terms of the HomeChoice Share Option Scheme, which options, pursuant to acceptance of the Comparable Offer, were replaced with HIL Share Options;
"HomeChoice Property Company"	HomeChoice Property Company Proprietary Limited, a private company incorporated in South Africa under registration number 1991/005428/07 and a wholly owned subsidiary of HomeChoice Holdings;
"HomeChoice Share Option Scheme"	the HomeChoice Holdings Limited 2010 Employee Share Option Scheme;
"HomeChoice 2008 Scheme" or **"2008 Scheme"**	the HomeChoice Holdings Limited 2008 Employee Share Incentive Scheme;
"IFRS"	the International Financial Reporting Standards as adopted by the International Accounting Standards Board from time to time;
"Independent Reporting Accountants" and **"Auditors"**	PwC;
"JSE"	JSE Limited, a public company incorporated in South Africa under registration number 2005/022939/06, licensed as an exchange under the Financial Markets Act;
"King Code"	the King Code on Corporate Governance for South Africa as set out in the third King Report on Corporate Governance;
"Last Practicable Date"	14 November 2014, being the last date, prior to the finalisation of this Pre-listing Statement, on which information could be included into this Pre-listing Statement;
"Listing"	the proposed inward listing of the entire issued ordinary share capital of HIL on the Main Board of the JSE, which inward listing is expected to occur with the commencement of trade on 4 December 2014;
"Listing Date"	the date on which the Listing occurs;
"Listings Requirements"	the listings requirements of the JSE;
"LSM"	the SAARF Universal Living Standards Measure, being a means of segmenting the South African market into LSM groups, from 1 (lowest) to 10 (highest);
"Malta Companies Act"	Companies Act 1995, Cap.386 of the Laws of Malta;
"New Customers"	customers of the Group who had their first-item-ever despatch in the last financial year;
"NCA" or **"National Credit Act"**	National Credit Act, No 34 of 2005;
"NCR"	The National Credit Regulator established by section 12 of the National Credit Act;
"Odvest"	Odvest 189 Proprietary Limited, a private company incorporated in South Africa under registration number 2011/007536/07 and a wholly owned subsidiary of HomeChoice Holdings;
"Pre-listing Statement"	this entire document and all annexures to it;

"PwC"	PricewaterhouseCoopers Incorporated, a personal liability company incorporated in South Africa under registration number 1998/012055/21;
"Rand Merchant Bank"	Rand Merchant Bank, a division of FirstRand Bank;
"SARB"	the South African Reserve Bank;
"Scheme"	the scheme of arrangement proposed by the board of directors of HomeChoice Holdings between HomeChoice Holdings and the Scheme Participants in terms whereof HIL SA acquired all the HomeChoice Holdings Shares held by the shareholders of HomeChoice Holdings in terms of section 114 of the SA Companies Act for the Scheme Consideration, which Scheme was implemented on or about 27 November 2014, immediately prior to the issue of this Pre-listing Statement;
"Scheme Consideration"	the consideration paid to each Scheme Participant in terms of the Scheme, comprising 1 (one) HIL Share for every 1 (one) HomeChoice Holdings Share held by the shareholders of HomeChoice Holdings;
"Scheme Participants"	the shareholders of HomeChoice Holdings who participated in the Scheme, being all the shareholders of HomeChoice Holdings;
"SENS"	the Stock Exchange News Service of the JSE;
"South Africa"	the Republic of South Africa;
"South African Rand", "Rand" "R" and **"cents"**	the lawful currency of South Africa;
"Sponsor"	Rand Merchant Bank;
"Stockdale"	Stockdale Investment Holdings Limited (registration number 1648103), a private company duly incorporated in the British Virgin Islands;
"Strate"	Strate Proprietary Limited, a private company incorporated in South Africa under registration number 1998/022242/06, the registered central securities depository responsible for the electronic custody and settlement of trades on the JSE;
"Transfer Secretaries"	Computershare Investor Services Proprietary Limited incorporated in South Africa under registration number 2004/003647/07;
"Takeover Regulations"	the Takeover Regulations issued in terms of section 120 of the SA Companies Act, as amended; and
"USSD"	Unstructured Supplementary Service Data.

INDUSTRY OVERVIEW, BUSINESS OVERVIEW, KEY STRENGTHS AND STRATEGIES FOR GROWTH

1 INTRODUCTION

The HomeChoice Group is a leading home shopping retailer selling homeware merchandise and financial services products to the rapidly expanding urban middle-income mass market in southern Africa. Established in Cape Town in 1985, the Group has developed into an omni-channel home shopping retailer which offers products through mail order (catalogue), electronic channels (Internet and mobile phone) and telemarketing (call centres). The Group currently operates in South Africa and the neighbouring countries of Botswana, Lesotho, Namibia, Swaziland and Zambia.

Expansion into Africa and other territories presents a major strategic growth opportunity in the medium to long-term. After appropriate due diligence, the Board of HomeChoice Holdings proposed the Scheme to the shareholders of HomeChoice Holdings. The purpose of the Scheme is to optimise the Group structure to facilitate such expansion with the creation of an international holding company.

On or about 24 November 2014, the shareholders of HomeChoice Holdings duly authorised the Scheme. In terms of the Scheme, HIL SA, a subsidiary of HIL, acquired all the HomeChoice Holdings Shares held by the shareholders of HomeChoice Holdings in terms of section 114 of the SA Companies Act for the Scheme Consideration, which Scheme was implemented on or about 27 November 2014, immediately prior to the issue of this Pre-listing Statement.

The issue of the Consideration Shares to Scheme Participants who are residents of the Common Monetary Area required Exchange Control Approval. SARB has provided Exchange Control Approval for the issue of the Consideration Shares to residents of the Common Monetary Area, provided that the Consideration Shares are inward listed on the JSE. The Scheme is subject to a resolutive condition that if the Listing has not occurred within 30 (thirty) days after the implementation of the Scheme, which is expected to be on or about 27 November 2014 (or such later date or dates as may be agreed to between HIL and HomeChoice Holdings and approved by SARB) the Scheme will cease to be of any further force or effect and Scheme Participants will be placed as near as may be possible to the positions which they were in prior to the implementation of the Scheme, as follows: (i) Scheme Participants' Consideration Shares will be automatically reacquired by HIL at no consideration; and (ii) HIL will retransfer the HomeChoice Holdings Shares held by Scheme Participants to Scheme Participants.

HIL was incorporated as a public company under the laws of Malta on 22 July 2014 specifically for purposes of holding all the HomeChoice Holdings Shares, through its subsidiary, namely HIL SA. Malta is the domicile of the Group's current controlling shareholder and is a European Union member country. HIL holds all but 1 (one) of the shares in the issued share capital of HIL SA, who in turn will, pursuant to the implementation of the Scheme, hold 100% (one hundred per cent) of the HomeChoice Holdings Shares. As at the Last Practicable Date, the only asset of HIL, save for nominal working capital, is its shareholding of HIL SA. It does not have any operating history or any other subsidiaries.

HIL SA was incorporated as a public company under the laws of Malta on 14 October 2014 specifically for purposes of holding all the HomeChoice Holdings Shares. HIL SA holds 100% (one hundred per cent) of the HomeChoice Holdings Shares pursuant to the implementation of the Scheme. As at the Last Practicable Date, HIL SA does not have any assets. It does not have any operating history or any other subsidiaries.

2 GROUP OVERVIEW

The HomeChoice Group has three operating segments:

HOMECHOICE HOLDINGS LIMITED 2013 revenue: R1 662 million 2013 operating profit: R438 million Number of employees: 1 266	
Retail 2013 revenue: R1 345 million 2013 operating profit: R278 million Number of employees: 1 099	HomeChoice is an omni-channel home shopping retailer offering an extensive range of household textiles, homeware merchandise and personal technology through a convenient shopping experience, together with a home delivery service. The product offering has broadened under the FoneChoice brand to include laptop computers, tablets and mobile smartphones. Credit is the enabler of sales on terms of six, 16, 24 and 36 months. Over 90% of sales are made on credit.

Financial Services 2013 revenue: R316 million 2013 operating profit: R145 million Number of employees: 167	FinChoice is a niche provider of unsecured personal loan products to HomeChoice customers in South Africa with good credit records. FinChoice leverages the HomeChoice customer database and marketing platforms to acquire loan customers at low cost and predictable repayment behaviour. Loan terms range from one to 36 months. Customers are able to transact on their loan accounts conveniently through their mobile phones 24 hours a day, accessing further credit over time as needed. FinChoice has a strategic focus on short-term and low value loans, with an average product term of 18,7 months and average loan balance of R7 804 at June 2014.
Property 2013 revenue: R19 million 2013 operating profit: R16 million	The Group owns the head office building, a property adjacent to the head office which has been acquired for future expansion and the new centralised warehouse and distribution facility which was completed in January 2014. Built at a cost of R150 million, the distribution centre has more than doubled storage capacity providing the Group with a strong platform for future growth plans. These properties are used exclusively by the Group.

Specialist omni-channel marketer

Omni-channel retailers offer products and services across multiple channels, enabling customers to interact with the retailer at any time and place and through any channel. It is critical that the customer has a consistent shopping experience across all channels, therefore omni-channel retailers need to ensure consistent pricing and customer offers, consistent branding and service experience, with offers that are tailored to the customer.

As an omni-channel specialist, the Group uses multiple channels to attract and service customers. These include electronic channels such as the Internet and mobile phone, through the catalogue using inbound and outbound call centres and direct mail, and more recently through pop-up shops.

During 2013 the business distributed 7,2 million catalogues, had 13,7 million telephone calls with customers, attracted 5,6 million website and 1,4 million mobi visitors, dispatched 731 000 parcels, granted 205 000 personal loans and generated revenue of R1,7 billion.

Growing customer base

The Group has a customer base of 1,3 million, of which 85% are female and predominantly in the mass market LSM 4 to 8 categories. The profile of a typical HomeChoice customer is a black, urban female, between the ages of 25 and 45 and employed with an average monthly income of R7 500. The Group has a loyal customer base, with over 80% of business being conducted with existing customers of known credit standing.

Strong credit risk and customer analytics expertise

The Group makes significant investment in its credit systems and processes and has established a strong team with extensive analytical skills and credit expertise in the middle-income mass market.

Strong organic growth

Revenue has grown at a compound annual growth rate (CAGR) of 23,1% over the past 10 years, with operating profit showing a CAGR of 18,3% over the same period. This strong organic growth has been driven by product innovation and merchandise range extension, and growth of the customer base through customer acquisition and retention. Further growth has been delivered by leveraging the Group's customer base with the launch of FinChoice and FoneChoice. This is demonstrated by FinChoice accounting for 33% of the Group's operating profit, only seven years after being launched.

African expansion

Expansion into the rest of Africa presents a sustainable growth opportunity for both HomeChoice and FinChoice in the medium term. HomeChoice has experienced strong demand in Africa over the last eighteen months. Customers in the neighbouring countries of Botswana, Lesotho, Namibia and Swaziland accounted for 9,5% of retail sales in 2013 and has grown to 11,8% in the first half of 2014. HomeChoice has entered Zambia in Q4 2014.

3 HISTORY AND MILESTONES: THREE DECADES OF GROWTH

Over the past 29 years the Group has grown from a mail order start-up company into a leading omni-channel home shopping retailer:

1985	HomeChoice established in Cape Town as a mail order business selling cookware products on credit to mass market customers.
1994	Call centres and telemarketing introduced.
1995	First internal credit scorecard developed.
1996	HomeChoice Holdings listed on the JSE with market capitalisation of R200 million and the business entered into a period of high revenue growth and funding of the debtors' book.
	Independent home delivery network launched.
1997	HomeChoice website launched.
2000 – 2004	The business experienced financial pressures from the over-extension of credit to the mass market. This presented significant difficulties to business, revenue was sharply reduced and consolidation and restructuring was required to return business back to profitability. The company delisted from the JSE during this period.
2006	The HomeChoice Development Trust launched to focus on charitable support for early childhood development. The Group has invested over R14 million in education and women empowerment projects through the Trust.
2007	FinChoice established to offer personal loans to HomeChoice customers of good credit standing.
2009	HomeChoice mobi-sites launched.
2011	FinChoice KwikServe, an innovative mobile self-service marketing channel, launched.
	FoneChoice established to offer personal technology and computer products to HomeChoice customers.
2013	The Group entered the domestic bond market with a R500 million medium-term note programme and raised the first tranche of R100 million.
2014	World-class centralised distribution centre completed at an investment of R150 million, increasing warehouse capacity to 200 000 m^3.

4 INDUSTRY OVERVIEW AND COMPETITIVE ENVIRONMENT

4.1 Retail

Constrained consumer spending

The retail trading environment in South Africa has been characterised by weak consumer spending in recent years, compounded by the downturn in the consumer credit market which has impacted credit sales growth among several retailers.

Slowing economic growth, protracted strike action, high unemployment and uncertain prospects has contributed to fragile consumer confidence, particularly in the lower to middle income markets. The Consumer Confidence Index of -1 for the third quarter of 2014 remains below the long-term average of +5 for the past 20 years and is not supportive of renewed growth in consumer spending.

Against this economic and trading background, the prospects for a recovery in consumer spending in the short term appear weak.

Deteriorating credit environment

Despite a low and stable interest rate environment in recent years, high levels of indebtedness, record numbers of consumers with impaired credit records and shrinking levels of disposable income have combined to create a challenging trading environment. Credit conditions began to deteriorate in 2012 and remain challenging as consumers faced increasing pressures on disposable income. Statistics from the National Credit Regulator show that the number of consumers with an impaired credit record has increased to over 45% in the second quarter of 2014 (26,8% of accounts), although lower than the peak of 48,1% in 2013.

Impact of weakening currency

The Rand has lost significant ground against the US Dollar and Euro, the primary trading currencies for homewares retailers in southern Africa. This is placing pressure on merchandise imports, and input costs in general, and will continue to impact consumers while the currency remains weak and volatile.

Growing mass market segment

The emerging mass market in which HomeChoice trades is attractive to retailers owing to the increasing prosperity of this market segment. There has been significant migration within the LSM Groups towards the mass middle class, notably the LSM 4 to 8 categories. Growth has been driven by above-inflation wage increases, more people entering formal employment, increasing social grants and rapid urbanisation. In the short term, these growth drivers are being tempered by rising electricity, transport and food prices, labour unrest and strike action, high levels of unemployment and the negative credit cycle.

4.2 **Retail competitive environment**

As a niche home shopping retailer of household textiles and homeware merchandise, HomeChoice considers all major homeware retailers in South Africa as competitors, despite not having the brick and mortar operations of store based retailers. HomeChoice has grown ahead of the retail sector, increasing retail sales by a CAGR of 21,4% over the last five years compared to a CAGR of 7,2% in overall retail sales in South Africa (Source: Statistics SA).

The last few years have seen rapid growth in the number of start-up Internet retail sites and large retailers starting their online offering. However, Internet sales remain a small portion of retail sales with entrants struggling to support their back-end processes while keeping the channel profitable. HomeChoice is well positioned to capitalise on the expected growth in online retailing and the business has a distinct advantage over most traditional retailers in South Africa who are entering the direct marketing arena and have to invest in technology and back-end processes and convert customers to using their online channels.

There has also been a proliferation of loyalty programmes launched by retailers which are essentially aimed at obtaining customer data for direct marketing purposes. HomeChoice already has extensive data on customer purchasing behaviour and is experienced in utilising this information to generate sales. HomeChoice welcomes the increased focus on both the direct marketing channel and the online retail sector as this will broaden consumer acceptance of these retail channels.

4.3 **Financial Services**

The unsecured lending market in South Africa has experienced strong growth since the introduction of the National Credit Act ("NCA") in 2007. The NCA has provided a broader regulatory framework for lending and opened up the unsecured micro-loan market, attracting the participation of the country's four major commercial banks, specialist mass market banks (African Bank and Capitec Bank) and other specialist financial services providers such as FinChoice. In this matured unsecured market, consumers are now able to deal with reputable providers which has enabled strong growth in formal unsecured credit extension.

Unsecured credit extension increased rapidly during 2011 and 2012, particularly to higher-income Groups earning over R15 000 per month. This strong growth was fuelled by certain providers offering larger loans and longer instalment terms.

Following the aggressive growth in unsecured credit extension in South Africa in recent years, the growth rate slowed dramatically during the second half of 2013 as large lenders tightened credit policy in an attempt to contain the growth of bad debt in their markets. The National Credit Regulator ("NCR") reported a year-on-year decrease of 12,44% in the Rand value of unsecured credit granted during the second quarter of 2014. The gross unsecured debtors' book as at 30 June 2014 has declined by 7,0% to R172,2 billion.

The deteriorating credit environment has resulted in higher levels of indebtedness as many consumers are unable to meet their loan repayment obligations. There has been a consequent increase in debt review activity, with greater customer awareness and use of debt counselling services.

The collapse of the unsecured lender, African Bank Investments Limited, in August 2014 further undermined the already fragile credit market. Decisive action by the SA Reserve Bank ensured that the fallout was contained and did not result in systemic failure in the consumer credit market.

Regulatory developments

2013 saw a heightened focus on regulation in the credit industry and with increasing indebtedness levels in the country it is expected that this pressure will be sustained. The NCR, tasked with ensuring lenders follow responsible credit practices, issued proposals on affordability guidelines with the intention of limiting over-indebtedness without stifling credit extension unnecessarily and damaging the economy. Although the guidelines are not yet in force, the affordability processes across the Group have been reviewed to ensure readiness for potential changes.

Credit life insurance also faces increased scrutiny and a task team comprising several industry regulators was established to investigate current practices. FinChoice charges a premium rate of R4,50 per R1 000 of cover and settles a customer's full loan balance in the event of death, retrenchment or permanent disability. This premium is well below the average charged in the credit industry and any regulation of maximum premium rates should have minimal impact on the business.

4.4 Financial Services competitive environment

FinChoice considers all major loans providers as competitors, including branch-based banks, branch-based financial services providers and direct marketing financial services providers. However, FinChoice is a niche provider, lending into the HomeChoice customer base with known and acceptable credit performance, and this is evidenced by its small share of 0,36% of the unsecured loans market.

FinChoice has a strategic focus on short-term and low value loans, with an average product term of 18,9 months and average loan balance of R7 804 at June 2014. The NCR does not report on average term, however, 81% of disbursements were on terms longer than 24 months, while the market average loan balance was R17 538 at the end of the second quarter in 2014.The comparative market average term is 45 months and the average balance is R21 443, based on the June 2014 NCR data for unsecured credit,

4.5 Growth in online sales

Africa (21,3%) and South Africa (48,9%) Internet penetration at the end of 2013 lags developed territories such as North America (84,9%) and the United Kingdom (89,8%). Internet usage and penetration is however slowly accelerating owing to declining data costs. Internet access is being further stimulated by the exponential growth in smartphones. Over 10 million smartphones have been sold in South Africa, and spend on data as a percentage of all mobile spend has increased from 12% to 16% between 2012 and 2013 (Source: World Wide Worx).

The Internet is expected to show continued strong growth, as has been experienced by retailers and direct marketers internationally. Global online retail sales have increased 17% per annum from 2007 to 2012. (Source: Euromonitor).

The Group has shown its ability to adapt to the changing landscape of direct marketing over the past three decades, and is now at the forefront of utilising electronic marketing channels such as the Internet and mobile phones to generate sales. The Internet and mobi present a significant opportunity in both South Africa and other African markets and are integral to the Group's growth strategy.

While the majority of the Group's business is currently generated through inbound and outbound call centres, online retail sales accounted for 9,3% of total sales for the first six months of 2014, while 74% of FinChoice repeat loans were conducted via electronic channels. This growth has been achieved despite Internet and smartphone penetration in the mass market being relatively low owing to the cost and limited Internet access infrastructure. HomeChoice has experienced a 57,9% CAGR in retail sales on the Internet from 2009 to 2013, demonstrating the effectiveness of its electronic strategy.

While the mobi channel is still in its infancy, sales through this medium are expected to show similar growth trends to the Internet in the next few years.

5 STRATEGY AND BUSINESS MODEL

5.1 Group

The Group's strategy is to sell products and services to urban middle-income mass market female customers through multiple channels, thereby creating sustainable, long-term shareholder wealth.

The strategy is driven in the following ways;

- grow organically through product innovation, range extension and omni-channel marketing;
- expand the Group customer base using the HomeChoice brand and retail margin;
- apply credit risk and customer analytics expertise to maintain the quality of the debtors' books;
- invest in e-commerce to drive digital sales; and
- further expansion into new markets and Africa.

5.2 Retail strategy and business model

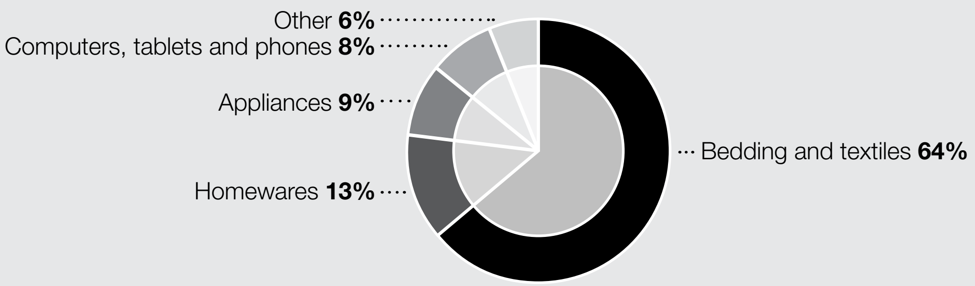
As a home-shopping omni-channel retailer, HomeChoice is distinct from traditional "bricks and mortar" retailers. Customer relationships are conducted over a distance and the primary "shop" is the catalogue and Internet site. While conventional retailers invest in making stores appealing to customers, HomeChoice invests in catalogues, its web and mobi sites and other marketing channels such as sales agents to provide customers with a convenient shopping experience.

__Merchandise strategy__

The merchandise strategy is aimed at providing innovative, quality, own-brand products to decorate a customer's home. The range includes fashion oriented categories such as bedding and textiles, homewares, appliances and electronics and furniture. For example, HomeChoice's bedding offer presents the whole bedroom as a well-co-ordinated look from bedding to pillows to curtains. This is unique in the marketplace and sets HomeChoice apart from competitors.

Continued product innovation drives customer interest and hence demand. During 2013 the HomeChoice merchandise range was extended from 722 to 749 lines to give her more choice, with a 31% increase in product newness, the highest level ever achieved.

__June 2014 YTD sales:__



The own-brand strategy has been central to the retail offer since inception and allows for greater control over margins, the brand and the brand handwriting. This has resulted in significant brand equity and trust in the brand within the target market.

Strategic sourcing is a competitive strength of the retail business. Products are exclusive and are sourced directly from suppliers which support the margin control. The majority of products are imported, primarily from Asia. The Group has developed extensive buying experience and has been sourcing and importing directly for over 25 years. There is no supplier concentration risk and no single supplier provides a material proportion of any of the merchandise categories. Buyers have the ability to mitigate foreign currency risk and manage margins through the ability to re-price merchandise or reconfigure the offer to customers.

The quality and price of products is critical to successfully managing and meeting customer demand. Key to the product innovation strategy is managing the related risk inherent in new product launches. The buying team's decision-making is informed by a thorough understanding of customer demand and is supported by the in-house trend and innovation studio which applies trend forecasting tools. A disciplined buying and planning formula is followed to manage merchandise risk and to incorporate lessons that have been learnt. The merchandise, marketing and credit risk teams collaborate to refine buying strategies, marketing offers and the credit strategy.

__Attracting new customers__

New Customers are an investment and provide a base for future sales growth. The cost of acquiring a New Customer is determined to ensure the Group generates a return within 12 months. This cost analysis informs the investment in every marketing campaign, across all channels. The acquisition strategy is one of the primary drivers in a home-shopping environment and considerable analytical focus is applied across customer analytics, credit risk, merchandise and marketing to optimise the investment across the Group.

Marketing activities to acquire New Customers are aimed at attracting the desired quality of customer in terms of creditworthiness and propensity to purchase. Merchandise for customer acquisition offers is sold at a reduced margin and uses products, categories, offers and promotions that have been tested to elicit higher response rates from New Customers, at an acceptable level of credit risk.

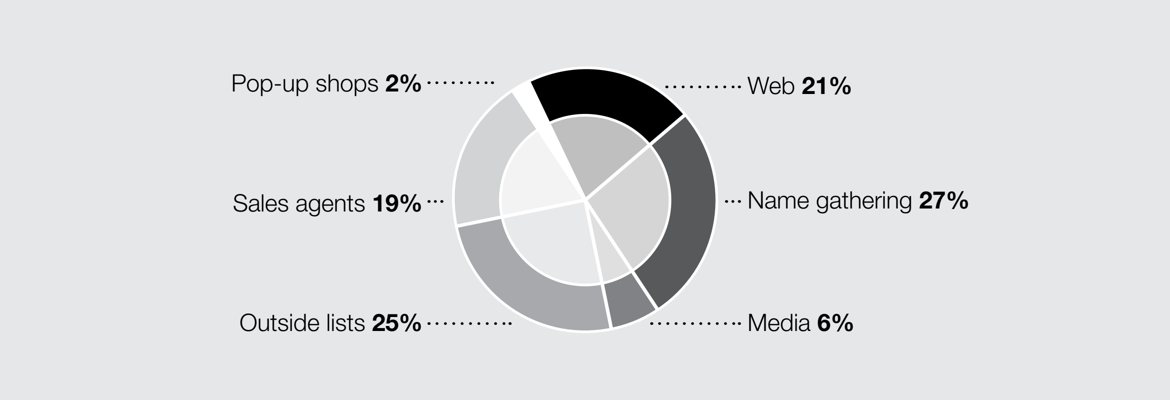
The number of New Customers required is driven tactically through a range of campaigns. Each campaign is tested on an ongoing basis and upfront response, acceptance rates, subsequent repurchase and credit performance is tracked. This data is used to determine the cost of each customer acquired by campaign. The acquisition strategy is refined monthly, based on the marginal cost per New Customer within each campaign.

Unlike store-based retailers that are dependent on finding retail space to extend their footprint and exposure to New Customers, HomeChoice is able to increase its scale and reach by increasing its marketing efforts, for example sending catalogues to additional customers, expanding e-mail and mobile campaigns and increased telephone contact.

__Innovation in acquisition__

As a home-shopping retailer without physical stores, one of the biggest drivers of growth is New Customers on the database. This is important both from generating merchandise sales and from creating an "excess" of names or "buffer" that gives the opportunity to remove customers from mailing selections to manage risk. HomeChoice attracted 154 000 new customers in South Africa and its neighbouring African countries during 2013.

__New customer sales by channel June 2014 YTD:__

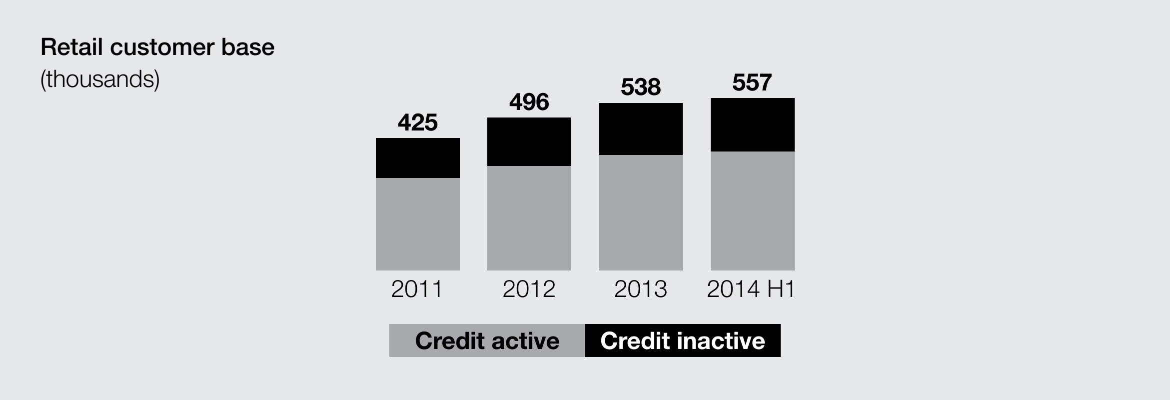


The acquisition of New Customers was supported by growth in the electronic acquisition channel, with 21,4% of sales to New Customers through targeted marketing campaigns coming from Internet activities in the first half of 2014. The Internet is an efficient channel with extensive reach. In addition, customer referrals bring in approximately one-third of all New Customers, a strong endorsement of our retail offering.

HomeChoice successfully tested three pop-up shops in malls in Cape Town, Johannesburg and Pretoria during 2013 as an additional channel to acquire New Customers and generate revenue. Based on the success of this pilot, this retail channel is being expanded in 2014.

__Increasing revenue from existing customers__

HomeChoice focuses on retaining existing customers by encouraging repurchase behaviour through innovative product offers, with repurchase rates at 64% for 2013. Sales per existing customer have increased by a CAGR of 10,4% over the past five years to 2013. The success of HomeChoice's customer acquisition and retention strategy is evident in the retail customer base growing by a CAGR of 11,1% over the last five years.



While continually balancing the need for New Customer acquisition, sales to existing customers have greater marketing efficiency and better credit risk quality. HomeChoice employs data mining and analytical techniques to segment the customer database according to responsiveness and purchase behaviour. This allows for an efficient and targeted direct marketing selection process. The business not only has extensive data on customer purchasing behaviour but has the ability to use this information to generate sales.

Segmentation models are used to select customers to receive offers on a monthly and quarterly basis. A matrix model is applied to predict response rates for each direct marketing campaign. Offers are targeted at customers who are responsive and the expected response behaviour is overlaid with payment behaviour to create a predictable profitability by campaign. Marketing campaigns are tested on a limited sample size to determine the response to the product, the pricing, the credit offer and the creditworthiness of respondents. This then provides a predictable response and level of profitability in advance of launching campaigns.

"Champion/challenger" product, price, promotion, credit terms and customer segment testing is run continuously across existing customer groups to improve the offer and increase response. The test library is maintained electronically for future reference across the Group.

The merchandise strategy is coupled with a monthly flow of marketing promotions to encourage repurchase. The marketing team uses customer life-cycle and segmentation to tailor offers based on propensity to respond. This ability is unique to direct marketers due to the richness of the purchasing behaviour data on customers.

Increasing frequency of interaction and value of purchases

A customer segmentation programme using recency, frequency and monetary ("RFM") models was initiated during 2013 and is being developed to enhance our ability to market to our customer base.

Critical elements in the marketing strategy are increasing the recency and frequency of interaction and the value of purchase from existing customers. This is driven through the frequency of offer to the customer through multiple channels including mail, electronic and the telephone. Frequency of offer is optimised by reviewing the profitability of each marketing opportunity within the customer segmentation.

A second driver of frequency and value of purchase is making offers that are relevant to the customer. This is achieved by detailed selections of targeted groups; keeping the merchandise range exciting with new product launches monthly; cross-selling products that relate to a previous purchase; upselling through value driven offers in the top product tiers, or across product categories; and lastly by making the credit offer accessible.

Leveraging call centres and electronic channels to optimise sales

The Internet remains the most efficient channel with the lowest acquisition cost of new customers. Online retail sales represented 8,1% of HomeChoice retail sales in 2013 from only 3% five years ago. An upgraded HomeChoice website was launched in 2013 and focus will be on continually improving the web and mobi sites and expanding the range offered online. HomeChoice continues to actively engage its customers through Facebook (over 100 000 followers) and Twitter to increase the frequency of contact with customers, and focus on capitalising on the opportunity to generate income from these social media channels. E-mails are sent out daily with targeted offers to create excitement, and promotions are used on slower moving product.

The outbound call centre agents are incentivised on sales and offers are tailored based on customers' purchasing history. The agents are able to view the customers' purchasing history and credit availability. This system was developed in-house and integrates with the dialler, online credit information and stock details. Furthermore, the system reflects personal details such as number of dependants, birthday, length of purchase history and history of product purchases which creates a relationship with the customer and assists in the selling process.

The call centre agents' commission structure is adjusted based on the calling strategy to targeted customer groups. For example, sales to inactive customer groups carry a higher commission rate. Promotions including vouchers, gifts, discounted offers and prizes are used as calls to action to encourage customers to purchase within a given time period.

Credit management

Credit management provides the platform for growth. Credit is critical to the business and the Group has extensive credit management expertise in the middle-income mass market. Credit metrics are used throughout the business to drive strategy, including segmenting the customer base; optimising channel mix for new business and providing insight into the rate of growth of new merchandise categories. This is done in conjunction with the customer analytics, merchandise and marketing teams. Further details on how the Group successfully manages the risk of credit are provided in section 6 below.

Managing the distance relationship with customers

As an omni-channel retailer the business interacts with customers across the call centres, mail, Internet, mobi and social media platforms. Managing the distance relationship is complex and the Group has invested significantly in developing systems and processes that ensure a simple and consistent experience across all platforms.

Call centre management is a core competency of the business, with the inbound and outbound call centres generating 82,6% of sales in 2013. Sophisticated predictive dialler technology optimises the call centre efficiency. The call centres are highly scalable and staffing levels are easily adjusted based on campaign frequency and seasonality. Training and specialised recruitment is critical, with new agents taking six weeks to be trained.

The outbound call centre is also used to manage stock risk. The agents' commission is adjusted on a product or category basis during a campaign based on customer demand and stock availability. This policy limits markdowns and has proven to be an effective and immediate mechanism for managing stock. The technology used in the call centre has been developed internally to support the selling and service process.

HomeChoice has a team of "mystery shoppers" who test the ordering processes, query resolution timelines, returns, response times and service on a monthly basis. This feedback is used to enhance the customer support technology systems. Feedback is also received directly from customers via telephone questionnaires that are completed after calls with agents. Other social media websites are monitored and customer queries or complaints responded to.

Product returns and query management

Returns processes and ease of return are among one of the biggest hurdles facing home shopping retailers. The Group has an efficient hassle-free returns policy, affording customers the ability to review their merchandise in the comfort of their own homes for up to 14 days after delivery, and are reimbursed the cost of any returns. HomeChoice experiences return rates of approximately 10% which is low for the broader industry.

Although the Group focuses on first time resolution of customer queries, more complex queries are tracked through sophisticated systems.

Warehousing and supply chain

Continued focus on the supply chain ensures that manufacturing and transport lead times are optimised and product availability enhanced. Strong growth in recent years created capacity constraints in the warehouse facilities, resulting in the need to expand distribution and warehouse capacity. A new centralised distribution facility was completed in Cape Town in January 2014 which increased total storage capacity from 80 000 m^3 to 200 000 m^3. These new facilities are expected to meet the Group's distribution needs for the foreseeable future. Improved stock management processes, including a new scanning solution, have been introduced. HomeChoice also operates a 4 000 m^3 warehouse in Johannesburg.

An efficient distribution network is critical to direct marketing as speedy delivery to the customer is an important driver of customer satisfaction. In South Africa distribution to mass market homes (for example, townships) is complex and difficult due to issues with access and addressability. In order to overcome this, HomeChoice has developed its own distribution network to all major urban centres in South Africa. This network delivers 55% of HomeChoice South African sales directly to the customer's home, up from 43% five years ago. This distribution network involves an extensive range of owner drivers with good knowledge of the local areas and conditions. Average delivery time for this network throughout South Africa is five days from placement of order by the customer. Home delivery is augmented with commercial courier companies.

The balance of the customer deliveries is conducted through the South African Post Office which has over 2 400 branches throughout the country and provides an efficient, although slower, delivery service where the customer collects their parcel from a local post office branch.

5.3 **Financial Services strategy and business model**

FinChoice loans strategy

FinChoice has followed a strategy of managed, controlled growth to HomeChoice customers of known, stable risk, with a track record of repaying their retail credit. The loans book represented only 0,36% of the unsecured and short-term credit lending market in South Africa at June 2014 (Source: National Credit Regulator).

FinChoice uses the existing HomeChoice marketing platforms, customer database and behavioural credit information to sell initial loans at favourable marketing efficiencies and known, stable credit performance. By analysing HomeChoice customer repayment behaviour, initial loan offers are targeted at customers with a proven record of repaying retail credit. The retail business essentially "cleanses" prospective loan customers by leveraging its gross margin and lower-exposure credit offering to contain the cost of bad debt. The best quality customers are filtered through to FinChoice after at least six retail instalments have been made, and receive pre-qualified loan offers. In addition, these HomeChoice customers have shown they are comfortable with direct marketing and are therefore responsive to FinChoice's direct marketing campaigns.

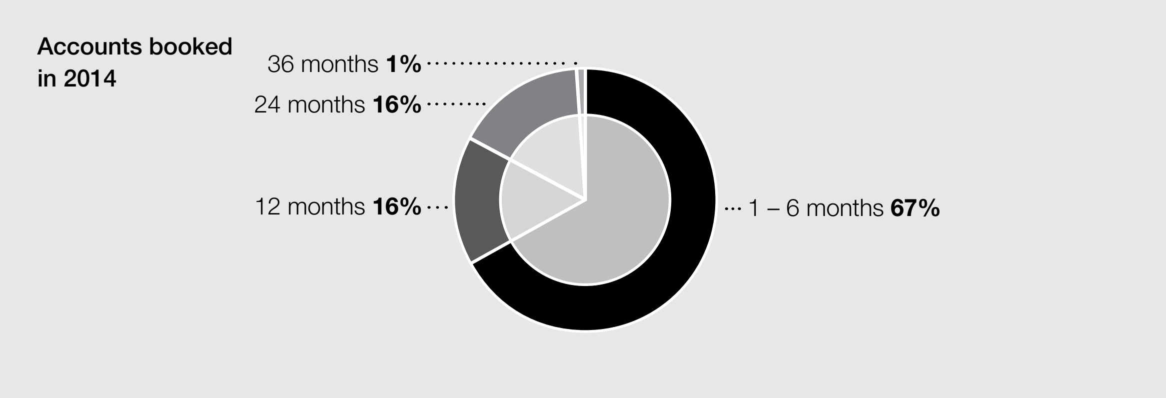
Product offering

Loan products range from a one-month KwikAdvance® product to a 36-month term loan. KwikAdvance enables existing customers to have a maximum of two concurrent loans: a longer-term loan for lending needs and the KwikAdvance one-month loan for short-term cash flow needs.

On average, customers have 1,2 FinChoice active loan accounts (where active is defined as having a balance on a term loan, or for the KwikAdvance product, has a balance or has not been paid up for three months or longer). The 36-month term product is reserved for top-rated existing loan customers and represents only 7,1% of the loan book at June 2014.

FinChoice's average loan product in the book at June 2014 was 18,9 months, weighted by the value of the balance outstanding. The comparative market average term based on the June 2014 NCR data for unsecured credit is 45 months. The average FinChoice loan balance of R7 804 at June 2014 compares to the market average of R21 443.

Loans accounts granted in 2014



Loan disbursements are managed by limiting maximum loan values, controlling the volume of direct marketing activity into the HomeChoice customer base and by managing the mix of loan terms. Loan sizes range from a R2 000 maximum on the KwikAdvance product to a R30 000 maximum on the 36-month product. Additionally, the credit offered to customers is capped by the customer's credit scoring classification and a detailed affordability assessment. The mix of new loans is controlled to balance the favourable cash yield and higher interest rate of the shorter term (one and six-month) products against the demand for longer term (12,24 and 36 month) loans. Relatively new HomeChoice customers or those in higher risk bands are offered the short-term products only, providing an additional risk filter. More than half of initial loan customers are first sold the one-month or six-month product.

FinChoice loan products

Product:	KwikAdvance R	6 months R	12 months R	24 months R	36 months R
Maximum amount	2 000	8 000	25 000	25 000	30 000
Minimum amount	100	500	1 000	2 000	4 000
Average loan size	947	3 180	5 827	10 702	13 731
Average instalment	1 191	1 034	1 083	937	835
Average balance	1 224	4 831	9 293	11 377	16 031

Growing the customer base

Management views new loan disbursements as an investment as each new customer represents an opportunity for repeat business. Approximately 75% of new loan customers apply for a repeat loan over time and repeat loan account bookings represent 86% of total loan accounts booked in the six months to June 2014. This is higher quality business as repeat loans have a lower acquisition cost and a better repayment experience than new loans.

Repeat loans are made to the existing FinChoice base of active and recently paid-up loan customers with good repayment records. Customers are eligible to apply for further credit once they have paid down a sufficient portion of the original loan capital, and provided their financial circumstances and affordability criteria are still acceptable. A repeat loan transaction involves the full settlement of the original loan balance with the new loan and the disbursement of the remaining portion as cash into the customers' bank account. Customers are currently encouraged to take a repeat loan on the same terms as their current loan product to limit the demand for longer term products. The repayment behaviour of repeat loan customers is superior to new business as behavioural models are based on actual loan repayments, as well as current repayment behaviour at HomeChoice.

Repeat loan demand is sourced through three channels: SMS, inbound telephone calls and the mobile self-service channel, FinChoice KwikServe® (see below for more information on KwikServe). A repeat loan through KwikServe is known as a KwikDraw and is a highly convenient transaction which the customer can conduct 24 hours a day using their mobile phone.

The rollout of KwikServe in July 2011 has increased repeat loan activity by customers while simultaneously improving cost efficiencies by reducing the volume of inbound calls. As average term and loan sizes increase for better customers, and customers are able to access richer self-service platforms (such as mobi and web), repeat loan business will form a higher proportion of total loan disbursements.

Product and service innovation

FinChoice has been successful in differentiating itself in the market by offering flexible, convenient, fast and innovative products and services. The business has a strategic focus on empowering its female-biased customer base by offering convenience through self-service channels and flexibility in the repayment of loans. The majority of approved loan disbursements reflect in the customer's bank account within 24 hours. Loan repayments are collected directly from the customer's bank account using early debit order tracking targeted to the customer's salary pay date.

Recognising the potential for growth through mobile phone technology, FinChoice developed a self-service mobile channel, FinChoice KwikServe, which provides customers with 24/7 access to self-manage their loan accounts, empowering them to review account balances, apply for a repeat loan or request an instalment skip in difficult months. This non-voice channel uses the USSD technology available on all cellular phones, from entry-level handsets to smartphones, providing complete coverage of the FinChoice customer base. Customer acceptance and engagement of KwikServe has been very high. 78% of FinChoice customers are now registered for KwikServe and 74% of all repeat loan bookings are concluded by this self-service channel, quickly, conveniently and securely, 24 hours a day, every day of the year, including public holidays. Additionally, 45% of KwikServe activity takes place outside of traditional working hours or over weekends as customers are empowered to enjoy the benefits of convenient self-service at times that suit their busy lifestyles.

Building on the success and learnings from the KwikServe mobile channel, FinChoice plans to pilot a mobi site in November 2014 to take advantage of the richer customer experience offered by smartphones. This mobi site will run in tandem with KwikServe and will be rolled out steadily in line with the increasing adoption of smartphone technology by customers. The development of an Internet site aligned to the mobi functionality will follow.

6 MANAGING THE RISK OF CREDIT

6.1 Group

The provision of credit has been an integral component of the Group's offer to the customer since inception. The Group has a database of 1,3 million customers with purchase and credit history and has developed the expertise to mine this valuable data to inform credit decision-making processes.

The Group manages risk through a process of continued multiple-level risk filtering. The Group acquires New Customers through HomeChoice and the customer base therefore has a female bias of 85%. Females, particularly those buying homeware products, have proven better credit risk than their male counterparts.

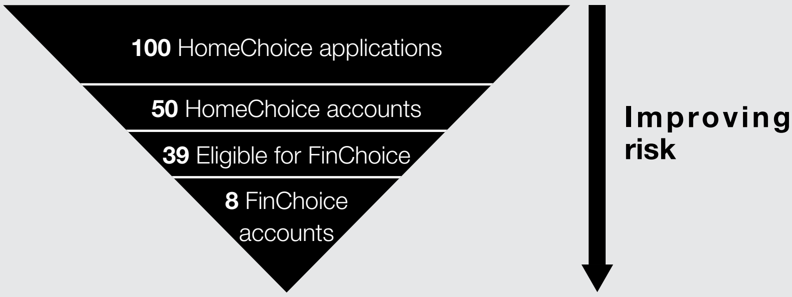
Strict credit and affordability criteria, and HomeChoice-developed scorecards based on customer bureau data are then applied, resulting in just under half of New Customer credit applications being accepted. New Customers are granted a low credit exposure relative to their affordability. This gives the Group an opportunity to observe payment behaviour without significant exposure risk.

Once the Group has accumulated sufficient payment performance on a customer, behaviour scorecards are used to identify customers' risk levels with greater certainty. As HomeChoice customers pay instalments in person through various EasyPay outlets, supermarkets, the Post Office and bank branches (rather than passively paying via a debit order), payment performance is highly sensitive to any sign of early customer distress. HomeChoice has used this information to develop behaviour scorecards that are powerful in differentiating the risk across customer segments.

The behaviour scorecards form the foundation for customer segmentation and marketing selection, and have been shown to be effective in identifying low risk populations across both HomeChoice sales and FinChoice loans. Only customers with low risk are selected for HomeChoice marketing campaigns and, together with other eligibility criteria, for FinChoice and FoneChoice marketing campaigns. The ability to pre-select customers with known risk results in HomeChoice choosing who shops in its store.

Of the customers who are selected as being of sufficiently low risk to be offered a FinChoice loan, approximately 20% will take out a loan. All FinChoice loans require the customer to be permanently employed, and have their salary paid into a bank account that is known to FinChoice. Repayment of the loan makes use of the non-authenticated early debit order ("NAEDO") system, from the same account to which the loan was disbursed. This payment mechanism is more reliable and achieves better repayment rates than cash payments.

The risk filtering process:



FinChoice customers who are displaying good payment behaviour at all Group companies may be offered repeat loans. The risk of these customers is lower than initial loan customers of FinChoice.

The effectiveness of the risk filtering process is demonstrated by the consistently decreasing risk experienced for each customer group in the process: new HomeChoice customers have the highest risk; repurchasing HomeChoice customers have lower risk; initial loan customers of FinChoice have further reduced risk; and repeat loan FinChoice customers have the lowest risk.

Although HomeChoice and FinChoice operate independent credit operations and processes, all Group data is taken into account when a customer is considered for further credit. In this way a customer in arrears with a FinChoice loan will not be granted further credit for HomeChoice retail sales, and vice versa. In addition, individual customer credit exposure across the Group is reviewed regularly. At the end of June 2014, less than 10% of the credit active customer base had total amounts owing to the Group of more than R10 000.

Existing customers have a lower risk profile than New Customers. Consequently, a strategic growth objective of the Group is to increase revenue from existing customers. The proportion of business conducted with existing customers has grown from 70% in 2008 to 83% in 2013, demonstrating the effective execution of this strategy.

Group debtor costs as a percentage of revenue are impacted by the relative proportions of the HomeChoice and FinChoice books. HomeChoice has a much lower debtor cost as a percentage of revenue than FinChoice, in spite of FinChoice business being at lower levels of credit risk. This is due to the revenue in HomeChoice including both the sales revenue, which is recognised immediately, and credit revenue (interest and fees, recognised as they are earned), whereas FinChoice has only credit revenue. As FinChoice has increased its proportion of Group business, the overall debtor costs as a percentage of revenue has also increased.

Group credit exposure

The Group maintains a conservative approach to credit management and risk is mitigated in the following ways:

- Credit terms are weighted towards shorter term loans and credit agreements are on terms of 24 months or less (with the exception of laptop sales and higher priced furniture merchandise and a limited portfolio of 36-month FinChoice loans). Credit balances are therefore paid down relatively quickly which reduces the Group's long-term risk exposure.
- Behaviour scorecards, which are developed in-house, are highly sensitive to payment stress in the customer base. Any deterioration in the credit performance of an individual customer is detected early.
- New credit decisions are based on the customer's payment performance across all Group businesses. All credit decisions across the Group use the risk rating derived from HomeChoice behaviour scorecards.
- A conservative approach is adopted to provisioning methodologies across the Group.
- Individual customer exposure to the Group is regularly reviewed while the customer's exposure to other credit providers is monitored through regular credit bureau sampling.

Group credit performance

During the last two years, the South African credit market has been in a negative cycle. This has been driven by significant increases in term and value of loans over the last five years.

In response to this the Group tightened credit policy significantly in the past two years, maintained its shorter term focus and limited loan sizes. This strategy, coupled with increases in debtor provisions, had a negative impact on the Group's performance in the 2013 financial year. Group debtor costs as a percentage of revenue increased from

15,9% in 2012 to 19,0% in 2013. The Group debtor costs as a percentage of revenue also increase with the higher proportion of FinChoice revenue.

The defensive credit position adopted by the Group, together with further tightening of the credit policy in 2013, delivered positive results for the Group in the first half to June 2014. Group debtor costs as a percentage of revenue reduced to 17,9% in the half year to June 2014, compared to 19,1% in the corresponding period last year.

Retail

A "low and grow" approach is adopted to purchase limits, with initial limits set at levels well below a customer's maximum affordability level. As a customer demonstrates good payment performance, and the behaviour scorecards identify her as a better risk, the purchase limit is raised closer to her maximum affordability level. This purchase limit is reviewed each month, and increased or decreased in line with the customer's risk rating.

The credit team meets regularly with the marketing and merchandise teams to jointly determine merchandise and marketing strategies. This senior level collaboration is a major advantage of the Group's integrated model, and enables customer selection and marketing practices to be aligned with Group profitability.

New Customers

As a home shopping retailer, the Group has a unique ability to manage the risk of credit by limiting to whom it markets. Both marketing response and the subsequent credit performance of customer acquisition sources are analysed to optimise the mix of acquisition activities.

Bespoke scorecards, supplemented with internal and external vetting procedures and online credit bureau data, are used to predict the level of risk of a New Customer. The customer's probability of defaulting, as defined by the scorecards, will determine whether the sale is accepted or rejected. Customers are allocated a limit to credit purchases based on both their risk level and affordability. Industry-wide fraud databases are used to identify potentially fraudulent credit applications. New Customer approval rates, excluding pre-purchased lists, are conservative and have been stable over the last three years at 49,8% in 2011, 49,3% in 2012 and 45,5% in 2013, reflecting the continued tightening of credit policy on marginal groups of customers.

Despite the range of risk sloping tools applied by the credit risk team, New Customer risk levels are more variable than those of existing customers. This variability depends on the different marketing channels used to acquire New Customers, the terms selected and the products purchased. New Customer vintages are monitored monthly and all variations from risk expectations are analysed, and corrective actions identified.

Existing customers

Sales to existing customers have better marketing efficiency and better risk. The Group maintains a suite of behaviour scorecards which provide a sound basis for extending further instalment credit to good-paying customers. These scorecards are regularly reviewed and upgraded to ensure that the Group's credit policy remains within an acceptable level of risk for repeat business.

The behaviour score for all existing customers is recalculated monthly to determine the latest view on their risk. The customer purchase limit is also recalculated to take the new risk rating into account. This information on customer risk and affordability is then incorporated into the marketing selection process to ensure that the marketing efforts are focused on customers whose credit applications are likely to be approved, taking customer response into account.

As only selected customers receive marketing offers, HomeChoice acceptance rates for existing customers are 88%, and risk levels for these customers is considerably lower than for New Customers. Tightened credit policy is reflected in customer selection, which has led to a 20% increase in marketing exclusions in 2013.

Payment and arrear collections

Credit collections are mainly received through cash payment or by debit order. Customers have a range of cash payment options, including the SA Post Office, supermarkets as well as traditional banking facilities. There are approximately 6 000 customer payment points throughout South Africa.

HomeChoice operates a dedicated collections call centre with more than 90 collection agents. Predictive dialling technology is used to optimise customer contact. Customers with overdue accounts are contacted and "promise to pay" arrangements agreed and diarised for follow-up.

Internal collections capacity is supplemented with external collection agencies. Accounts which have been written off due to non-payment are handed over to external legal agents to recover the money. External collections agencies and write-off policies are based on contractual arrears.

Credit performance

The weakening credit environment led to increases in bad debt experience, and debtor costs as a percentage of revenue increased from 10,0% in 2011 to 15,8% in 2013. The higher Retail bad debt write-off in the first quarter of 2014 materialised as expected, but write-off values have declined subsequently, and was adequately provided for at the end of 2013.

The benefits of the defensive credit position taken are evident in the current level of risk taken onto the book and has resulted in improved roll rates and collections, and better arrears distribution on the active book. Vintage and early tracking metrics have improved and remain stable at targeted levels. This is reflected in the non-performing loans (accounts 120 days or more in arrears) ("NPL") as a percentage of the book reducing over the interim period in 2014 to 8,5% from 10,1% in December 2013. Retail debtors cost as a percentage of revenue has reduced significantly to 13,6% (December 2013: 15,8%).

Retail	**2014 H1**	2013 H1	2013 FY	2012 FY	2011 FY
Gross trade and loans receivable (Rm)	**863,2**	771,9	845,7	716,0	534,8
Debtors cost (Rm)	**92,0**	93,0	212,0	150,0	95,0
Debtors cost as a % of revenue (%)	**13,6**	15,4	15,8	12,7	10,0
Provision for impairment as a % of gross receivables (%)	**18,2**	18,4	18,8	18,5	17,4
Non-performing loans (%)	**8,5**	10,2	10,1	8,6	7,9

6.2 Financial Services

The FinChoice credit risk strategy is based on selecting good HomeChoice customers for initial loans. FinChoice prospects are selected from the HomeChoice base according to their HomeChoice behaviour score and the length of payment performance with the Group. Approximately half of the HomeChoice marketable list is eligible for a FinChoice loan each month. The risk of credit is further contained by restricting the term and value of the initial loan.

As a customer pays their FinChoice loan, payment performance on both FinChoice and HomeChoice is monitored, and repeat loans offered once there has been sufficient payment on the FinChoice loan, subject to the customer maintaining a good HomeChoice credit record.

New customers

FinChoice loans are marketed to HomeChoice customers who have demonstrated good payment behaviour. The selection criteria enable FinChoice to target a profitable group of loan customers, with a stable and acceptable risk of bad debt.

A New Customer to the HomeChoice Group is not eligible for marketing by FinChoice until at least five monthly instalments have been received. At this point, the HomeChoice behaviour scorecard is sufficiently powerful to establish a known and stable risk read for New Customers. Selected customers who qualify for a FinChoice loan for the first time are sent introductory marketing material and invited to apply for a loan. All eligible customers are offered the six-month product. HomeChoice customers who have received a FinChoice loan offer a number of times, but have not yet responded, are also offered the full suite of products, as these customers have a lower credit risk.

Further exclusion criteria are applied to customers applying for loans, in particular affordability assessments, and they are required to receive a regular salary into a bank account.

Existing customers

The risk experience of customers taking repeat loans is lower than for initial loans. Repeat loans are only offered to FinChoice customers who continue to demonstrate good payment performance at both FinChoice and HomeChoice. Each repeat loan undergoes a separate vetting process, where affordability is re-assessed. These repeat loans are granted on the same product as the initial loan as part of FinChoice's term management strategy. Customers who have paid their FinChoice loan in full are identified to offer longer term products with higher values. As the proportion of repeat loans has grown, the overall risk on the book has decreased.

Payment and arrears collections

FinChoice loans are collected directly from the customer's bank account by the NAEDO system on the customer's pay date. This payment mechanism results in low levels of non-payment and is suited to the higher value FinChoice instalments.

FinChoice maintains and updates a calendar specifying the dates on which employees are paid and uses this to schedule the day on which debit order strikes occur. The technology platform automatically routes any unpaid debit orders to a specialised collections area for immediate follow-up with delinquent customers.

The FinChoice collections process is managed on a recency of payment basis. Any account that has not made payments for 120 days is written off and external legal agents are used to attempt to recover the outstanding balance.

Credit performance

The multiple level risk filtering process is key to the Group's ability to maintain relatively low risk across the FinChoice portfolio. As is the case for the Retail business, the weakening credit environment, however, resulted in debtor costs as a percentage of revenue increasing from 29,3% in 2011 to 33,1% in 2013.

The strong growth in FinChoice since its inception was tempered during 2013 by slower loan disbursements due to the redevelopment of scorecards and strict tightening of credit policy, and a focus on reducing the average term. Stricter and shorter loan term policies were applied, and, together with stricter marketing selection, curtailed loan growth.

These measures have resulted in an improvement in the arrears distribution of the book and non-performing loans have reduced to 3,7% in June 2014 from 4,0% in December 2013. Debtors cost as a percentage of revenue have, however, increased to 34,2% in June 2014, driven by debt review applications which remained at the high levels seen in the second half of 2013, although they have recently levelled off at 1,0% of the book. FinChoice has a very conservative policy of writing off loans when customers enter debt review. Conversely, early risk metrics demonstrate an improvement from the higher levels of risk accepted in the first half of 2013.

Financial Services	**2014 H1**	2013 H1	2013 FY	2012 FY	2011 FY
Gross trade and loans receivable (Rm)	**608,2**	485,1	525,1	464,4	331,9
Debtors cost (Rm)	**62,4**	52,2	104,5	77,8	53,2
Debtors cost as a % of revenue (%)	**34,2**	32,9	33,1	30,5	29,3
Provision for impairment as a % of gross receivables (%)	**11,6**	12,5	12,0	11,4	10,6
Non-performing loans (%)	**3,7**	5,1	4,0	3,3	2,9

7 COMPETITIVE STRENGTHS

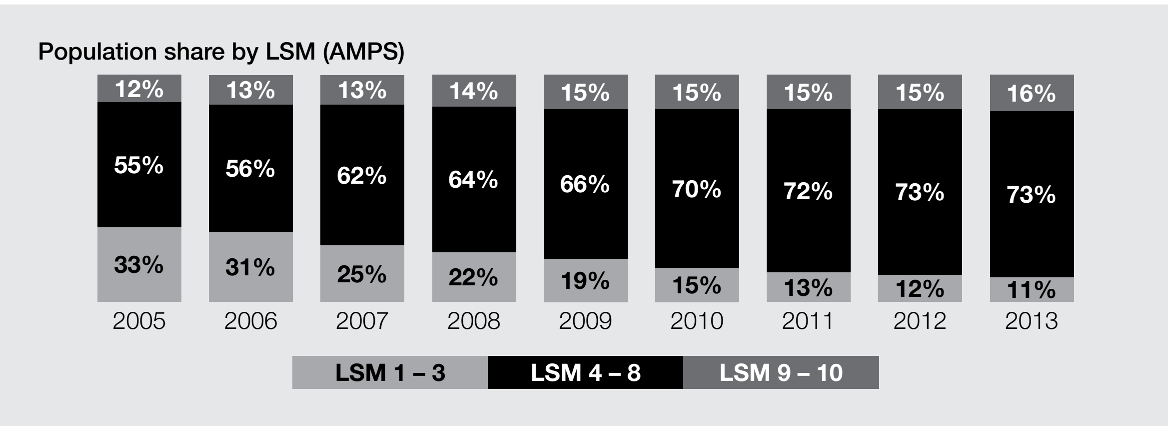
The Group's competitive strengths motivate a compelling investment case, highlighting how the positioning in a growth segment, the business model, the ability to leverage the customer base across the Group, and the highly experienced and skilled team are expected to sustain growth.

Home shopping model

Home shopping offers customers a convenient experience that suits their lifestyle and time constraints. The omni-channel contact points, including call centres, Internet and mobile phone, allow customers to shop at any time of day or night. The home shopping model enables the Group to serve a geographically dispersed customer base without the limitations of a physical store presence, as well as predict purchasing behaviour, response rates and profitability of marketing campaigns.

Brand loyalty in a growing market

HomeChoice has created strong brand loyalty with its predominantly female customer base in the urban middle-income mass market. In the past year over 80% of the Group's business was generated from existing customers. The rapidly growing LSM 4 to 8 target market accounts for 73% of the country's population, having grown from 55% only eight years ago.



Customers are expected to continue to migrate up the LSM spectrum as they benefit from rising living standards and higher income. This demographic is playing out across the African continent, and the Group remains committed to this market segment.

Growing online sales

Greater access to the Internet and mobile smartphones is expected to boost online retail sales in South Africa in the next few years. HomeChoice is at the forefront of this trend with growing volumes of customers using electronic sales channels. In 2013, 8% of HomeChoice sales were made through the Internet and 79% of FinChoice customers are registered on the KwikServe mobile channel, well ahead of the estimated 1% of online retail sales in South Africa. The business has an advantage over most traditional retailers in South Africa who are entering the direct marketing arena for the first time. These retailers have yet to make the investment in technology and back-end processes, test and launch their online offerings, and convert customers to using their online channels. In addition traditional retailers need to develop distribution networks and their processes for product returns.

A dedicated technology team has been created to develop the electronic sales channels and capitalise on the expected strong growth in Internet and mobile retail sales in South Africa over the next 10 years. This growth will be enhanced due to the fact that South Africa currently lags the developed world in terms of Internet and mobile penetration.

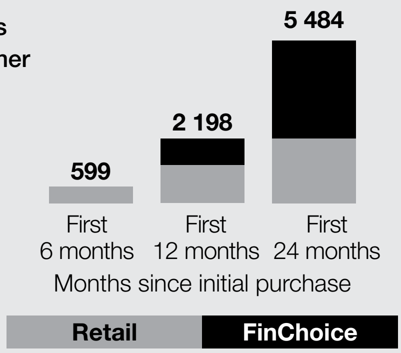
Expertise in managing the risk of credit

Credit is an enabler of sales to the mass market female customer base. The Group has extensive experience in mass market credit management and the credit records of over 1,3 million customers inform credit decision-making processes. Strict and consistent credit and affordability criteria, together with internally developed scorecards, are applied to all new credit applications. New customers are granted low credit exposure, allowing the Group to observe payment behaviour without significant exposure risk.

Leveraging the customer base

HomeChoice filters new customers for the Group. FinChoice leverages the HomeChoice database by direct marketing personal loans to selected credit-qualifying customers. This ensures that FinChoice offers are marketed to relatively low risk prospects and the selection criteria have enabled the business to select a profitable group of loan customers, with a stable and acceptable risk of bad debt. This leverage is illustrated by the value extracted across the Group from an average HomeChoice customer over a 24-month period. Following an initial purchase, each new HomeChoice customer will make further purchases to the value of 189% of their initial purchase. The value of credit extended by the Group is further increased by the customer taking a loan from FinChoice and buying products from FoneChoice, so that on average the credit extended to a customer over a two-year period is over 300% of their first purchase (as shown in the accompanying graph).

Average subsequent retail sales and loans disclosed per customer (Rand)



The history of initial loan risk within FinChoice is testament to the consistency and predictability of the HomeChoice behaviour scorecards. Customers with a good credit performance in both HomeChoice and FinChoice are identified for repeat loan offers. This multiple level risk filtering process is key to the Group's ability to maintain relatively low risk across the FinChoice portfolio.

The same leverage and credit expertise has been applied with the launch of FoneChoice which markets mobile phones and computer products to HomeChoice customers with good credit records.

Proven organic growth strategy

Organic growth is the Group's preferred strategy to expand the business and gain market share. Growth has been driven through product innovation, merchandise range extension and the launch of FinChoice. Revenue has grown at a compound annual growth rate ("CAGR") of 24% over the past five years from 2008, with operating profit showing a CAGR of 47%. FinChoice now accounts for 33% of the Group's operating profit, only seven years after being launched.

Expanding presence in Africa

While Africa presents an attractive medium- to long-term growth opportunity, customers in Botswana, Lesotho, Namibia and Swaziland already account for 9,5% of retail sales. As a home shopping retailer, the Group does not face many of the challenges, risks and costs encountered by traditional retailers expanding into Africa. Increasing Internet penetration and broader bandwidth, together with the rapid growth in mobile phone ownership, will support growth of online retailing on the rest of the continent.

Entrepreneurial and experienced management team

Omni-channel marketing relies on specialist skills which are scarce and highly sought after in the South African retail environment. The ongoing investment in people has enabled the Group to retain key skills and attract some of the leading talent in the industry.

The executive team has a healthy balance of industry and company experience, with home grown talent complemented with externally recruited specialists. The specialist units in the business also have a blend of youth and experience. In the merchandise team, for example, the three senior buyers have been with HomeChoice for an average of 17 years, while younger buyers and planners appointed to the team constantly energise the pool of talent. This same mix of skills is found in the credit risk, direct marketing and customer analytics teams.

The entrepreneurial spirit that launched the retail business remains core to the Group's values. The Group has demonstrated this skill in launching FinChoice and FoneChoice. Specialists are recruited to enable the Group to capitalise on other new opportunities, such as the formation of an electronic team to spearhead the Group's drive into electronic sales channels such as the Internet and mobi.

Refer to paragraph 1.6 of the "Management and Corporate Governance" section commencing on page 36 for background information on the senior management team.

8 STRATEGIES FOR SUSTAINED GROWTH

The Group's organic growth is supported by expansion into new markets and other countries in Africa, and is underpinned by continued investment in systems and technology.

8.1 Retail

Broaden the merchandise range

Product innovation and range extension are key drivers of organic growth. HomeChoice tests new merchandise categories on an ongoing basis and expands the ranges if the products prove successful. Recently introduced categories such as furniture and baby accessories will be expanded, whilst the offering within specific merchandise categories will also be broadened. Although bedding and textiles is by far the largest merchandise category, it has had a CAGR in sales of 21,2% from 2009 to 2013, demonstrating the continuing strong customer demand for this category maintained through high levels of newness in bedding designs and additional products being offered such as sheets, quilts and kids bedding.

The business has a balanced pricing architecture across all product categories and this is a critical driver of increasing frequency and value of customer purchase. Entry tier pricing is structured to attract new customers and ensure affordability across the customer base. Lower priced merchandise and clearance activities are used as an acquisition strategy particularly with media and electronic channels as well as when testing new designs prior to inclusion in the catalogue. Top luxury tiers drive customers to higher priced merchandise through bulked-up special offers and savings.

Expand the customer base

Strategies for acquiring New Customers include new account opening strategies, tactics to elicit referrals from existing customers and electronic campaigns, including viral Internet and e-mail campaigns. This strategy has been successful in the past, growing the customer base by an annual compound rate of 11,1% in the past five years.

As customers become increasingly confident with shopping on electronic channels, our electronic platforms, e-mail campaigns and social media provide significant opportunities for reaching new customers. Facebook engagement is strong with followers now numbering over 100 000. HomeChoice is well positioned to help customers move onto electronic ordering due to our strong back-end processes

The use of pop-up shops in malls introduced during 2013 will be extended and is proving an efficient means of raising awareness of the brand and enabling direct contact with new customers. New customers will also be acquired through the purchase of outside lists where the call centres engage with customers following us sending catalogue/other direct marketing material to them.

The sales agent channel will continue to be used to access customers in developing urban areas/townships. Most agents are existing customers who know the brand well. There has been a recent resurgence in this channel and it is expected to continue to grow strongly.

The RFM models will be refined to enable more targeted offers based on customer segmentation. Within the HomeChoice base are customer segments that do not receive regular catalogue marketing offers. There is significant opportunity to mail into these segments of the database with differentiated offers.

The above strategies will be used where appropriate to grow customer acquisition and sales in our neighbouring African countries.

Optimise the supply chain

Control of the distribution and warehouse functions is critical for success in home-shopping retailing. The new distribution centre has improved storage and handling facilities and operating efficiency gains have already been realised through stock process improvements. Costs savings have also been realised through flexible labour scheduling. The business will continue to focus on initiatives to reduce lead times on procuring merchandise, handling within the distribution centre, and delivery to the customer.

The Group's home delivery network is being expanded to offer wider coverage. This will improve the customer experience, reduce reliance on SAPO and enable increased sales of products such as furniture that require specialist deliveries and assembly.

Enhance the customer experience through technology

Customer contact channels are regularly refined and new channels of communication and ordering introduced to offer convenience, simplicity, consistency and ease of ordering. The primary mode of communication remains the call centres, with over 70% of orders being placed through the telephone. The business will continue to invest in international best-of-breed telephony systems and focus on driving efficiencies through optimisation of the predictive dialler capability and projects to improve customer contactability. Further investments will be made to bring all telephony systems onto one platform enabling us to leverage efficiencies across inbound and outbound call centres.

Although the telephone and call centres will remain the majority source of sales, this is expected to shift over the medium term towards electronic channels.

Internet and mobi technology

The Group continues to invest in electronic channels as they allow for increased frequency of communication, 24/7 convenience and contact at low cost. The HomeChoice web site had 5,5 million visitors in 2013, whilst the mobi site has experienced strong growth in visitors from 350 000 in 2011 to 1,4 million in 2013. This channel will be key for driving growth in Africa where many potential customers only have access to the Internet through mobile phones.

HomeChoice is continually upgrading and enhancing its web and mobi platforms to drive conversion and improve the customer experience. This includes featuring all products on the website, enhancing the speed of check-out; improving search functionality and making greater use of product videos to engage customers. In the longer term, the business is seeking to enable trade beyond SA in other currencies.

The electronic channels will be promoted through a linkage with other channels (e.g. the catalogue encouraging ordering via the web or mobi sites) as well as online marketing tools such as search engine optimisation, "pay per click" and affiliate programmes. E-mail, Facebook interaction and other social media activity will drive customers to shop online.

Investing in information technology systems

As an omni-channel retailer the primary contact points with customers are through centralised call centres, mobile phones and the Internet. Information is critical in this environment and the Group has a strategic reliance on integrated technology solutions.

A rolling five-year IT plan aims to increase capacity for business growth, optimise the value of the current information systems and integrate new systems and technologies. Several new technologies and systems are being introduced to support customer interaction, business process enhancement and data management strategies.

A new merchandise planning system designed for multi-channel retailers with strong catalogue and web presence was implemented in 2012. HomeChoice successfully implemented Phase I of its Microsoft enterprise resource planning ("ERP") system during 2013. The Advanced Distribution for Microsoft Dynamics AX system is widely used by multi-channel retailers internationally and will improve the quality of information to enable reduced costs and increased efficiency and margin improvement through increased visibility in merchandise management.

New IT developments are also aimed at enhancing the customer experience by empowering them to interact with the Group across all platforms 24/7. The redevelopment of the HomeChoice website and electronic and mobile platform are aimed at enhancing customer experience and improving efficiencies.

8.2 Financial Services

Increasing penetration of HomeChoice customer base

FinChoice leverages the HomeChoice marketing platforms and customer database to target pre-approved prospects for loan offers. This is the core source of New Customers for FinChoice. The approach allows for highly efficient acquisition of initial loan customers as much of the marketing spend is borne by the retail business, eligible prospects can be targeted with specific offers and are inherently responsive to direct marketing.

It is anticipated that penetration rates will improve even further with the introduction of additional loan product flexibility, enhancements to product features, differential pricing for better, non-responding customers and access to self-service channels such as mobi and the Internet.

With the launch of the one-month KwikAdvance product, FinChoice has been testing the granting of loans to proven HomeChoice customers who are weekly paid, fortnightly paid or self-employed. These customers tend to have erratic income streams which do not suit regular monthly collections. The majority of these customers perform well at HomeChoice and represent an opportunity for FinChoice to leverage the single instalment KwikAdvance product to offer credit to these underserved customers. Early credit performance is encouraging.

Within the HomeChoice base are customer segments that do not receive regular catalogue marketing offers. However, these customers have shown an interest in direct marketing, are aware of the HomeChoice brand and the Group has previous credit knowledge of these customers. FinChoice has conducted tests into these segments and they have proven to be responsive to FinChoice offers with acceptable payment performance, albeit at lower marketing efficiencies. This represents an opportunity for FinChoice to further penetrate the HomeChoice customer database.

HomeChoice customers outside South Africa

FinChoice does not currently operate outside of South Africa. HomeChoice generated 11,8% of its revenue from the neighbouring non-South African countries during the first six months of 2014. These customers have exhibited retail payment behaviour with HomeChoice, and as such could be targeted for pre-qualified loan offers based on the same approach employed in South Africa. FinChoice will investigate developing loans products and disbursement and collections processes for HomeChoice's Namibia and Botswana customers. As HomeChoice ventures into other African countries, FinChoice will follow to offer credit to the proven retail customers.

External sourcing of new loan business

FinChoice has the direct marketing infrastructure, credit systems and expertise to generate new business directly from external (non-HomeChoice) sources. Such sources include purchasing pre-vetted prospect lists, requesting customer referrals, and leveraging Internet and social media acquisition techniques. All these methods are currently employed by HomeChoice for their new customer acquisition and FinChoice would leverage this Group expertise.

As HomeChoice is not used to filter these creditworthy prospects, FinChoice has developed ring-fenced one-month and six-month loan products for external acquisition. These short-term loans are designed to attract New Customers into FinChoice at relatively low loan sizes and term exposure. The best performing of these customers will then be migrated onto the longer-term books at larger loan sizes. This well-known "low and grow" strategy is successfully employed by conservative credit providers who source prospects directly from the market. The high margin, low value, short-term loans are used to filter new customers into their portfolios. FinChoice has been conducting tests on a small sample of customers and plans to continue this testing to find profitable pockets of opportunity. In 2014, just 1,5% of new (i.e. first-time) loan disbursements were made to externally sourced customers outside of the HomeChoice group. Including repeat loans, this represents 0,4% of total loan disbursements.

Increasing revenue from existing FinChoice loan customers

Multiple loan products

In 2013 FinChoice rolled out its one-month KwikAdvance® product. KwikAdvance was offered as the first multi-loan product to be used in conjunction with the customer's single-term product (six, 12, 24 or 36-month term). Customer adoption and usage has been encouraging as customers now have the flexibility of meeting both their short-term, intra-month cash needs and longer-term lending needs. These multiple loans also allow FinChoice to manage the mix of higher yielding, higher margin short-term products against the lower yielding but higher interest-bearing balances and inherent retention of longer-term products. Currently, the average FinChoice customer has 1,2 loan accounts in force.

FinChoice has the opportunity to permit suitable customers to take multiple term loans to match specific loan needs. For example, a customer may use the KwikAdvance product for monthly cash flow needs, take a 12-month loan to pay for that year's school fees, and a 36-month loan to pay for an appliance purchase.

Extending loan sizes and repayment terms

Due to funding constraints and a defensive approach to lending during the period of high growth in unsecured lending following the implementation of the NCA, FinChoice has limited both the term and loan size of its Existing Customer Base. Average balance has been limited to R7 804 and average product term to 18,9 (June 2014).

This strategy has been aimed at conservatively growing the customers in force while containing potential within the book for future growth opportunities.

Extending repayment terms by shifting book mix towards 36-month product

Management believes the Existing Customer Base has capacity and appetite for larger loans over longer repayment terms, making the loans more affordable. The customers have proven their propensity to manage credit repayments consistently. Revenue will be increased by steadily increasing maximum terms on repeat loans to good performing customers from 12 and 24 months to 36 months, while increasing loan sizes in line with the customer's affordability. Longer term loans will be offered at lower interest rates to recognise customers' credit performance and to be competitive in the market. The 36-month book represents only 7,1% of the total gross debtors' book at 30 June 2014.

Enhancing the customer experience through technology

A key FinChoice strategy is to empower customers to control their access to finance from their mobile phones.

Due to the 100% USSD coverage of the customer base and the favourable engagement of the channel, FinChoice will continue to enhance and support the KwikServe platform. In addition to the current features of reloan requests, skip requests, balance enquiries, mini-statements and airtime purchases, the platform will be enhanced with other typical customer queries (such as settlement quotes) to improve loyalty and engagement.

Smartphone usage is increasing among the middle-income mass market customer base as data packages become more affordable. FoneChoice was launched to leverage this trend as the mass market increasingly accesses mobile Internet via smartphones. Building on the success and learnings from the KwikServe mobile channel, FinChoice is developing a transactional mobi site in 2014 to take advantage of the richer customer experience offered by smartphones. This mobi site will be piloted in November 2014 in tandem with KwikServe, and will be rolled out and enhanced in line with our customer's adoption of mobile Internet usage. The development of an Internet site aligned to the mobi functionality will follow.

8.3 Growth through launching new businesses

The Group has a track record of developing and organically expanding home grown business concepts, demonstrated in launching and growing FinChoice and FoneChoice. This has been achieved by leveraging the direct marketing infrastructure, credit expertise and customer database of HomeChoice. The scaleable direct marketing model allows the Group to develop and test new concepts at fairly low cost and risk, utilising the existing infrastructure.

The next business to be incubated in the Group will be an insurance business. The Group currently has two insurance products (credit life offered on FinChoice personal loans and device protection offered on the FoneChoice mobile devices). The product range will be expanded in 2015 to include a range of insurance products suitable for the middle-income mass market customer, such as funeral cover and personal accident cover.

8.4 African expansion

Sustained economic growth and the increasing spending power of the emerging middle class in several African countries makes the sub-Saharan region attractive for growth. Expansion into Africa presents a strong growth opportunity.

Increasing Internet penetration and broader bandwidth, together with the rapid growth in mobile phone ownership in Africa, will support growth of online marketing on the rest of the continent. The Group has the opportunity through its electronic platforms to test and launch into other African territories in time, and has entered Zambia during Q4 2014.

As a home-shopping retailer, the Group does not face some of the challenges, risks and costs encountered by traditional retailers expanding into Africa.

9 PROSPECTS

The Group's target LSM 4 to 8 market has seen significant growth in the past 10 years, with this segment benefiting from real income growth, increasing home ownership and rising living standards.

Merchandise ranges are continuously being expanded and new product categories are being introduced to enhance the brand's appeal to its middle-income mass market customer base. HomeChoice will continue to capitalise on the growth of the Internet and smartphone as online shopping channels and is competitively advantaged in these markets.

Credit risk strategies will be maintained and the Group will continue to review and enhance scorecards and vetting procedures.

The Group has a strong balance sheet, is cash generative despite being a credit-based business, and has a track record of paying dividends. The proven business model, positioning in a growth sector, expertise in managing mass market credit and focused strategies for growth should ensure sustainable returns to shareholders.

10 RATIONALE FOR LISTING

Core to the Group's long-term strategy is to expand into new markets to sustain growth. Expansion into Africa and other territories will be accelerated through Listing (for example, certain African jurisdictions will require local equity participation unless the Group is listed). The Listing will provide access to capital markets for potential funding for future expansion and unlocking value for existing shareholders.

The Listing will also improve incentives for Directors, managers and employees by making their Shares more tradeable, while also assisting the Group in attracting and retaining talented and scarce management and staff skills.

MANAGEMENT AND CORPORATE GOVERNANCE

1 DIRECTORS AND MANAGEMENT

The following section provides details of HIL's Board of Directors and management as at the Last Practicable Date.

1.1 Board of directors

The Company's Board of Directors consists of 9 members. The members of the Company's Board of Directors as at the Listing Date are as follows:

Name, age and nationality		Business address	Function/Occupation	Date of appointment as Director
Stanley Portelli# Maltese	42	Dar il-Barbagan, Triq Strejnu Zejtun, Malta	Independent Non-executive Director	22 July 2014
Gregoire Lartigue Swiss	42	CH De La Cretaux 1, GLAND 1196, Switzerland	Chief Executive Officer	22 July 2014
Paul Burnett* South African	39	78 Main Road, Wynberg, Cape Town, South Africa, 7800	Finance Director	12 November 2014
Shirley Maltz South African	43	78 Main Road, Wynberg, Cape Town, South Africa, 7800	Executive Director	12 November 2014
Amanda Chorn South African	56	905 Frobisher Crescent, London, EC2Y 8HD England	Independent Non-executive Director	30 September 2014
Richard ("Rick") Garratt British	68	78 Main Road Wynberg 7800	Non-executive Director	12 November 2014
Eduardo Gutierrez-Garcia South African	47	28 Chelsea Wharf, Lots Road, London, SW10 0QJ, United Kingdom	Non-executive Director	12 November 2014
Robert Hain British/Canadian	61	City Financial Investment Company Limited 62 Queen Street, London EC4R 1EB United Kingdom	Independent Non-executive Director	12 November 2014
Charles Rapa Maltese	62	40 'Nayim', Triq Philip Skippon, Birguma, Naxxar, NXR 4121, Malta	Independent non-executive Director	22 July 2014

Notes:
Chairman of the Board
* Financial director

Further particulars of the Company's Directors are set out in Annexure 9 of this Pre-listing Statement.

Short CVs of the Company's Directors are set out below.

1.2 Executive directors

Gregoire Lartigue
Member of the Society of Trust and Estate Practitioners

Gregoire is a fully qualified member (TEP) of the Society of Trust and Estate Practitioners and has been a Director of Guardian Trust Company Limited since March 2004.

Swiss born and educated, he has over 20 years of experience in both the Trust and fiduciary industry. He was previously with Radcliffes Trustee Company SA (later renamed Investec Trust (Switzerland) SA).

Paul Burnett
BBUSSCI, CA (SA)
Paul was chief financial officer at Nimble Group, a credit solutions business specialising in outsourced collections and business advisory services. Prior to this, Paul was a regional finance manager for ABI, the soft drinks division of South African Breweries. He has also worked for the World Bank in a fiduciary role for the Africa region after completing his accounting articles at Ernst & Young.

Shirley Maltz
BCom, CPE, LPC
Shirley joined the Group in 2001, overseeing the credit and operations division, as well as all marketing activities. She was appointed Group Chief Executive Officer of HomeChoice Holdings in 2013 and Chief Executive Officer of the retail division in 2007. Prior to joining the Group she was a fund manager at Mercury Asset Management (SA) and Fleming Martin (SA).

Non-executive directors

Rick Garratt
B.Com, CA(SA)
Rick has been the executive chairman of HomeChoice Holdings since 2007. Prior to that he was the chief executive officer of HomeChoice Holdings. Rick founded the Group in 1985 and has been involved with all operational aspects. He was previously a partner at Ernst & Young.

Eduardo Gutierrez-Garcia
BSc(Med) Honours, PGDip Acc, CA(SA)
Eduardo is a partner of Development Partners International LLP, an investment adviser to private equity funds that invest across Africa, and has 17 years of African private equity experience. Eduardo has served on the board of directors of numerous public and private companies in South Africa and elsewhere. Prior to joining DPI, he was an Executive Director of Brait South Africa Limited and Brait's private equity division, playing a leading role in several landmark South African private equity transactions. Prior to Brait, Eduardo was Corporate Finance Manager at JCI Limited. He qualified as a Chartered Accountant with KPMG.

1.3 **Independent non-executive directors**

Stanley Portelli *(Chairman)*
Notary Public, LL.D
Stanley is a senior partner in a legal practice. Prior to this he was Chief Executive Officer of the Authority for Transport in Malta, and a director at Malta Freeport Terminal Limited. Stanley was also employed with the Financial Services Unit at Coopers & Lybrand (which became PricewaterhouseCoopers) from 1994 to 2001 and has held various other board positions.

Amanda Chorn
BA, LLB, LLM, appointed 2005
Amanda is an attorney of the High Court of South Africa and currently resides in the United Kingdom where she is a director of various companies. Amanda provides consultancy services to private clients, specialising in international structuring.

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

Charles Rapa
FCCA, FIA, CPA, MIM, MBA
Charles is a director of the Malta holding companies of the Dyson Group (United Kingdom) and is the chairman of the Maltese Accountancy Board and its oversight committee. Prior to this, he was finance director of the Malta Tourism Authority and finance director of British American Tobacco (Malta).

1.4 **Company secretary**

George Said
BA, LL.D
George has been in private practice for over fifteen years and is a senior partner in a legal practice consulting in Maritime, Civil, Commercial and Intellectual Property law.

1.5 **Directors of operating subsidiaries**

Short CVs and further details of the directors of the Company's major operating subsidiaries are set out below.

Name	Age	Position	Description	Date appointed
Rick Garratt B.Com, CA(SA)	68	68 Executive Chairman and Executive Director – HomeChoice Holdings Executive Director – HomeChoice Executive Director – FinChoice Non-executive Director – HIL SA	Rick Garratt has been the executive chairman of HomeChoice Holdings since 2007. Prior to that he was the chief executive officer of HomeChoice Holdings. Rick founded the Group in 1985 and has been involved with all operational aspects. He was previously a partner at Ernst & Young.	26 September 1991 (HomeChoice Holdings) 26 September 1991 (Homehoice) 27 February 1996 (FinChoice) 12 November 2014 (HIL SA)
Shirley Maltz BCom,CPE,LPC	43	Chief Executive Officer and Executive Director – HomeChoice Holdings Executive Director – HomeChoice Executive Director – FinChoice Executive Director – HIL SA	Shirley Maltz joined the Group in 2001, overseeing the credit and operations division, as well as all marketing activities. She was appointed Group Chief Executive Officer of HomeChoice Holdings in 2013 and Chief Executive Officer of the retail division in 2007. Prior to joining the Group she was a fund manager at Mercury Asset Management (SA) and Fleming Martin (SA).	15 March 2004 (HomeChoice Holdings) 15 March 2004 (HomeChoice) 1 September 2005 (FinChoice) 12 November 2014 (HIL SA)
Annalize Kirsten BCompt(Hons), CA(SA)	46	Group Chief Financial Officer, Retail Chief Operations Officer and Executive Director– HomeChoice Holdings Executive Director – HomeChoice Executive Director – FinChoice Executive Director – HIL SA	Annalize Kirsten joined the Group in 1999 and was appointed financial director of HomeChoice Holdings in 2002. She is responsible for the Group's finance and information technology, as well as the retail credit operations. Annalize was appointed to Chief Financial Officer of HomeChoice Holdings in 2007. She was previously with PricewaterhouseCoopers.	1 October 2002 (HomeChoice Holdings) 1 October 2002 (Homehoice) 1 September 2005 (FinChoice) 12 November 2014 (HIL SA)

Name	Age	Position	Description	Date appointed
John Bester BCom(Hons) CA(SA)	68	Non-Executive Director – HomeChoice Holdings	John spent 16 years in the accounting profession and was a partner at Ernst & Young. He has 32 years of experience in commerce and industry which includes serving as the financial manager of Toyota Marketing South Africa, financial director of Warner Lambert South Africa, and financial director and chief financial officer of the Norwich Holdings Limited Group of Companies. He is currently a non-executive director of Clicks Group, Ascendis Health, Tower Property Fund, Sovereign Foods, Business Connexion, Personal Trust International, The Children's Hospital Trust and Western Province Rugby. He chairs a number of audit committees and sits on the remuneration committees of these companies. Group, Sovereign Foods and Western Province Rugby, and chairs a number of audit committees.	1 October 2009
Amanda Chorn BA,LLB,LLM	56	Non-Executive Director – HomeChoice Holdings	Amanda Chorn is an attorney of the High Court of South Africa and currently resides in the United Kingdom where she is a director of various companies. Amanda provides consultancy services to private clients, specialising in international structuring.	1 December 2005
Pierre Joubert BCom, CA(SA)	49	Non-Executive Director – HomeChoice Holdings	Pierre has served in senior positions in several companies, including financial director of Reumech Equipment, commercial director of the Connection Group, financial director of Software Connection Limited and chief executive of Connection Group Holdings. In 2002 he joined Rand Merchant Bank as a senior equity transactor and is currently co-head of the Global Markets division.	23 March 2009
Willem Jungschläger BA(Hons), PhD	58	Non-Executive Director – HomeChoice Holdings	Willem has over 30 years' experience as a human relations and human performance specialist. For the last 24 years he has consulted to and provided specialist training to large organisations, both nationally and internationally, in the retail, electricity, mining and transport industries. His experience includes serving as HR director of the Laser Transport Group, senior psychologist at the Koeberg Nuclear Power Station and training officer for the Ford Motor Company.	1 October 2009

The business address of each of the directors of the Company's operating subsidiaries is 78 Main Road, Wynberg, Cape Town, 7800.

Save for Rick Garratt, who is British, the nationality of all of the directors of the operating subsidiaries is South African.

1.6 **Senior management**

Name	Age	Position	Description	Year joined the Group
Leanne Buckham B Com, CA(SA)	48	Retail Chief Executive Officer	Leanne was a Principal at Permira in London, one of the largest European private equity firms. She has extensive experience in the consumer sector (across retail, leisure and FMCG businesses) and has lead major consumer transactions, conducted commercial and financial due diligence, and whilst on the board of investee companies has developed and driven business strategy. Prior to joining Permira in 2003, Leanne was a Director at PricewaterhouseCoopers in London where she worked in the Transaction Services Business. Previously she worked for two years as a consultant at NatWest Bank.	2013
Sean Wibberley BSc(Elec Eng), MBA	43	Chief Executive Officer - FinChoice	Sean Wibberley joined the Group to start up the FinChoice business and was appointed CEO in 2010. He began his career in information technology in 1994 as a freelance consultant before joining Deloitte Consulting in 2000. He moved into financial services during 2002 when he joined the Capital One/Nedbank Alliance, where he held the position of head of the American Express charge card portfolio at the time of leaving.	2006
Anthea Abrahams BPrimEd, PDM	44	Head of Marketing	Anthea has over 15 years' experience in marketing. Prior to joining the Group, she was head of advertising of short-term insurance for Telesure Investment Holdings, overseeing a number of brands across the short-term and life insurance industries. She has also been marketing manager for Standard Bank and Emperor's Palace, commencing her career as a maths and science teacher.	2007
Cathy Mackenzie BA	45	Head of Merchandise	Cathy has over 20 years' experience in merchandising. Prior to joining the Group, she spent 12 years with Truworths, commencing as a planner and progressed through to planning management and was a Ladiesware buying executive at the time of leaving. Prior to this, she was a planner with Topics.	2009
Elmori Bester NatDip HR	40	Head of Human Resources and Retail operations	Elmori has over 15 years' experience in both local and international markets within BPO, publishing, retail, marketing and distribution sectors. Prior to her appointment to joining the Group, she spent five years with Fusion Outsourcing Services as an HR executive and was responsible for the HR and training function.	2010
Guy Wills BTech	40	Head of Logistics	Guy was based in Dubai for four years with Al Tayer Logistics as logistics services manager, responsible for inbound and outbound supply chain activities for retail fashion, furniture and vehicle brands from Europe and the USA. Prior to this, he was a regional operations services manager for ABI and has worked in project and contract management roles for Unitrans Supply Chain Solutions.	2012

Name	Age	Position	Description	Year joined the Group
Lodewyk ("Louis") Pretorius BEng(Hons), MEng (Electronic)	49	Head of ICT	Louis spent 16 years with Truworths specialising in the implementation of logistics and retail technology systems and was a senior systems manager at the time of leaving. Prior to this, he held the position of senior lecturer in electronic engineering at the University of Pretoria from 1987 to 1993.	2010
Michael ("Mike") Roux BSc(Hons), HDE(PG), MPhil	54	Head of Credit Risk	Mike has over 25 years' experience in risk management, analytics and research. He was head of predictive modelling at PIC Solutions. After starting his career as a mathematics teacher, he joined the Metropolitan Group in 1989 and was senior manager of marketing research and strategic support when he left in 2001, during which time he was also seconded to Capital One in the United States. He held the position of head of risk at People's Bank, and has also consulted to clients such as Metropolitan Life, Capitec Bank, Western Gate Consulting and People's Bank.	2007

2 APPOINTMENT, QUALIFICATION, REMUNERATION AND BORROWING POWERS OF DIRECTORS

Set out in **Annexure 12** to this Pre-listing Statement are extracts of the relevant provisions of the Articles of Association regarding:

- the qualification, appointment, terms of office and remuneration of Directors;
- the borrowing powers exercisable by the Directors. The borrowing powers may be varied by an amendment to the Articles of Association; and
- retirement of Directors by rotation.

The Directors' borrowing powers have never been exceeded.

Save as set out in the Articles of Association and the memoranda of incorporation of HIL's subsidiaries, there are no exchange control or other restrictions applicable to the Directors' borrowing powers.

No person has any right, contractual or otherwise to appoint a particular director or number of Directors.

The annual remuneration paid to HIL's executive Directors and non-executive Directors for the year ended 31 December 2013 is set out below:

Remuneration and benefits paid to each Director for the year ended 31 December 2013

	Director fees (R'000)	Salary (R'000)	Other benefits[4] (R'000)	Perform-ance bonus[1] (R'000)	Provident fund contri-butions (R'000)	Interest benefit on financial assistance (R'000)	Total remun-eration (R'000)
Executive Directors[2]							
Richard Garratt	–	3 583	1 749	1 000	–	–	6 332
Shirley Maltz	–	2 304	–	1 729	277	–	4 310
Gregoire Lartigue	–	–	–	–	–	–	–
Paul Burnett[5]	–	272	50	–	33	–	355
Total	–	6 159	1 799	2 729	310		10 997
Non-executive Directors[3]							
Eduardo Gutierrez-Garcia	–	–	–	–	–	–	–
Robert Hain	–	–	–	–	–	–	–
Stanley Portelli	–	–	–	–	–	–	–
Charles Rapa	–	–	–	–	–	–	–
Amanda Chorn	227	–	–	–	–	–	227
Total	227	6 159	1 799	2 729	310	–	11 224

Notes:

1. Performance bonuses are not guaranteed and will be determined by the remuneration committee after the financial year-end, based on pre-determined performance criteria.
2. Remuneration for the year ended 31 December 2013 was paid to the Executive Directors of HIL in their capacities as executive directors of HomeChoice Holdings
3. No fees (including management, consulting, technical or any other) were paid to the Non-executive Directors of HIL for the year ended 31 December 2013. Save for Amanda Chorn who will receive R280 000 directors fees, the directors fees of €7 000 per annum are proposed for the current financial year.
4. Other benefits relate to the provision of services, at the expense of the Group, for the private use of the director. These benefits are generally subject to employee fringe benefit taxation in South Africa.
5. Paul Burnett's remuneration was for the three-month period ending 31 December 2013.

No HIL Shares have been issued and allotted to any Directors in terms of a share purchase/option scheme for employees which have not been fully paid for in in the last financial year of the Company.

Save as disclosed in paragraph 11 of the "Incorporation and Share Capital" section on page 57, no awards or options have been granted to the Directors to acquire HIL Shares during the last financial year of the Company and no awards or options have been granted to the Directors to acquire HIL Shares.

No fees have been paid or accrued to third parties in lieu of Directors' fees and there are no commission, gain or profit sharing arrangements. No sums were paid to directors by way of expense allowance.

The Directors' remuneration as a result of the Listing will not be varied.

Save as set out above, none of the executive or non-executive Directors of HIL receive any remuneration or benefits from the HIL's subsidiaries and fellow subsidiaries, associates or joint ventures of the Group.

3 DIRECTORS' INTERESTS IN HIL SHARES

3.1 Non-executive directors

The non-executive Directors had no direct or indirect interest in the promotion of HIL, or in any property acquired or proposed to be acquired, during the 3 (three) years preceding the date of this Pre-listing Statement.

None of the non-executive Directors, or any company in which such non-executive director is beneficially interested or of which he/she is a director, or any partnership or association of which he/she is a member, has received or agreed to receive any sums within the last 3 (three) years to induce him/her to become or otherwise to qualify him/her as a director, or otherwise for services rendered by the director or any of the aforementioned companies in connection with the promotion or formation of HIL.

There has been no change in the shareholdings of the non-executive Directors between the date of incorporation of the Company and the Last Practicable Date.

Save for Amanda Chorn who has an indirect beneficial interest in HIL of 50 000 HIL Shares as at the Listing Date, none of the non-executive Directors have any direct or indirect beneficial interest (as contemplated in the Listings Requirements) in the share capital of HIL as at the Listing Date.

3.2 Executive directors

The executive Directors had no direct or indirect interest in the promotion of HIL, or in any property acquired or proposed to be acquired, during the 3 (three) years preceding the date of this Pre-listing Statement.

None of the executive Directors, or any company in which such executive Director is beneficially interested or of which he/she is a director, or any partnership or association of which he/she is a member, have received or agreed to receive any sums within the last 3 (three) years to induce him to become or otherwise to qualify him/her as a director, or otherwise for services rendered by the director or any of the aforementioned companies in connection with the promotion or formation of HIL.

As at the Last Practicable Date, Gregoire Lartigue, an executive director of HIL, holds 1 (one) HIL Share. Gregoire is a director and authorised representative of Guardian Trust Company Limited and is one of three directors of GFM. Any two directors and/or authorised representatives of Guardian Trust Company Limited acting jointly may make decisions in respect of the Maynard Trust.

Shirley Maltz, an executive director of HIL, has a direct beneficial interest in 51 044 HIL Shares as at the Listing Date.

Save as aforesaid, none of the executive Directors as at the Last Practicable Date, have any direct or indirect beneficial interests (as contemplated in the Listings Requirements) in the share capital of HIL.

There have been no other changes in the shareholdings of the executive Directors from the date of incorporation until the Last Practicable Date.

3.3 Directors' associates

GFM holds 73 449 531 HIL Shares as at the Listing Date. GFM is an associate (as contemplated in the Listings Requirements) of Rick Garratt (a non-executive director of HIL) and Shirley Maltz (an executive director of HIL) because each of them is a potential discretionary beneficiary of the Maynard Trust, which is the indirect holder of 100% of the shares in GFM. The sole trustee of the Maynard Trust is Guardian Trust Company Limited, a professional trust company.

Save as aforesaid, none of the Directors' associates have any direct or indirect interests in the share capital of HIL as at the Listing Date.

4 DIRECTORS' INTERESTS IN TRANSACTIONS

The Scheme is the only transaction to which HIL has been a party since its incorporation on 22 July 2014. Details of Directors interest in HIL Shares are set out in paragraph 3 of the "Management and Corporate Governance" section set out above.

No Director, nor any director of the Group (including a director who has resigned during the last 18 months) has had any material beneficial interest in any of the transactions of HIL during the current or immediately preceding financial year or during an earlier financial year.

5 DIRECTORS' INTERESTS IN THE HOMECHOICE SHARE OPTION SCHEME AND HOMECHOICE 2008 SCHEME

The table below sets out the awards of options in respect of shares in HomeChoice Holdings which have been made to the Directors in terms of the HomeChoice Share Option Scheme in the last financial year.

In terms of the Comparable Offer, subject to the fulfilment of the condition precedent that the Listing occurs before 15 December 2014, the holders of options to acquire shares in HomeChoice Holdings are offered an equivalent number of options to acquire HIL Shares, at the same strike price and otherwise on substantially the same terms and conditions on which they held their options to acquire shares in HomeChoice Holdings.

Director	Date of award of Option	Number of Shares proposed to be awarded in terms of Option	Exercise price per share (R)	Vesting date
Shirley Maltz	20 May 2011	25 000	7,47	20 May 2015
	31 March 2012	25 000	10,64	31 March 2016
	23 June 2012	450 000	10,64	23 June 2016
	27 August 2013	50 000	11,00	27 August 2017
	31 March 2014	100 000	14,44	31 March 2018
Paul Burnett	27 August 2013	40 000	11,00	27 August 2017
Total		690 000		

Save as disclosed above, no other share options or any other right to subscribe for Shares has been granted to any of the Directors during the last financial year of HIL

No Shares have been acquired by the Directors in the last financial year in terms of the HomeChoice 2008 Scheme. No Shares have been allotted to the Directors in terms of any other share purchase or option scheme or otherwise which, as at the Last Practicable Date, have not been fully paid for.

6 LISTING BONUS AND PAYMENTS

No bonuses or similar payments of any nature will be payable to Directors or other employees and service providers as a result of the Listing.

7 CORPORATE GOVERNANCE

The Company is governed by its Board of Directors. The Board of Directors is responsible for ensuring that HIL complies with all of its statutory obligations as specified in the Articles of Association, the Malta Companies Act, the Listings Requirements and all other regulatory requirements. The Board of Directors at all times acts in the best interests of the Company in ensuring an effective compliance framework, the integrity of its financial reporting and risk management, together with timely and transparent disclosure to shareholders.

No part of the business of the Company, nor that of any of its subsidiaries, is managed, or is proposed to be managed, by a third party under any contract or arrangement whatsoever.

The Company is committed to the principles of effective corporate governance and application of the highest ethical standards in the conduct of its business and affairs. The Directors endorse the King Code and recognise the need to conduct the affairs of the Company with integrity and in accordance with generally accepted corporate practices. The Directors recognise that they are ultimately responsible for the financial performance of the Company. A full analysis of the corporate governance in the Group and the steps taken by the Company to comply with the King Code is set out in **Annexure 14** .

8 DIRECTORS' DECLARATIONS

None of the Company's Directors and senior managers:

- has been declared bankrupt or insolvent, or has entered into an individual voluntary compromise arrangement to surrender his or her estate;
- is or was a director with an executive function of any company at the time of (or within 12 months preceding), any business rescue, or any company that has adopted a resolution proposing business rescue or made application to be put under business rescue or any notices in terms of section 129(7) of the SA Companies Act, or any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any compromise or arrangement with its creditors generally or with any class of its creditors;
- is or has been a partner in a partnership at the time of, or within 12 months preceding, any compulsory liquidation, administration or voluntary arrangements of such partnership;

- is or has been a partner in a partnership at the time of, or within 12 months preceding, a receivership of any assets of such partnership;
- has had any of his or her assets subject to receivership;
- is or has been publicly criticised by any statutory or regulatory authorities, including recognised professional bodies or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- is or has been convicted of any offence involving dishonesty;
- has been removed from an office of trust on the grounds of misconduct involving dishonesty; and/or
- has been declared delinquent or placed under probation in terms of section 162 of the SA Companies Act and/or section 47 of the Close Corporations Act, No 69 of 1984, as amended, or has been disqualified by a Court to act as a director in terms of section 69 of the SA Companies Act.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS AND SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER INFORMATION

This discussion and analysis of the financial condition and results of operations of HomeChoice Holdings is based on financial information derived principally from the audited financial statements of HomeChoice Holdings for the financial years ended 31 December 2011, 2012 and 2013, as well as the interim financial results for the six months ended 30 June 2013 and 2014, all of which appear elsewhere in this Pre-listing Statement, and should be read in accordance with such financial statements. The consolidated financial statements of the Group for the financial years ended 31 December 2011, 2012 and 2013 appear in **Annexure 3** and the interim financial results for the six months ended 30 June 2013 and 2014 appear in **Annexure 5** to the Pre-listing Statement and were prepared in accordance with IFRS.

The financial information of HomeChoice Holdings for the financial years ended 31 December 2011, 2012 and 2013 has been audited by PwC, Independent Reporting Accountants and Auditors, as stated in their report appearing in **Annexure 4** to this Pre-listing Statement. PwC has also reviewed the interim results for the six months ended 30 June 2013 and 2014, as stated in their report appearing in **Annexure 6** to this Pre-listing Statement.

1 OVERVIEW

HomeChoice Holdings has a proven track record of delivering profitable growth and sustained returns to shareholders, supported by a strong balance sheet.

The following table contains key performance indicators of the Group's audited results for the financial years ended December 2011, 2012 and 2013 and reviewed six months results to June 2014 and June 2013.

		Reviewed six months ended Jun 2014	Reviewed six months ended Jun 2013	Audited year ended Dec 2013	Audited year ended Dec 2012	Audited year ended Dec 2011
Revenue	(R'000)	**860 632**	762 179	1 661 952	1 434 359	1 121 060
Revenue growth	(%)	**12,9**	21,7	15,9	27,9	28,9
		on June 2013	on June 2012			
Gross profit	(R'000)	**225 742**	202 722	456 959	430 077	357 918
Retail gross profit margin	(%)	**50,1**	49,5	49,1	51,1	53,4
Operating profit	(R'000)	**229 650**	201 503	438 321	402 862	341 591
Operating profit growth	(%)	**14,0**	11,0	8,8	17,9	36,8
		on June 2013	on June 2012			
Operating profit margin	(%)	**26,7**	26,4	26,4	28,1	30,5
EBITDA	(R'000)	**239 655**	207 466	450 174	412 565	352 485
Growth in EBITDA	(%)	**15,5**	10,9	9,1	17,0	36,8
		on June 2013	on June 2012			
Profit after tax	(R'000)	**158 169**	141 871	309 323	284 497	239 996
Cash generated by operations	(R'000)	**96 847**	109 679	278 010	153 718	143 508
Distribution cover	(times)	**2,6**	3,2	2,8	5,6	2,8
Return on equity	(%)	**23,8**	25,4	26,3	29,8	31,9
		annualised	annualised			
NAV per share	(cents)	**1 367,2**	1 153,2	1 275,8	1 062,0	829,9

Revenue has shown good growth during the last three years despite the tough trading environment. Market conditions started to deteriorate in the latter part of 2012 due to increasing pressure on consumers, higher levels of consumer indebtedness and a weakening exchange rate. In response to the deterioration in the credit environment, the Group took decisive action by tightening credit policy, resulting in slower growth rates.

The group, however, continues to experience good demand from customers for both the Retail and Financial Services offerings. This is due to the focus on product innovation, range extension, marketing and sound operational execution.

Growth has been supported by the significant expansion in the mass middle market which is benefiting from real wage increases, higher social grants, increasing levels of home ownership and rising living standards. The Group's LSM 4 to 8 target customer profile accounted for 73% of the South African population in 2013, compared to only 51% in 2001.

While consumers in the Group's target market have faced increasing pressure on disposable income in recent years from high transport, food and utility costs, customers have been fairly resilient and this is reflected in the growth of HomeChoice and FinChoice over the past three and a half years.

Growing demand from customers to shop on the Internet and via mobile phones has driven a 34% increase in online sales in the six months to June 2014. E-commerce accounted for 9,3% of retail sales in the period to June 2014. The strategic focus of increasing sales outside of South Africa has resulted in revenue increasing 36,5% to June 2014, with Africa representing 11,8% of retail sales.

Considering the depreciation of the Rand against the US Dollar and the fact that the majority of the merchandise is imported, the gross profit margin has been well managed over time through repricing and reconfiguration of the merchandise offer.

As early credit metrics started to deteriorate in 2012, the group significantly tightened credit policy, maintained its shorter-term focus and limited loan sizes. This strategy coupled with increases in debtors provisions had a negative impact on the Group's performance in the 2013 financial year.

The tightening of the credit policy has, however, led to an improvement in the Group's credit performance during the first six months of 2014. Further details are provided in the Debtor costs section below.

Operating profit margin is strong and has shown a marginal deterioration from 30,5% in 2011 to 26,7% for the half year to June 2014.

The Group has also experienced good growth in cash generated from operations which has increased from R143,5 million in 2011 to R278,0 million in 2013. Cash generated from operations for the half year to June 2014 reduced to R96,8 million due to the increased investment in working capital. Due to credit cuts over the past two years, we saw strong cash collections from the book during the first six months of 2014.

The net debt to equity of the group has increased slightly in recent years, but remains low at 18,7% at June 2014. Debt has increased due to investment for future growth, including the implementation of an ERP system and a new 200 000 m^3 distribution centre completed at a cost of R150 million in January 2014.

The group has a strong balance sheet which continued to strengthen over the past three and a half years with net asset value per share increasing from 829,9 cents in 2011 to 1 367,2 cents in June 2014.

Return on equity has reduced from 31,9% in 2011 to 26,3% in 2013 but is still strong at 23,8% on an annualised basis until June 2014.

Dividend cover has been around 2,8 times and the board plans to reduce the cover level to between 2,5 to 2,2 times from the 2014 financial year.

The Board and management have identified four key metrics against which the performance of the Group can be evaluated.

Performance indicator	Medium-term target range	**Reviewed six months ended Jun 2014**	Reviewed six months ended Jun 2013	Audited year ended Dec 2013	Audited year ended Dec 2012	Audited year ended Dec 2011
Retail gross profit margin (%)	48 – 52	**50,1**	49,5	49,1	51,1	53,4
Operating profit margin (%)	25 – 30	**26,7**	26,4	26,4	28,1	30,5
Return on equity (%)	27 – 32	**23,8**	25,4	26,3	29,8	31,9
Distribution cover (times)	2,2 – 2,8	**2,6**	3,2	2,8	5,6	2,8

2 FINANCIAL PERFORMANCE

2.1 Revenue

The group experienced good demand from customers during the last three and a half years, with Group revenue increasing by 15,9% to R1 662,0 million for the 2013 financial year compared to R1 434,4 million for the 2012 financial year. This growth trend has continued into the 2014 financial year, with revenue increasing by 12,9% to R860,6 million in the six months to June 2014.

2.2 Gross profit margin

The gross profit margin has been well managed during the last three years given the deterioration of the Rand against the US Dollar which started in September 2011, when the Rand was at R7,00 to the US Dollar, compared to the weakest level of R11,10 in February 2014 and to where it ended in June 2014 at R10,60. The majority of merchandise is imported and US Dollar denominated. In the six months to June 2014, the gross margin improved to 50,1% from 49,5% in the comparative period in 2013. This was achieved through good margin management across the supply chain.

At the current reported levels the gross profit margin remains within the Group's medium-term target range of 48% to 52%. The gross profit margin is managed through price increases to customers, changing the product offer by adding or removing components and re-engineering the product, and by adjusting the merchandise mix.

2.3 **Finance charges and initiation fees earned**

Group finance charges and initiation fees earned increased by 24,4% to R619,8 million in 2013 from R498,1 million in 2012, compared to retail sales growth of 10,5%. This is owing to the slightly longer average repayment terms in retail (14,1 months in 2013 versus 13,7 months in 2012) and FinChoice, which has a higher finance charge proportion, growing by 23,8%. Finance charges and initiation fees earned in the first six months of 2014 increased by 15,1% to R342,7 million compared to R297,7 million in the prior period, again showing the higher contribution from FinChoice and also due to a shift by customers to slightly longer credit terms in both the retail and financial services businesses.

2.4 **Fees from ancillary services**

Fees from ancillary services increased by 18,6% from R94,8 million in 2012 to R112,4 million in 2013.This was due to FinChoice growing at 23,8% and an increase in the monthly service fee charged to HomeChoice customers from R15 to R16 per month, which is well below the maximum of R57 that can be charged in terms of the National Credit Act. Fees from ancillary services increased by 21,1% in the first half of the 2014 financial year, due to FinChoice growing at 15,1% and an increase in insurance income.

2.5 **Debtor costs**

The following table gives a detailed breakdown of trade and other receivables and debtor costs for the past three financial years and the six-month period to June 2014 and June 2013.

Trade and other receivables

		Reviewed six months ended Jun 2014 R'000	Reviewed six months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000	Audited year ended Dec 2012 R'000	Audited year ended Dec 2011 R'000
Trade receivables – Retail		**863 183**	771 936	845 730	716 006	534 763
Provision for impairment		**(157 267)**	(142 381)	(159 355)	(132 478)	(92 486)
		705 916	629 555	686 375	583 528	442 277
Loans receivable – Financial Services		**608 174**	485 100	525 116	464 438	331 914
Provision for impairment		**(70 541)**	(60 637)	(63 036)	(52 792)	(35 334)
		537 633	424 463	462 080	411 646	296 580
Other receivables		**18 315**	14 952	21 466	25 603	10 856
Trade and other receivables		**1 261 864**	1 068 970	1 169 921	1 020 777	749 713
Retail						
Debtor costs		**91 994**	93 077	212 002	149 997	94 936
Debtor costs as a % of revenue	(%)	**13,6**	15,4	15,8	12,7	10,0
Debtor costs as a % of gross receivables	(%)	**21,3**	24,1	25,1	20,9	17,8
Provision for impairment as a % of gross receivables	(%)	**18,2**	18,4	18,8	18,5	17,3
Non-performing loans as a % of book	(%)	**8,5**	10,2	10,1	8,6	7,9
Financial Services						
Debtor costs		**62 362**	52 169	104 461	77 772	53 151
Debtor costs as a % of revenue	(%)	**34,2**	32,9	33,1	30,5	29,3
Debtor costs as a % of gross receivables	(%)	**20,5**	21,5	19,9	16,7	16,0
Provision for impairment as a % of gross receivables	(%)	**11,6**	12,5	12,0	11,4	10,6
Non-performing loans as a % of book	(%)	**3,7**	5,1	4,0	3,3	2,9
Group						
Debtor costs		**154 356**	145 246	316 463	227 769	148 087
Debtor costs as a % of revenue	(%)	**17,9**	19,1	19,0	15,9	13,2
Debtor costs as a % of gross receivables	(%)	**21,0**	23,1	23,1	19,3	17,1
Provision for impairment as a % of gross receivables	(%)	**15,5**	16,2	16,2	15,7	14,7

During the last two years, the South African credit market has been in a negative cycle. This has been driven by significant increases in term and value of loans over the last five years.

In response to this the Group tightened credit policy significantly in the past two years, maintained its shorter term focus and limited loan sizes. This strategy, coupled with increases in debtor provisions, had a negative impact on the group's performance in the 2013 financial year.

Debtor costs as a percentage of revenue increased from 15,9% in 2012 to 19,0% in 2013.

This defensive position, together with further tightening of the credit policy in 2013, delivered positive results for the Group in the first half to June 2014. Group debtor cost growth was contained to an increase of only 6,3% to R154,4 million compared to revenue growth of 12,9%. Debtor costs as a percentage of revenue reduced to 17,9% in the half year to June 2014, compared to 19,1% in the corresponding period last year.

The strong focus on cash collections combined with effective credit management is also evident in the reduction of the provision for impairment from 16,2% to 15,5% of gross receivables at June 2014. The group's provisioning policy remains consistent and conservative within the negative credit cycle to ensure that bad debts are fully provided for.

The higher Retail bad debt write-off in the first quarter of 2014 materialised as expected, but write-off values have declined subsequently. This was expected and adequately provided for at the end of 2013. The benefits of the defensive position are evident in the level of risk taken onto the book and has resulted in improved roll rates and collections, and better arrears distribution on the active book. Vintage and early tracking metrics subsequent to the credit cuts have improved and remain stable at targeted levels. This is reflected in the non-performing loans (accounts 120 days or more in arrears) ("NPL") as a percentage of the book reducing over the interim period in 2014 to 8,5% from 10,1% in December 2013. Retail debtor costs as a percentage of revenue have reduced significantly to 13,6% (December 2013: 15,8%).

The relatively short-term nature of the FinChoice book and the early write-off policy after four months of missed payments means that bad debts flow quickly through the book. Improvements in new loan risk therefore affect the arrears distribution rapidly. The arrears distribution of the book has improved, on the back of lower risk accepted on new loans. The FinChoice book non-performing loans have reduced to 3,7% in June 2014 from 4,0% in December 2013. Provisioning has consequently been reduced to 11,6% (December 2013: 12,0%). The FinChoice debtor cost sas a percentage of revenue increased to 34,2% in June 2014 from 33,1% at December 2013. The increase was driven by debt review applications which remained at the high levels seen in the second half of 2013, although they have recently levelled off at 1,0% of the book. FinChoice has a very conservative policy of writing off loans when customers enter debt review. Conversely, early risk metrics demonstrate an improvement from the higher levels of risk accepted in the first half of 2013.

Other trading expenses

Expense	**Reviewed six months ended Jun 2014 (R'000)**	Reviewed six months ended Jun 2013 (R'000)	Audited year ended Dec 2013 (R'000)	Audited year ended Dec 2012 (R'000)	Audited year ended Dec 2011 (R'000)
Marketing	**84 687**	62 857	138 809	119 789	98 457
Staff	**95 465**	88 635	173 850	164 490	129 896
Other	**70 177**	55 997	122 080	113 841	94 604
Total other trading expenses	**250 329**	207 489	434 739	398 120	322 957

In the 2013 financial year, other trading expenses increased by 9,2%, and reduced as a percentage of revenue from 27,8% to 26,2%. The group's flexible business model, with more variable than fixed costs, allows for greater flexibility to manage costs during tough credit cycles when revenue growth is slower due to credit cuts.

In the period to June 2014, other trading expenses as a percentage of revenue have increased from 27,2% in 2013 to 29,1% in 2014. This performance metric is always slightly higher at the interim reporting period due to the higher sales proportion in the second half of the year. Other trading expenses increased by 20,6% to R250,3 million for the half year to June due to higher marketing costs relating to the tighter credit criteria and increased new customer acquisition, one-off costs from the move to the new warehouse and an increase in the depreciation charge due to the investment in the distribution centre and the implementation of the ERP system.

2.6 Operating margin and operating profit

Group operating margin reduced from 28,1% in 2012 to 26,4% in 2013, translating into an increase in operating profit of 8,8% from R402,9 million to R438,3 million. Group operating margin for the six months ended June 2014 was 26,7% compared to 26,4% in 2013, with a 14,0% increase in operating profit to R229,7 million (2013: R201,5 million).

3 SEGMENTAL PERFORMANCE

3.1 Retail

The HomeChoice retail business increased revenue by 14,2% from R1 178,0 million in 2012 to R1 344,8 million in 2013. Growth benefited from continued product innovation through the extension of the core merchandise offering. Revenue increased by 12,3% for the first six months of 2014 from R603,2 million to R677,7 million. In January 2014 the move to the new custom-built distribution centre was successfully completed with minimal disruption to the business. Management had planned cautiously, reducing revenue targets for the first quarter, which limited revenue growth for the first half.

The gross profit margin reduced from 51,1% in 2012 to 49,1% in 2013, mainly due to the 22% weakening of the Rand during that year, as referred to in point 2 above. The margin was further impacted by stock clearance ahead of the move to the new warehouse and a product mix change owing to increased sales of lower-margin merchandise categories. Good margin management across the supply chain limited the impact of Rand weakness on merchandise imports during the first six months of 2014 and enabled the group to improve gross profit margin by 60 basis points to 50,1%.

Segmental profit increased by 5,7% from R263,0 million to R277,9 million in 2013, with the segmental margin declining from 22,3% to 20,7%. Segmental profit for the period to June 2014 was 12,4% higher at R131,4 million (2013: 116,9 million).

Cash generated from operations in 2013 was up 23,9% year-on-year owing to the slower growth of the retail business. In the period to June 2014 the growth in cash generated from operations improved strongly due to the slower growth of the retail business as well as improved collections from the book

3.2 Financial Services

The strategic focus has remained on offering personal loans to proven HomeChoice retail customers on short terms to limit event risk. FinChoice continued to adopt a cautious approach to lending in the subdued market environment.

FinChoice increased revenue by 23,8% from R255,2 million in 2012 to R315,9 million in 2013. The tightened credit policy introduced in 2013 was maintained into 2014 and revenue growth rates moderated as expected, growing by 15,1% to R182,3 million (2013: R158,4 million) for the first half of 2014. Due to the annuity income nature of the FinChoice book, the slower growth rate of loans disbursed had a limited impact on the revenue growth rates in 2013. The maximum loan term is 36 months, which accounted for only 7,1% of the book in June 2014 (December 2013: 5,0%). The average product term in the book increased marginally to 18,7 months by June 2014 (December 2013: 18,2 months), with the average loan value increasing by 7,4% to R7 804.

Segmental profit (operating profit after interest received and interest paid) increased 17,0% to R116,4 million in 2013 from R99,4 million in 2012 as the segmental margin declined from 39,0% to 36,8% in 2013. While growth rates have slowed as the business becomes more established, FinChoice contributed 26,6% of the Group's operating profit in 2013 compared to 24,7% in 2012.

Segmental profit was 16,0% higher at R73,0 million to June 2014 compared to R63,0 million in the previous period and the segmental margin increased from 39,8% for June 2013 to 40,1% for June 2014.

FinChoice generated cash from operations in 2013 of R98,3 million (2012: R13,6 million) due to slower growth rates. This cash generation trend has reversed in the first half of 2014, with R9,0 million cash generated (2013: R12,9 million). This is due to higher growth rate of loans disbursed in 2014.

4 STATEMENT OF CASH FLOWS

HomeChoice Holdings is cash generative despite being a credit-based business.

Cash generated from operations showed very strong growth in 2013, increasing by 80,9% to R278,0 million due to the slower growth of the business as well as a good cash yield from both the debtors' and loan books. Cash management and collections remain a focus in the business and the level of cash had improved despite the longer terms of 24 months being offered to qualifying customers.

Cash generated from operations reduced by 11,7% to R96,8 million till June 2014. The investment in working capital in the first six months of 2014 of R145 million is due to the increase in inventories and the growth of the retail and financial services debtor and loan books. The latter reflects the continued revenue growth of the group.

5 CAPITAL MANAGEMENT

The group's capital management strategy is focused on investing in the organic growth of the business, expanding the group's customer base and identifying opportunities for new businesses or markets to optimise returns to shareholders, while ensuring adequate capital to support growth.

Capital expenditure amounted to R162 million in 2013, R60 million in 2012 and R41 million in 2011. For the half year till June 2014 the capital expenditure was R19 million. The major capital items over the past three years included the development of the new distribution centre, the purchase of computer equipment, the development of a new ERP system (only Phase 1 has been implemented to date) and the acquisition of the building adjacent to the head office to make provision for future call centre space.

The net debt to equity ratio remains low at 18,7% (Dec 2013: 14,8%). The group's balance sheet continues to strengthen with the net asset value per share increasing by 7% to 1 367,2 cents in June 2014 (31 December 2013: 1 275,8 cents).

6 OFF-BALANCE SHEET ARRANGEMENTS

HomeChoice has no off-balance sheet arrangements as at the Last Practicable Date.

7 CONTINGENT LIABILITIES

HomeChoice has no contingent liabilities as at the Last Practicable Date.

1 HISTORICAL FINANCIAL INFORMATION

HIL was only incorporated on 22 July 2014, so it has not yet completed its first financial year and has no trading history. Historical financial information in respect of the last three financial periods of HIL are accordingly not available, but the financial statements of HIL in respect of the two-month period between incorporation and 30 September 2014 are annexed to this Pre-listing Statement as **Annexure 1**. The Reporting Accountants' report on the financial information is annexed to this Pre-listing Statement as **Annexure 2**.

The report of historical financial information of HomeChoice Holdings and its subsidiaries in respect of the last three financial years, being the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 are annexed to this Pre-listing Statement as **Annexure 3**. The Reporting Accountants' report on this this report of historical financial information is annexed to this Pre-listing Statement as **Annexure 4**.

The reviewed interim financial information of HomeChoice Holdings and its subsidiaries in respect of the six months ended June 2014 are annexed to this Pre-listing Statement as **Annexure 5**. The Reporting Accountants' report on the interim financial information is annexed to this Pre-listing Statement as **Annexure 6**.

PRO FORMA FINANCIAL INFORMATION

The consolidated *pro forma* statements of comprehensive income and financial position of HIL and its subsidiaries as at 30 June 2014 and the *pro forma* earnings and net assets per HIL Share as at 30 June 2014, assuming that the Listing occurs, and the explanatory notes thereto are set out in **Annexure 7** to this Pre-listing Statement and should be read in conjunction with the Independent Reporting Accountants' report thereon contained in **Annexure 8**. These *pro forma* financial effects are the responsibility of the directors of HIL and they have been prepared for illustrative purposes only, in order to provide information on how the Listing might have impacted on the financial position, changes in equity and results of operations of HIL and its subsidiaries assuming that the Listing was effected on 1 January 2014 for purposes of the *pro forma* statement of comprehensive income; and 30 June 2014 for purposes of the statement of financial position.

DIVIDENDS AND DIVIDEND POLICY

Distributions to shareholders

HIL is a recently formed company, which has not traded. HIL has never declared any dividends.

A summary of distributions declared by HomeChoice Holdings in respect of the HomeChoice Holdings Shares since 31 December 2011 is set out below.

In respect of the years ended	Dividends paid	Dividends paid in cents per share	Dividend cover for year
31 December 2011	Yes	85*	2,8*
31 December 2012	Yes	50	5,6
31 December 2013	Yes	110	2,8

* Includes a reduction in share premium of 35 cents per share.

Dividend policy

The Company intends declaring dividends semi-annually in November and May respectively. The Directors will seek to ensure that the future annual dividend will be covered between 2,2 times and 2,5 times by headline earnings. There is, however, no assurance that a dividend will be paid in respect of any financial period, and any future dividends will be dependent on the cash requirements of HIL and the Group for expansion and other growth opportunities. The Board reserves the right to change the dividend policy from time to time.

In accordance with the Articles of Association, all unclaimed dividends may be invested or otherwise held in trust for the benefit of the Company until claimed, subject to the laws of prescription. Dividends shall be declared payable to shareholders of the Company as at a date subsequent to the date of declaration or date of confirmation of the dividend, whichever is later. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Board or the shareholders at the time of declaration, subject to the Malta Companies Act and the Listings Requirements. There are no current arrangements under which future dividends are waived or agreed to be waived. Relevant extracts of the Articles of Association relating to dividends are set out in **Annexure 12** to this Pre-listing Statement.

RISK FACTORS

You should carefully consider the risk factors described below and all other information contained in this Pre-listing Statement before you decide to invest in the HIL Shares. If any of the following risk factors, as well as other risks and uncertainties that are not currently known to the Company or the Group or that it currently believes are not material, actually occur, the Company or Group's business, financial condition and results of operations could be materially and adversely affected. Accordingly the trading price of the HIL Shares could decline, and you may lose part or all of your investment.

1 BUSINESS RELATED RISKS

1.1 Disruptions to IT systems and infrastructure

The Group is highly dependent on the effective operation of its information systems. The Group has certain controls to mitigate power loss and provide redundancy on the failure of telephony providers, however disruptions to systems or services provided by third-party suppliers would impact upon the Group's ability to transact with customers.

1.2 Failure to secure business data

As a data rich direct marketing business, the Group is dependent upon the availability and integrity of its data for marketing, credit risk processes and customer engagement. The Group has accumulated a wealth of customer purchase, payment and contactability data and the failure to secure this, and data related to the customer list, could adversely affect the Group's competitive advantage.

1.3 Major disaster at the head office or distribution centre

The Group has centralised operations at its head office and distribution centre. A major disaster at either of these locations is likely to have a material impact on the Group's operations. The Group maintains insurance cover in respect of stock, and loss of profits cover in the event of damage or destruction, however, the Group may suffer harm to its brand in such an event.

1.4 Loss of key executives and staff

The success of the Group is based, in part, on the strategic and operational contributions of its executives, senior management and other key staff. The Group operates in an environment in which there is a scarcity of direct marketing, retail and financial services skills, and the Group's accumulated talent and experience may not be readily replaced in the short term. The loss of key employees may disrupt the Group's business operations.

1.5 Supplier risk

The Group has a base of committed suppliers with whom it has built relationships over a number of years. The Group ensures that these relationships are actively maintained and, where appropriate, have identified alternative sources of supply. These suppliers are, however, subject to operational risks beyond the control of the Group, and where such risks may cause delays or increased costs, these effects may be passed onto the Group.

1.6 Not correctly forecasting customer demand

The Group's merchandise offering is a strong driver of demand and it is essential that the Group is able to anticipate consumer trends and buy accordingly. If the Group is unsuccessful in forecasting developing trends or the demand for new products, the company may have stock shortages, which may negatively impact on the customer experience, or be overstocked, which may result in clearance sales or write-offs which could adversely affect margins.

1.7 Risks related to credit

The Group's strategic focus on the middle-income mass emerging market has credit risk. Whilst the Group strictly manages the granting of credit, the Group serves borrowers who display varying credit risk profiles and hence there are a variety of credit-related risks which the Group has to manage, including risks related to identifying creditworthy borrowers, approving borrowers for loans, monitoring loan exposure, collecting amounts due and recovering on nonperforming loans.

2 SYSTEMIC RISKS

2.1 Environment in South Africa

Political, economic and general business conditions in South Africa may affect consumer confidence and spending, particularly in respect of the products sold by the Group, which are discretionary products. Period of sustained low or no growth in the local economy may have adverse effects on the Group's revenues and cost of bad debt.

In general, South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among its people. The South African Government has taken a number of significant steps towards addressing the social and economic problems in South Africa, although certain problems still exist. While South Africa features a highly developed financial and legal infrastructure at the core of its economy, it has high levels of unemployment, poverty and crime. Particular considerations include how the South African Government will ultimately address such tensions and problems, to what extent its efforts will be successful, the political, social and economic consequences of such efforts and the effect on South African businesses of the continuing integration of the South African economy with the economies of the rest of the world.

The economic direction of South Africa may be influenced by the extent to which the South African Government, organised labour and business are able to agree upon common goals and the means of achieving them. While the Group believes that the economic sentiment is positive for the future, these social and economic problems may have a negative impact on the South African economy and in turn may have an adverse effect on the Group's operations and on its business and financial performance as a whole.

2.2 **Increased trade restrictions**

Given the relatively high level of imports, the introduction of additional quotas, import duties or other trade restrictions could increase the cost of the supply of products to the Company, and may require the Group to consider alternative supply sources, disrupting operations and significantly adversely affecting the profitability of the Company.

2.3 **Exchange rate, interest rate and inflation fluctuations**

Sudden changes in the exchange rate may affect the costs of goods imported, directly and indirectly. Significant and sudden increases in local interest rates may curb consumer expenditure, however, it will increase interest income. Furthermore, higher inflation rates may curb the Company's profitability where such increased inflation rates are not associated with increased productivity.

2.4 **Legal and regulatory risk**

The Group's activities are subject to legal and regulatory restrictions. Changes to such laws and regulations and/or changing interpretations of existing regulatory provisions may adversely affect the environment in which the Group operates and compliance with any changes to these laws and regulations could result in material costs being incurred by the Group. While the Group endeavours to ensure that it at all times complies with the applicable statutory and regulatory requirements, there is always a degree of uncertainty in this regard. Legislative compliance is incorporated in the Group's risk management processes and is reviewed with external advisors when considered appropriate. The Group will continue to actively monitor its regulatory compliance, take appropriate advice, and make any necessary adjustments to its operational procedures and products as and when required. There is however, the risk that the Group may be unaware of current instances of non-compliance with legislation. Failure by the Group to comply with any such laws or regulations may result in fines, penalties, liability and/or legal action, such as mandatory shutdowns, damages, criminal prosecutions, financial penalties, injunctive actions, loss of trade agreements and contracts and reputational damage and may also necessitate costly remedial actions and could limit the Group's ability to recover and enforce its rights against consumers. Certain key legislation and regulations to which the Group is currently subject is listed below:

- National Credit Act, No 34 of 2005
- Consumer Protection Act, No 68 of 2008
- Financial Advisory and Intermediary Services Act, No 37 of 2001
- SA Companies Act, No 71 of 2008
- Protection of Personal Information Act, No 4 of 2013

3 RELATED TO THE LISTING

3.1 **Share price volatility**

The market price of the HIL Shares may fluctuate due to a number of factors outside of the control of the Company, including changes in general market conditions, the general performance of the JSE, the general state of the economy, prevailing market sentiment regarding the Consideration Shares or similar securities, speculation regarding the HIL Shares or the Company's prospects, sales of the HIL Shares, regulatory changes affecting the Company's operating environment and the performance of competitors or similar listed companies. In addition, variation in the operating results and business prospects of the Company from time to time could result in declines in the price of the HIL Shares.

3.2 **Dividends**

The Company's ability to pay dividends to the holders of HIL Shares is dependent on the satisfaction of the solvency and liquidity requirements of the Malta Companies Act and the availability of distributable earnings, or other free cash flow. The Board has the right to change the dividend policy from time to time.

3.3 **Liquidity risk**

There can be no assurance that an active market for trade in the HIL Shares will develop after the Listing. In the event that an active trading market in respect of the HIL Shares fails to develop, the liquidity of the HIL Shares will be adversely affected, which may result in decreases in the market price of the HIL Shares.

3.4 **Key shareholders**

GFM beneficially owns approximately 72,1% of the HIL Shares as at the Listing Date. As a result, GFM may be able to exercise significant influence over matters requiring shareholder approval, including the election of the members of the Board and significant corporate transactions.

PARTICULARS OF THE LISTING

1 PURPOSES OF THE LISTING

The Board believes that the Group structure is not conducive to facilitating expansion outside of South Africa. Creating an international holding company domiciled in Malta will enable faster and more efficient allocation of capital to accelerate growth in Africa. The Board also believes that the Listing will improve incentives for directors, managers and employees by making their shares more tradeable and will attract and retain talented and scarce management and staff skills. Furthermore, the Listing will allow the Group to gain access to an alternative source of funding to the internal and external sources of funding which are currently being utilised by the Group.

2 LISTING OF HIL SHARES ON THE JSE

The JSE has granted HIL an inward listing by way of introduction in respect of all of its ordinary shares in the "General Retailers: Broadline Retail" sector on the Main Board of the JSE under the abbreviated name "HomChoice", symbol "HIL" and ISIN MT0000850108, with effect from 4 December 2014.

3 SOUTH AFRICAN EXCHANGE CONTROL REGULATIONS

Trading in HIL Shares subsequent to the Listing may only be done in terms of the Exchange Control Regulations. Set out below is a summary of the Exchange Control Regulations relating to the trade in HIL Shares in South Africa only. This summary of the Exchange Control Regulations is intended as a guide only and is therefore not comprehensive. If you are in any doubt you should consult an appropriate professional advisor immediately.

3.1 South African private individuals

The acquisition of shares on the market by a South African private individual will not affect such person's foreign investment allowance under Exchange Control Regulations.

A South African private individual need not take any additional administrative actions and can instruct its broker to accept, buy and sell shares on its behalf in HIL as it would with any other listed security on the JSE. Such shares are on the South African register and are Rand-denominated.

3.2 South African institutional investors

As announced by the Minister of Finance in the 2011 Medium-Term Budget Policy Statement, all inward listed shares on the JSE traded and settled in Rand are now classified as domestic for the purposes of Exchange Control. Accordingly, South African retirement funds, long-term insurers, collective investment scheme management companies and investment managers who have registered with the SARB Exchange Control Department as institutional investors for Exchange Control purposes and authorised dealers approved as such by SARB may now invest in such shares without affecting their permissible foreign portfolio investment allowances or foreign exposure limits.

South African institutional investors may therefore acquire shares on the market without affecting their foreign portfolio investment allowances or foreign exposure limits.

3.3 South African corporate entities, banks, trusts and partnerships

South African corporate entities, banks, trusts and partnerships may acquire shares on the market without restriction.

3.4 Non-residents of the common monetary area

Non-residents of the common monetary area may acquire shares on the market, provided that payment is received in foreign currency or Rand from a non-resident account.

Non-residents may sell HIL shares on the market and repatriate the proceeds without restriction.

Where shares are subsequently re-materialised and issued in certificated form, such share certificates will be endorsed "Non-resident" in terms of the Exchange Control Regulations.

3.5 Emigrants

Former residents of the common monetary area who have emigrated may use emigrant blocked funds to acquire the shares on the market. The shares will be credited to their blocked share accounts at the Central Securities Depository Participant controlling their emigrant blocked portfolios.

The sale proceeds derived from the sale of the shares will be transferred to the authorised dealer in foreign exchange controlling the emigrants' blocked assets for credit to the emigrants' blocked account.

INCORPORATION, HISTORY AND SHARE CAPITAL

1 HISTORY AND INCORPORATION

HomeChoice International P.L.C. was duly incorporated in the Republic of Malta as a public company under the laws of Malta on 22 July 2014, under registration number C66099 and is operating in conformity with its Articles of Association.

HomeChoice South Africa P.L.C. was incorporated in the Republic of Malta as a public company under the laws of Malta on 14 October 2014, under registration number C67092.

HomeChoice Holdings Limited (registration number 1991/005430/06), a public unlisted company, was initially incorporated under the laws of South Africa as a private company on 26 September 1991 and converted to a public company on or about 15 August 1996.

In September 1996, HomeChoice Holdings listed all of its Shares on the JSE by way of a private placement and an offer to the public.

HomeChoice Holdings voluntarily terminated its listing of its shares on the JSE in February 2003 by way of an ordinary resolution of shareholders.

2 SHARE CAPITAL

In terms of the Scheme, HIL acquired all the HomeChoice Holdings Shares from the shareholders of HomeChoice Holdings for the Scheme Consideration. The Scheme was implemented on or about 27 November 2014, immediately prior to the issue of this Pre-listing Statement. The Scheme is subject to a resolutive condition that if the Listing has not occurred within 30 (thirty) days after the implementation of the Scheme, which is expected to be on or about 27 November 2014 (or such later date or dates as may be agreed to between HIL and HomeChoice Holdings and approved by SARB) the Scheme will cease to be of any further force or effect and Scheme Participants will be placed as near as may be possible to the positions which they were in prior to the implementation of the Scheme, as follows: (i) Scheme Participants' Consideration Shares will be automatically reacquired by HIL at no consideration; and (ii) HIL will retransfer the HomeChoice Holdings Shares held by Scheme Participants to Scheme Participants.

HIL's authorised and issued share capital as at the Last Practicable Date and upon the issuing of the Scheme Consideration is expected to be as follows:

	Number of HIL Shares at Last Practicable Date	Number of HIL Shares after issuing of the Scheme Consideration
Authorised share capital		
Ordinary par value shares of 1 (one) cent each	200 000 000	200 000 000
Issued share capital		
Ordinary par value shares of 1 (one) cent each	72 900 000	101 379 351

All HIL Shares in issue shall rank *pari passu* with each other in all respects, including in respect of voting rights and dividends. None of the HIL Shares will be convertible or redeemable. Furthermore, there are no founders' and management or deferred shares.

As at the Last Practicable Date, neither HIL, HIL SA nor any company in the HomeChoice Group, has any classes of securities listed on any stock exchange.

Neither HIL nor any of its subsidiaries hold any shares as treasury shares, as at the Last Practicable Date.

3 AUTHORITY TO ISSUE SHARES

In terms of the Articles of Association, subject to certain exceptions, the Board does not have the power to issue further HIL Shares unless: (i) the prior approval of shareholders by way of an ordinary resolution has been obtained; (ii) the Listings Requirements have been complied with; and (iii) the Malta Companies Act has been complied with.

Prior to the date of this Pre-listing Statement, the Shareholders of the Company have granted the Board a general authority to issue HIL Shares (referred to in the relevant resolution as "securities") for cash, subject to the provisions of the Articles of Association, Malta Companies Act and the Listings Requirements. The authority states that:

- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

- there will be no restrictions in regard to the persons to whom the securities may be issued, provided that such securities are to be issued to public shareholders (as defined by the Listings Requirements) and not to related parties (as defined by the Listings Requirements);
- the securities which are the subject of the general issue for cash may not exceed 15% (fifteen per cent) of the number of securities, excluding treasury shares, as at the date of the resolution, being 15 580 415 securities (15% of 103 869 438). Any securities issued under this authorisation during the period thereof will be deducted from the aforementioned 15 580 415 securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- the maximum discount at which the securities may be issued is 10% (ten per cent) of the weighted average traded price of those securities over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the Company and the party/ies subscribing for the securities. The JSE should be consulted for a ruling if the Company's securities have not traded in such 30 (thirty) business day period;
- the authority shall not endure beyond the earlier of the next annual general meeting of the Company or beyond 15 (fifteen) months from the date of this resolution, whichever is shorter; and

  after the Company has issued HIL securities in terms of the authority representing, on a cumulative basis within the period of this authority, 5% (five per cent) or more of the number of HIL securities in issue prior to that issue, the Company shall publish an announcement containing full details of the issue.

4 AUTHORITY TO REPURCHASE SHARES

Prior to the date of this Pre-listing Statement, the Shareholders of the Company have granted the Board a general authority to repurchase Shares upon such terms and conditions and in such amounts as the Directors may from time to time determine, subject to the provisions of the Malta Companies Act, the Articles of Association and the Listings Requirements. The Listings Requirements state that:

- any acquisition of HIL Shares shall be purchased through the order book of the trading system of the JSE, and done without any prior understanding or arrangement between the Company and the counterparty;
- the general repurchase by the Company of the HIL Shares are authorised by its Memorandum and Articles of Association;
- the acquisition complies with the provisions of Articles 106 and 107 of the Malta Companies Act;
- this general authority shall be valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of the resolution;
- the general repurchase of ordinary shares (in aggregate) in any one financial year do not exceed 20% (twenty per cent) of the Company's issued ordinary share capital as at the beginning of the financial year;
- a resolution has been passed by the Board confirming that the Board has authorised the general repurchase, that the Company passed the solvency and liquidity test (as defined in the Listings Requirements) and that since the test was done there have been no material changes to the financial position of the Group;
- the number of shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% (ten per cent) in aggregate of the number of issued shares in the Company at the relevant times;
- the repurchases must not be made at a price greater than 10% (ten per cent) above the weighted average of the market value of the Shares for the 5 (five) business days immediately preceding the date on which the transaction is effected and the JSE should be consulted for a ruling if the Company's securities have not traded in such 5 (five) business day period;
- at any point in time the Company may only appoint 1 (one) agent to effect any repurchase on the Company's behalf;
- subject to the exceptions contained in the Listings Requirements, the Company will not repurchase HIL Shares during a prohibited period (as defined in the Listings Requirements) unless they have in place a repurchase programme where the dates and quantities of Shares to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period; and
- an announcement complying with paragraph 11.27 of the Listings Requirements will be published by the Company (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% (three per cent) of the HIL Shares in issue as at the date of the resolution ("the initial number") and (ii) for each 3% (three per cent) in the aggregate of the initial number of the Shares acquired thereafter by the Company and/or its subsidiaries.

5 RIGHTS ATTACHING TO SHARES

The rights or restrictions attached to all or any HIL Shares and the consents necessary for the variation of the rights attaching to the HIL Shares are set out in clauses 4 and 38 of the Articles of Association, annexed to this Pre-listing Statement as **Annexure 12**. In accordance with the terms of the Articles of Association, the rights or restrictions attached to all or any HIL Shares of any class may be amended, modified, varied or cancelled by way of a special resolution in accordance with the Listings Requirements and extraordinary resolution in accordance with the Malta Companies Act, provided that no such amendment, modification, variation or cancellation shall be implemented without an extraordinary resolution adopted by the holders of Shares of that class at a separate meeting. The Articles of Association as at the Last Practicable Date only provides for one class of shares.

At a general meeting of shareholders, a shareholder who is present in person, by authorised representative or by proxy, shall have one vote on show of hands and on a poll every shareholder present in person, by authorised representative or by proxy, shall have one vote for every share held. No special voting powers are reserved to any founder, Director or other person.

All HIL Shares will be of the same class and will rank *pari passu* in every respect.

Set out in **Annexure 12** to this Pre-listing Statement are extracts from the Articles of Association dealing with the rights of holders of HIL Shares to dividends, profits and/or capital, including rights on liquidation and distribution of capital assets.

There are no preferential conversion and/or exchange rights of any securities of HIL.

In terms of the Articles of Association, dividends due to holders of HIL Shares which remain unclaimed may be invested or otherwise held in trust for the benefit of the Company until claimed, subject to the laws of prescription.

6 ALTERATIONS TO SHARE CAPITAL

There have been no alterations to HIL or HIL SA's share capital (including no subdivisions or consolidation of the share capital) during the three years preceding the date of issue of this Pre-listing Statement.

7 ISSUES OF SHARES

Upon HIL's incorporation on 22 July 2014, 72 899 999 HIL Shares were issued to Stockdale and 1 (one) HIL Share was issued to Gregoire Lartigue (Swiss passport number X0118875) at a subscription price equal to 25% of the par value thereof.

Pursuant to the implementation of the Scheme, on or about 27 November 2014:

- 101 379 351 HIL Shares were issued to the Scheme Participants in the ratio of 1 (one) HIL Share for every 1 (one) HomeChoice Holdings Share held; and
- The 72 899 999 HIL Shares held by Stockdale and the 1 (one) HIL Share held by Gregoire Lartigue (Swiss passport number X0118875) were repurchased by HIL at the subscription price paid for such HIL Shares at incorporation. Under the Malta Companies Act, the repurchased HIL Shares must be retained by the HIL for a three-month notice period (which period will start to run from the date that the appropriate notice is published by the Companies Registrar on the Companies Registry website and a local daily newspaper) after which they will be cancelled. In terms of Article 109 of the Maltese Companies Act, during the time which HIL holds these repurchases HIL Shares the shares will carry no voting or distribution rights.

Under the Malta Companies Act, HIL SA is required to be a public company for purposes of implementing the Scheme. Under the Malta Companies Act, public companies must have at least two shareholders. For this reason, Gregoire Lartigue will remain the holder of 1 (one) HIL SA Share until after the implementation of the Scheme, with all the remaining HIL SA Shares being held by HIL. As soon as possible after implementing the Scheme, HIL SA will, however, convert to a private company under the Malta Companies Act, upon which Gregoire Lartigue's 1 (one) HIL SA Share will be repurchased and cancelled by HIL SA at the subscription price paid for such HIL SA Share at incorporation. After such repurchase and cancellation, HIL SA will be a wholly-owned subsidiary of HIL.

Save as set out above, there have been no changes to the authorised or issued share capital of HIL or any of its subsidiaries during the three years preceding the Last Practicable Date.

8 OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES

Save as disclosed in paragraph 11 below in respect of HIL Share Options granted by in terms of the HIL Share Option Scheme, HIL is not a party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for HIL Shares.

9 OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES IN THE HILS SUBSIDIARIES

None of the HIL subsidiaries is a party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any shares in any subsidiary.

10 SHAREHOLDING

10.1 Controlling shareholders

As at the Last Practicable Date, Stockdale exercised control over HIL. Following the Listing, Stockdale, through GFM, will continue to exercise control over HIL.

10.2 Major shareholders

As at the Last Practicable Date, Stockdale holds 72 899 999 HIL Shares, constituting 99,99% of the issued HIL Shares.

On or about 7 November 2014, GFM entered into a share purchase and sale agreement with ADP II Holding 3 Limited, a subsidiary of African Development Partners II L.P., pursuant to which GFM has agreed to sell 10 000 000 Consideration Shares at a purchase price of R29,40 per Scheme Consideration Share. The agreement has become unconditional and the sale will be effective after the implementation of the Scheme but before the Listing Date.

African Development Partners II L.P. is a private equity fund that invests throughout Africa, and is advised by Development Partners International LLP, a London-based private equity advisory firm. Following its investment, African Development Partners II L.P. is expected to work with the Company to provide leadership, support and strategic direction to HIL, in its planned expansion into new countries and markets in Africa.

The following table presents information about shareholders, other than a director, that, directly or indirectly, is beneficially interested in 5% or more of the issued HIL Shares following the Scheme and as at the Listing Date:

Shareholdings as at after the Listing

Shareholder	Number of HIL Shares After the Listing	% of issued HIL Shares after the Listing
ADP II Holding 3 Limited	10 000 000	9,9
RMB Securities	9 487 033	9,4

11 HIL SHARE OPTION SCHEME

To facilitate the Scheme and ensure that holders of HomeChoice Holdings Share Options were placed in the same economic position before and after the Scheme, HIL made the Comparable Offer to such option holders in terms of Regulation 87 of the Takeover Regulations.

In terms of the Comparable Offer, the Option Participants were offered an equivalent number of HIL Share Options, at the same strike price and otherwise on substantially the same terms and conditions on which they hold the HomeChoice Holdings Share Options. Options in respect of the acquisition of 4 213 300 HIL Shares have been offered to and accepted by Option Participants in terms of the Comparable Offer.

The HIL Share Options are governed by the HIL Share Option Scheme, the salient features of which are attached to the Pre-listing Statement as **Annexure 13**.

In terms of the HIL Share Option Scheme, eligible employees ("Option Participants") are offered options to acquire HIL Shares. Non-executive Directors of HomeChoice Holdings and trustees of the HomeChoice Trust may not be Option Participants. The Option Scheme is regulated by the Rules of the HIL Share Option Scheme adopted by HIL on 21 November 2014 ("Scheme Rules").

A maximum of 10 000 000 HIL Shares may be acquired in aggregate by all Option Participants under the HIL Share Option Scheme. The maximum number of HIL Shares which may be acquired by any one Option Participant under the HIL Share Option Scheme is 1 000 000.

HIL Share Options generally vest four years after the offer date. No option premium or consideration is payable by Option Participants for the HIL Share Options. The purchase price for HIL Shares acquired under the exercise of an Option is the market price of the HIL Shares as at the date of the offer to the Option Participant of the relevant Option.

Subject to forfeiture or cancellation of the Option, Option Participants may generally exercise an Option between four and six years after the offer date by an exercise notice and accordingly the Options are American in nature.

Upon death, incapacity or retirement of an Option Participant before vesting of an Option, the Option will vest immediately and be deemed to have been exercised, unless the fair market value of the HIL Shares is less than the purchase price payable in respect thereof, in which event the Option is forfeited and cancelled.

If an Option Participant ceases to be employed for misconduct, poor performance, actions against the interests of HIL or its shareholders, resignation, or retrenchment, then all Options, whether vested or unvested, are forfeited and cancelled.

Settlement upon valid exercise of an Option may be by the issue by HIL of HIL Shares or other external third party to the Option Participant and/or may include the sale by the Option Participant of sufficient HIL Shares to settle the debt arising in respect of the purchase price.

The salient features of the HIL Option Scheme are set out in **Annexure 13** to this Pre-listing Statement. Full details of all HIL Share Options granted under the HIL Share Option Scheme to shareholders as at the Listing Date are set out in the table below.

Date of award	Number of recipients	Number of share options granted	Exercise price (R)	Vesting date
29-Nov-10	3	250 000	R5,84	29-Nov-14
20-May-11	260	155 400	R7,47	On listing
20-May-11	55	420 800	R7,47	20-May-15
03-Oct-11	7	315 000	R8,76	03-Oct-15
31-Mar-12	67	495 000	R10,64	31-Mar-16
15-Apr-12	1	100 000	R8,76	15-Apr-16
23-Jun-12	39	977 100	R10,64	23-Jun-16
01-Oct-12	3	30 000	R13,29	30-Sep-16
20-Mar-13	1	400 000	R10,00	20-Mar-17
20-Mar-13	20	125 500	R13,88	20-Mar-17
01-Aug-13	1	10 000	R13,88	01-Aug-17
27-Aug-13	2	90 000	R11,00	27-Aug-17
01-Jan-14	1	10 000	R11,00	01-Jan-18
31-Mar-14	46	721 500	R14,44	31-Mar-18
01-Jun-14	1	5 000	R14,44	01-Jun-18
30-Sep-14	18	108 000	R15,28	30-Sep-18
	525	4 213 300		

12 HOMECHOICE SHARE INCENTIVE SCHEME

The HomeChoice 2008 Scheme is a share purchase scheme in terms of which eligible and selected senior employees were advanced loans by the HomeChoice Trust to acquire HomeChoice Holdings Shares at the market value prevailing at the time.

As at the Last Practicable Date, the HomeChoice 2008 Scheme has been terminated. Before the HomeChoice 2008 Scheme was terminated, the outstanding payment obligations of the remaining participants of the HomeChoice 2008 Scheme, being the total amount of R3,878,045, were replaced with loan agreements ("New Loan Agreements") between such participants and the participant's employer within the Group, being either HomeChoice or FinChoice, at equivalent amounts and terms of repayment. In terms of the said loan agreements, the HomeChoice Holdings Shares pledged and held as security for repayment of the loans under the HomeChoice 2008 Scheme were, upon implementation of the Scheme, replaced with a pledge of the HIL Shares issued to these participants in consideration for their pledged HomeChoice Holdings Shares. In accordance with the Independent Expert Report attached to the combined circular issued for purposes of the Scheme as **Annexure 1**, the fair market value of the HIL Shares range between R29,00 and R30,00 per share.

The aforesaid loans are non-interest-bearing for a period of five years, however, should a recipient leave the employment of the HomeChoice Group within four years of receiving a loan, penalty interest of prime plus 2% is payable. The loans that have reached their five year "interest-free" period have been extended at an interest rate of prime, and are repayable on HomeChoice or FinChoice, as the case may be, giving one month notice (or immediately on resignation of the employee). The shares issued in terms of the HomeChoice 2008 Scheme were pledged to the HomeChoice Trust and held as security for the loans. The loans are not for a specific period, and the Borrower may terminate the New Loan Agreement at any time by paying the settlement amount.

No HomeChoice Holdings Shares have been issued in terms of the 2008 Scheme by HomeChoice Holdings to participants of the HomeChoice 2008 Scheme in the three years preceding the Scheme Operative Date. As at the Last Practicable Date none of the interest or capital redemption payments are in arrears.

ADDITIONAL INFORMATION

1 INFORMATION ON SUBSIDIARIES

Details of HIL's subsidiaries are set out in Annexure 10 to this Pre-listing Statement.

2 PRINCIPAL IMMOVABLE PROPERTY OWNED AND LEASED

Neither HIL nor HIL SA own or occupy any immovable property or leasehold property.

As at the Last Practicable Date, the HomeChoice Group owns the properties situated at:

- Remainder Erf 66592, Wynberg, City of Cape Town, Cape Division, Province of Western Cape, (measuring in extent 2858 m^2);
- Remainder Portion 240 (Portion of Portion 93) of the farm Wimbledon No. 454, City of Cape Town, Division Stellenbosch, Province of the Western Cape, (measuring in extent 3,3136 hectares); and
- Remainder Erf 91380, Wynberg, Cape Division (measuring in extent 4 936 m^2).

As at the Last Practicable Date, none of HIL's Directors had any material interest in any of the immovable properties owned by the HomeChoice Group.

As at the Last Practicable Date, the HomeChoice Group had the following material leases over immovable property:

Lessor	Lessee	Description/Location	Rental payable	Remaining term
ABSA Bank Limited as trustee for SA Corporate Real Estate Fund	HomeChoice	32 Yaldwyn Road	R190 468 per month	31 January 2016

As at the Last Practicable Date, the HomeChoice Group had the following material inter-company leases over immovable property.

Lessor	Lessee	Description/Location	Rental payable	Remaining term
HomeChoice Property Company	HomeChoice	Remainder Erf 66592 Wynberg, Cape Town	R1 481 486 per month	30 November 2016
HomeChoice Property Company	HomeChoice	Remainder Portion 240 (Portion of Portion 93) of the farm Wimbledon No. 454, City of Cape Town	R781 000 per month	31 December 2023
HomeChoice Property Company	FinChoice	Remainder Erf 66592 Wynberg, Cape Town	R162 794 per month	30 November 2016

As at the Last Practicable Date none of HIL's Directors had any interest in the material leases over the applicable immovable property.

3 MATERIAL ACQUISITIONS

Pursuant to the implementation of the Scheme, HIL SA, a subsidiary of HIL, acquired 100% (one hundred per cent) of the HomeChoice Holdings Shares from the Scheme Participants in consideration for the Scheme Consideration. The HomeChoice Holdings Shares acquired pursuant to the Scheme is the sole asset of HIL or its subsidiary, HIL SA. The full net asset value attributable to HIL and HIL SA will be the shareholding in HomeChoice Holdings.

Save for the acquisition of the HomeChoice Holdings Shares, have not made any material acquisitions of assets in the three years preceding the Last Practicable Date.

No promoter or Director of HIL has any material interest in, or received any benefit in connection with, any material acquisitions by HIL.

4 PROPERTY ACQUIRED OR TO BE ACQUIRED

Save the Scheme terms whereof HIL SA acquired all the HomeChoice Holdings Shares, neither HIL, HIL SA nor the HomeChoice Group have in the 3 (three) years preceding the Last Practicable Date, acquired and do not propose to acquire any securities in, or the business undertakings of, any other companies, or business enterprises or any immovable property or property in the nature of fixed assets.

Neither HIL, HIL SA nor the HomeChoice Group are party to any uncompleted purchases or acquisitions of immovable property or fixed assets which have not been completed at the Last Practicable Date.

The HomeChoice Group intends on commencing construction of additional office space on a property adjacent to the Group's head office building in Wynberg, Cape Town, South Africa within the next 12 (twelve) months.

5 DISPOSAL OF PROPERTY

There were no material disposals of immovable property or property in the nature of fixed assets by HIL, HIL SA or the HomeChoice Group in the three years preceding the Last Practicable Date.

6 INTERESTS OF PROMOTERS AND DIRECTORS AND AMOUNTS PAID OR PAYABLE TO PROMOTERS

No promoter or Director has any material beneficial interest in HIL's promotion.

HIL has not paid any amount (whether in cash or in securities), nor given any benefit to any promoters or any partnership, syndicate or other association of which a promoter was a member within the three years preceding the Last Practicable Date.

7 MATERIAL CONTRACTS

HomeChoice entered into a:

- "Master Projects Agreement" with Arbofield Proprietary Limited (trading as "SIS Global") (registration number 2009/021248/07) on 12 November 2011 recording the terms upon which SIS Global is to "provide computer hardware and software application and system integration services as well as consultancy services to HomeChoice on a project basis" and, further, is "involved in the development, maintenance and general support services and support of software solutions for and on behalf of HomeChoice". This is a substantial agreement and includes, as annexure "A" thereto, a further substantial agreement styled "Project Order for the ERP Services" ("ERP" is an acronym for Enterprise Resource Planning). Phase I of the contract (relating to the Company's procurement and finance functions) has been completed and Phases II and III are still to be completed; and
- R500,000,000 "Domestic Medium Term Note Programme" ("Programme") on 15 October 2014, which Programme Memorandum was approved by the JSE on 16 October 2013. There is also a negative pledge in the Programme Memorandum undertaking that HomeChoice and its guarantors shall not create or permit the creation of any encumbrances, other than permitted encumbrances (as defined in the Programme), over any of their present or future business undertakings, assets or revenues to secure any present or future indebtedness (save for those which have been accorded a preference by law) without at the same time securing all Senior Notes equally as may be approved by noteholders. The negative pledge in terms of the Programme is a restrictive funding arrangement (as defined in the Listings Requirements). In terms of the Programme, HomeChoice may from time to time issue unsecured or secured registered notes of any kind. On 25 October 2013 HomeChoice issued R100,000,000 Floating Rate Notes pursuant to the Programme. The Programme Memorandum and Applicable Pricing Supplement are publicly available on the HomeChoice Holdings website www.homechoiceholdings.co.za.

Save as disclosed above, no material contracts (including any restrictive funding arrangements) have been entered into by HIL, HIL SA or the HomeChoice Group during the two years preceding the Last Practicable Date, other than in the ordinary course of business; and there are no contracts which have been entered into at any time prior to the two years preceding the Last Practicable Date by the Company or its subsidiaries, other than in the ordinary course of business, that contain obligations or settlements material to the company or its subsidiaries as at the Last Practicable Date.

Particulars of service agreements with the Directors of HIL are set out in paragraph 2 on page 38.

There are no existing or proposed contracts relating to the payment of royalties or secretarial or technical fees payable by HIL, HIL SA or the HomeChoice Group to third parties, nor is HIL, HIL SA or the HomeChoice Group party to any material restraint of trade payments.

8 MATERIAL CHANGES

There have been no material changes to HIL, HIL SA or the HomeChoice Group's financial or trading position between the latest financial information annexed to this Pre-listing Statement and the Last Practicable Date.

9 MATERIAL CAPITAL COMMITMENTS

Save for the R68,457,000 (sixty eight million four hundred and fifty seven thousand rand) capital expenditure budgeted by the HomeChoice Group for property, plant and equipment, the HomeChoice Group has no future material capital commitments as at the Last Practicable Date.

10 MATERIAL LOANS RECEIVABLE

Set out below are details of the New Loan Agreements entered into between participants of the HomeChoice 2008 Scheme and the participant's employer within the Group, being either HomeChoice or FinChoice. The loans in terms of the New Loan Agreements were entered into on or about 24 October 2014, for purposes of terminating the HomeChoice 2008 Scheme.

Further details of the New Loan Agreements are set out in paragraph 12 in the "Incorporation, History and Share Capital" section on page 58 of this Pre-listing Statement.

Director/Manager	Date the loan was advanced	Owing to the Company as at Last Practicable Date (R)
Anthea Abraham	19/04/2010	710 155
Annalize Kirsten	19/04/2010	119 276
Willem Jungschläger	19/04/2010	606 192
Sean Wibberley	14/04/2009 and 19/04/2010	548 486
Mike Roux	19/04/2010	67 809
Cathy Mackenzie	19/04/2010	753 930
Total		2 805 848

The loans in terms of the New Loan Agreements were entered into on or about 24 October 2014, for purposes of terminating the HomeChoice 2008 Scheme.

The loans are non-interest-bearing for a period of five years, however, should a recipient leave the employment of the HomeChoice Group within four years of receiving a loan, penalty interest of prime plus 2% is payable. The loans that have reached their five year "interest-free" period have been extended at an interest rate of prime, and are repayable on HomeChoice or FinChoice, as the case may be, giving one month notice (or immediately on resignation of the employee).

The loans in terms of the New Loan Agreements are secured with a pledge over HIL Shares which are beneficially held by the loan recipients. In accordance with the Independent Expert Report attached to the combined circular issued for purposes of the Scheme as **Annexure 1**, the fair market value of the HIL shares range between R29,00 and R30,00 per share.

As at the Last Practicable Date, none of the interest and/or capital redemption payments are in arrears. The loans are not for a specific period, and the Borrower may terminate the New Loan Agreement at any time by paying the settlement amount.

Further details of the New Loan Agreements are set out in paragraph 12 in the "Incorporation, History and Share Capital" section on page 58 of this Pre-listing Statement.

Save as disclosed above, neither HIL nor any of its subsidiaries had any material loans receivable from third parties and had made no loans nor furnished any security to or for the benefit of any Director or manager, or any associate of any Director or manager.

11 MATERIAL INTER-COMPANY BALANCES

Neither HIL nor HIL SA are party to any intercompany financial and other transaction.

Entity	Owing by HomeChoice Holdings (R)	Owing to HomeChoice Holdings (R)
HomeChoice	176 733 116	–
HomeChoice Property Company	–	63 456 391
FoneChoice Proprietary Limited (Dormant)	–	5 640
HomeChoice Investments Proprietary Limited (Dormant)	–	18 189
FinChoice	–	327 981 756
Matyana van der Merwe Proprietary Limited (Dormant)	–	60 233
HomeChoice Proprietary Limited (Botswana) (Dormant)	100	–
HomeChoice Proprietary Limited (Namibia) (Dormant)	1	–
HC Direct (Dormant)	2 559 133	–
Odvest (Dormant)	–	19 198 700

Details of intercompany balances of the HomeChoice Group as at the Last Practicable Date:

Save for the loan by HomeChoice to FinChoice, which bears interest at the prime rate plus 2%, the intercompany loans are all interest free and are unsecured and repayable on demand.

Save for the loans set out above, there are no other material loans made by the HomeChoice Group other than in the ordinary course of business.

12 NO MATERIAL CHANGE

There has been no material change in the nature of the business of HIL, HIL SA and the Group in the five years preceding the Last Practicable Date.

13 CONTINGENT LIABILITIES

The HomeChoice Group has no material contingent liabilities.

14 LEASE PAYMENTS

The HomeChoice Group has various operating lease agreements for machinery, offices, office equipment and other facilities.

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

At the Last Practicable Date, the future minimum operating lease commitments of the HomeChoice Group in respect of the leased properties set out in paragraph 2 above (Principle immovable properties owned and leased) which are payable within one year are R2 077 125 and which are payable between two and five years are R529 079.

The present value of suspensive sale agreement payments is as follows: payable within one year R15 909 999; and payable between two and five years R29 949 499.

Save for the material lease payments disclosed above, the HomeChoice Group has no other material lease payments.

15 LOAN CAPITAL AND MATERIAL LOANS OUTSTANDING

Neither HIL nor HIL SA has any material borrowings or outstanding loan capital as at the Last Practicable Date.

Details of the HomeChoice Group's material borrowings as at the Last Practicable Date are set out in **Annexure 11** to this Pre-listing Statement. None of the material borrowings set out in **Annexure 11** include any conversion or redemption rights. Save for the material borrowings set out in **Annexure 11**, the HomeChoice Group does not have any material borrowings or outstanding loan capital as at the Last Practicable Date.

Neither HIL, HIL SA nor the HomeChoice Group has any debts that are repayable within 12 (twelve) months

The HomeChoice Group has no outstanding loan capital as at the Last Practicable Date.

No debentures have ever been issued or agreed to be issued by HIL, HIL SA or the HomeChoice Group.

16 WORKING CAPITAL STATEMENT

The Directors of HIL are of the opinion that the working capital available to HIL and its subsidiaries is sufficient for HIL and its subsidiaries' present requirements, that is, for at least 12 months following the date of this Pre-listing Statement.

17 LITIGATION STATEMENT

HIL, HIL SA or the HomeChoice Group is neither party to, nor aware of, any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have, or have had within the 12 months preceding the Last Practicable Date, a material effect on HIL, HIL SA or the HomeChoice Group's financial position.

18 EXPENSES

HIL has not incurred any preliminary expenses (within the meaning of the Listings Requirements) over the last three financial years.

The expenses of the Listing, estimated to be approximately R7 000 000 (seven million Rand), will be paid by HIL.

The table below sets out the total estimated expenses of the Scheme and the Listing, including the issue expenses and fees payable to professional advisers:

	R[1]
Sponsor	3 150 000
Independent Reporting Accountants and Auditors	500 000
Independent Expert	50 000
Consultants	600 000
Legal adviser	1 750 000
TRP documentation fee	30 000
JSE documentation fee	82 000
JSE listing fee	456 000
Printing, publication and distribution	230 000
Transfer secretaries	30 000
Contingency	122 000
Total	7 000 000

[1] VAT not claimed as goods and services are not acquired for the purposes of making taxable supplies.

19 COMMISSIONS PAID OR PAYABLE TO BOOKRUNNER

No commissions, discounts, brokerage or other special terms were granted in connection with the issue of any securities, stock or debentures in HIL's capital.

20 CONSENTS

Each of the experts, whose names appear on the cover of this Pre-listing Statement, have given and have not, prior to the Last Practicable Date, withdrawn their consents to the inclusion of their names, their stated capacities and, where applicable, their reports being included in this Pre-listing Statement.

21 DIRECTORS' RESPONSIBILITY STATEMENT

HIL's Board of Directors, whose names are given under the "Management and Corporate Governance" section on page 32 of this Pre-listing Statement, collectively and individually accept full responsibility for the accuracy of the information contained herein and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Pre-listing Statement contains all information required by law and the Listings Requirements.

22 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at HIL's registered office and the sponsors' offices set out in the "Corporate Information" section during normal business hours (Saturdays, Sundays and official South African public holidays excepted) from the date of issue of this Pre-listing Statement until Friday, 12 December 2014:

- The articles of association of HIL and HIL SA;
- A copy of the HIL Share Option Scheme Rules;
- Historical financial information of HIL for the period from date of incorporation until 30 September 2014;
- Consolidated Historical Financial Information in respect of HomeChoice Holdings and its subsidiaries for the years ended 31 December 2011, 2012 and 2013;
- Reviewed Interim Financial Information of HomeChoice Holdings and its subsidiaries in respect of the reviewed six months ended June 2014;
- The reports of the Independent Reporting Accountants and Auditors dated 24 November 2014, which are included as **Annexure 2**, **Annexure 4** and **Annexure 6** to this Pre-listing Statement;
- The written consents of each of the legal advisers, the Sponsor and the Independent Reporting Accountants and Auditors named in this Pre-listing Statement to act in those capacities and references thereto in the form and context in which they are included in this Pre-listing Statement; and
- A copy of the contracts referred to in paragraph 7 (Material Contracts) of the "Additional Information" section on page 60.

23 INCORPORATION BY REFERENCE

Shareholders are referred to the website of HomeChoice Holdings (www.homechoiceholdings.co.za) for full disclosure of HIL's application of the King Code as referenced in paragraph 7 on page 54 and detailed in Annexure 14 to this Pre-listing Statement. This information is available for inspection by Shareholders at no charge during normal business hours from Thursday, 27 November 2014 until Thursday, 4 December 2014 at the offices of HomeChoice Holdings being 78 Main Road, Wynberg, Cape Town, 7800, or the Transfer Secretaries and Rand Merchant Bank, at their respective physical addresses which appear in the "Corporate Information" section on page 3 of this Pre-listing Statement.

Signed at Cape Town on 24 November 2014 for and on behalf of the directors of Homechoice International P.L.C.

Richard Edward Garratt
Non-executive Director

HISTORICAL FINANCIAL INFORMATION OF HIL FOR THE PERIOD FROM DATE OF INCORPORATION UNTIL 30 SEPTEMBER 2014

INTRODUCTION

HomeChoice International P.L.C. ("HIL") was incorporated as a public company under the laws of Malta on 22 July 2014 specifically for purposes of holding all the HomeChoice Holdings Shares, through its wholly-owned subsidiary, namely HIL SA. HIL holds 100% (one hundred per cent) of the shares in the issued share capital of HIL SA, who in turn will, if the Scheme is implemented, hold 100% (one hundred per cent) of the HomeChoice Holdings Shares. As at the Last Practicable Date, the only asset of HIL, save for nominal working capital, is its 100% (one hundred per cent) shareholding of HIL SA. It does not have any operating history or any other subsidiaries.

The historical financial information of HomeChoice International P.L.C. set out below has been extracted from the audited financial statements of HomeChoice International P.L.C. for the period ended 30 September 2014. The financial statements were audited by PricewaterhouseCoopers Inc. and reported on without qualification.

The historical financial information of HomeChoice International P.L.C. is the responsibility of the Directors of HomeChoice International P.L.C.

The historical financial information of HomeChoice International P.L.C. for the period ended 30 September 2014 were authorised for issue on 24 November 2014 by the Board of Directors.

This historical financial information was audited by PricewaterhouseCoopers Inc.

COMMENTARY

Detailed commentary on the historical financial information of HomeChoice International P.L.C. is provided in the selected financial information of the Company included in the Pre-Listing Statement.

STATEMENT OF FINANCIAL POSITION

at 30 September 2014

	Note	2014 R'000
ASSETS		
Current assets		
Cash and cash equivalents	4	**178**
Total assets		**178**
EQUITY AND LIABILITIES		
Share capital	5	**182**
Accumulated loss		**(776)**
Total equity		**(594)**
Current liabilities		
Payables	6	**772**
Total liabilities		**772**
Total equity and liabilities		**178**

STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 September 2014

	Note	Period from 22 July 2014 to 30 September 2014 R'000
Operating expenses	7	**776**
Loss before taxation		**(776)**
Taxation	8	**–**
Total comprehensive loss for the period		**(776)**
Earnings per share (cents)		
Basic		**(1,06)**
Diluted		**(1,06)**
Headline earnings per share (cents)		
Basic		**(1,06)**
Diluted		**(1,06)**
Number of shares in issue		**72 900 000**

STATEMENT OF CHANGES IN EQUITY

for the period ended 30 September 2014

	Share capital R'000	Accumulated losses R'000	Total equity R'000
Incorporation 22 July 2014	–	–	–
Issue of shares	182	–	182
Loss for the period	–	(776)	(776)
Balance at 30 September 2014	182	(776)	(594)

STATEMENT OF CASH FLOWS

for the period ended 30 September 2014

	Note	Period from 22 July to 30 September 2014 R'000
Cash flows from operating activities		
Cash utilised by operations		**(4)**
Loss before taxation		**(776)**
Increase in payables		**772**
Net cash outflow from operating activities		**(4)**
Cash flows from financing activities		
Proceeds from the issuance of shares		**182**
Net cash generated from financing activities		**182**
Net increase in cash and cash equivalents		**178**
Cash and cash equivalents at the beginning of the year		**–**
Cash and cash equivalents at the end of the year	4	**178**

1 ACCOUNTING POLICIES

1.1 Presentation of annual financial statements

The significant accounting policies applied in the preparation of the financial statements are set out below. These policies comply with International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Companies Act.

1.2 Basis of preparation

These financial statements have been prepared on the historical cost basis and are expressed in South African Rand (R).

As at 30 September 2014, the Company's liabilities exceeded its assets by R594 000. The intermediate parent company, Stockdale Investment Holdings Limited, has indicated that it will continue to provide support to the Company in order to enable the Company to settle its obligations as and when they fall due and shall not request any repayment of the amounts due to them. Accordingly the Directors consider it appropriate to prepare the financial statements on a going concern basis.

1.3 Financial instruments

Financial instruments recognised on the statement of financial position include cash and cash equivalents and payables. Financial instruments are initially measured at fair value, including transaction costs, when the company becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as fair value through profit and loss are expensed.

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

Cash and cash equivalents

Cash and cash equivalents, consisting of cash on call, are subsequently measured at amortised cost.

Payables

Liabilities for trade and other payables are classified as financial liabilities and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when liabilities are derecognised, as well as through the amortisation process.

1.4 Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and a provision for impairment of receivables is established and impairment losses incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

1.5 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Share capital represents ordinary shares issued, being classified as equity.

1.6 Taxation

The income tax expense is determined based on taxable income for the year. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case the tax is also recognised in other comprehensive income or directly in equity respectively. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

1.7 **Foreign currency transactions**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in South African Rand, which is the company's functional presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

1.8 **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

2 STANDARDS AND INTERPRETATIONS

Standards, interpretations and amendments to published standards effective in 2014

In 2014, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 22 July 2014. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2014. The company has not early adopted these revisions to the requirements of IFRSs and the company's directors are of the opinion that, with the exception of IFRS 9: Financial Instruments, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

3 RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE

The board is accountable for the process of risk management, establishing appropriate risk and control policies and communicating these throughout the group. This note discloses information about the group's capital risk management and exposure to risks from its use of financial instruments.

3.1 **Capital risk management**

Capital is managed by reference to the level of equity and borrowings or debt as disclosed in the financial statements. The company's objectives when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders.

The company's equity, as disclosed in the statement of financial position, constitutes its capital. The company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the directors.

3.2 **Financial risk management**

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

The group's financial assets and liabilities can be summarised as follows:

	Note	Current assets R'000
ASSETS		
Current assets		
Cash at bank	4	178
Total		178

3 RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE (continued)

3.2 Financial risk management (continued)

	Note	At amortised cost R'000
LIABILITIES		
Current liabilities		
Payables	6	772
Total		772

3.3 Credit risk management

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

3.4 Liquidity risk management

	Interest rate %	On demand R'000
Payables	–	772
		772

3.5 Market risk management

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

Equity price risk management

The company is not exposed to equity price risk.

Foreign currency risk management

The company undertakes transactions in foreign currencies, hence exposure to exchange rate fluctuations arise.

Interest rate risk management

The company does not have any interest-bearing liabilities.

3.6 Fair value of financial instruments

The fair values of financial instruments are measured in accordance to the following fair value measurement hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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

	2014 R'000

4 CASH AND CASH EQUIVALENTS

Cash held by service provider	**178**
	178

5 SHARE CAPITAL

Authorised

200 000 000 ordinary shares with a par value of 1 cent each

Issued

72 900 000 ordinary shares with a par value of 1 cent each, 25% paid up	**182**

6 PAYABLES

Stockdale Investment Holdings Limited	**142**
Other payables	**630**
	772

The amounts owed to the intermediate parent company, Stockdale Investment Holdings Limited, is unsecured, interest free and repayable on demand. The intermediate parent company has indicated that it will continue to provide support to the Company in order to enable the Company to settle its obligations as and when they fall due and shall not request any repayment of the amounts due to them.

7 OPERATING EXPENSES

Audit fee	**70**
Directors' emoluments	**300**
Legal fees	**360**
Other fees	**46**
	776

8 TAXATION

Malta normal taxation – current year	**–**

Expenditure incurred to date is not in the production of income and is non-deductible.

9 RELATED PARTIES

Stockdale Investment Holdings Limited is the controlling shareholder. Transactions with this company would typically include loan funding, interest and management charges.

Except for transactions disclosed or referred to previously, the following significant operating transactions have a material effect on the operating results and financial position of the company:

Directors' emoluments

Executive director fees	**100**
Greg Lartigue	
Non-executive director fees	
Stanley Portelli	**100**
Charles Rapa	**100**

Balances with the controlling shareholder, arising from the transactions referred to previously, are disclosed in note 6 to these financial statements. These amounts are unsecured, interest free and have no fixed date of repayment.

10 DIVIDEND PER SHARE

	2014 R'000
Dividend per share (cents)	–

No dividends have been declared or paid since incorporation.

11 NET ASSET VALUE PER SHARE

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

Net asset value per share (cents)	**(0,81)**
Net tangible asset value per share (cents)	**(0,81)**

12 COMPARATIVES

No comparatives have been presented as the company was incorporated during the current period.

13 EVENTS AFTER THE REPORTING PERIOD

The company acquired a controlling interest in HomeChoice South Africa P.L.C. on 14 October 2014. This subsidiary company was incorporated in Malta on 14 October 2014.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF HIL FOR THE PERIOD FROM DATE OF INCORPORATION UNTIL 30 SEPTEMBER 2014

The Directors
HomeChoice International P.L.C. ("HIL")
93 Mill Street
Qormi
QRM 3102
Malta

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION

Introduction

HomeChoice International P.L.C. ("the Company") is issuing a Pre-listing Statement to its shareholders ("the Pre-listing Statement") regarding the proposed listing of the Company ("Proposed transaction").

At your request and for the purpose of the Pre-listing Statement to be dated on or about 27 November 2014, we have audited the historical financial information of the Company which comprises the statement of financial position as at 30 September 2014, and the statements of comprehensive income, changes in equity and cash flows for the period then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information ("the Historical Financial Information"), as presented in **Annexure 1** to the Pre-listing Statement, in compliance with the JSE Limited ("JSE") Listings Requirements.

RESPONSIBILITY

Directors' responsibility

The directors of the Company are responsible for the preparation, contents and presentation of the Pre-listing Statement and are responsible for ensuring that the Company complies with the JSE Listings Requirements. The directors of the Company are responsible for the preparation and fair presentation of the Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal controls as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Historical Financial Information of the Company is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Historical Financial Information of the Company. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Historical Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information of the Company as set out in **Annexure 1** to the Pre-listing Statement, presents fairly, in all material respects, the financial position of the Company as at 30 September 2014, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

Other Matter – Purpose of the Report

This report has been prepared for the purpose of the Pre-listing Statement and for no other purpose.

PricewaterhouseCoopers Inc.
Director: MC Hamman
Registered Auditor
Cape Town
24 November 2014

CONSOLIDATED HISTORICAL FINANCIAL INFORMATION IN RESPECT OF HOMECHOICE HOLDINGS AND ITS SUBSIDIARIES FOR THE YEARS ENDED 31 DECEMBER 2011, 2012 AND 2013

INTRODUCTION

The historical financial information of HomeChoice Holdings Limited and its subsidiaries set out below has been extracted from the audited annual financial statements of HomeChoice Holdings Limited and its subsidiaries for the years ended 31 December 2013, 2012 and 2011. The annual financial statements were audited by PricewaterhouseCoopers Inc. and reported on without qualification.

This historical financial information was prepared by the finance department of HomeChoice Holdings Limited and its subsidiaries, acting under the supervision of Annalize Kirsten CA(SA), the chief financial officer of HomeChoice Holdings Limited.

The historical financial information of HomeChoice Holdings Limited and its subsidiaries is the responsibility of the Directors of HomeChoice Holdings Limited.

The historical financial information of HomeChoice Holdings Limited and its subsidiaries for the years ended 31 December 2013, 2012 and 2011 were authorised for issue on 24 November 2014 by the board of Directors.

COMMENTARY

Detailed commentary on the historical financial information of HomeChoice Holdings Limited and its subsidiaries is provided in the section "Management's Discussion and Analysis Of Financial Condition and Results of Operations and Selected Historical Consolidated Financial and Other Information" in the Pre-listing statement as well as in the selected consolidated financial information of the Group included in the Pre-Listing Statement.

HISTORICAL FINANCIAL INFORMATION

The 2012 and 2011 historical financial information were adjusted for the purpose of improved disclosure. Refer to note 34 in the Consolidated Historical Financial Information for further details. It should be noted that these adjustments had no impact on the previously reported net profits.

In addition, no material change in the nature of the business of the Company and its subsidiaries occurred, and no material fact or circumstance has occurred between the end of the latest financial year of the Company and the date of this Pre-Listing Statement, in so far as not already dealt with in historical financial information outlined in this **Annexure 3**.

This historical financial information was audited by PricewaterhouseCoopers Inc.

CONSOLIDATED HISTORICAL GROUP STATEMENT OF FINANCIAL POSITION

at 31 December 2011, 2012 and 2013

	Notes	2013 R'000	2012 R'000	2011 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	4	292 785	165 438	136 961
Intangible assets	5	61 237	40 678	20 913
Loans to employees	6	6 362	9 580	11 664
Investment in associates	7	6 536	3 951	1 677
Deferred taxation	8	18 133	13 206	12 878
		385 053	232 853	184 093
Current assets				
Inventories	9	144 964	110 241	92 149
Taxation receivable		77	11	1 175
Trade and other receivables	10	1 169 921	1 020 777	749 713
Trade receivables – Retail		686 375	583 528	442 277
Loans receivable – Financial Services		462 080	411 646	296 580
Other receivables		21 466	25 603	10 856
Cash and cash equivalents	11	67 981	10 192	46 069
		1 382 943	1 141 221	889 106
Total assets		1 767 996	1 374 074	1 073 199
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Stated and share capital	12	30 980	30 980	1 039
Share premium	12	–	–	29 941
Treasury shares	13	(13 733)	(11 331)	(9 732)
Other reserves	15	1 902	1 084	545
Retained earnings		1 266 575	1 049 589	815 542
Total equity		1 285 724	1 070 322	837 335
Non-current liabilities				
Interest-bearing liabilities	16	188 208	90 977	74 895
Deferred taxation	8	68 015	60 097	45 159
Other payables	17	3 510	3 480	3 450
		259 733	154 554	123 504
Current liabilities				
Interest-bearing liabilities	16	21 148	9 178	7 433
Taxation payable		8 953	5 850	2 409
Trade and other payables	18	134 552	112 718	85 454
Provisions	19	9 000	18 934	17 064
Bank overdraft	11	48 886	2 518	–
		222 539	149 198	112 360
Total liabilities		482 272	303 752	235 864
Total equity and liabilities		1 767 996	1 374 074	1 073 199

CONSOLIDATED HISTORICAL GROUP STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December 2011, 2012 and 2013

	Notes	2013 R'000	2012 R'000	2011 R'000
Revenue		1 661 952	1 434 359	1 121 060
Retail sales		929 730	841 480	670 466
Finance charges and initiation fees earned		619 848	498 121	390 102
Finance charges earned		452 912	363 474	278 454
Initiation fees earned		166 936	134 647	111 648
Fees from ancillary services		112 374	94 758	60 098
Dividends received		–	–	394
Cost of retail sales		(472 771)	(411 403)	(312 548)
Debtor costs	22	(316 463)	(227 769)	(148 087)
Other trading expenses	22	(434 739)	(398 120)	(322 957)
Other net gains and losses	20	(2 319)	759	2 028
Other income	21	2 661	5 036	2 095
Operating profit		438 321	402 862	341 591
Interest received		2 070	2 624	2 975
Interest paid	23	(7 554)	(6 236)	(6 156)
Share of loss of associates		(1 818)	(2 097)	(366)
Profit before taxation		431 019	397 153	338 044
Taxation	24	(121 696)	(112 656)	(98 048)
Profit and total comprehensive income for the year		309 323	284 497	239 996
Earnings per share (cents)				
Basic		306,9	282,1	237,4
Diluted		305,6	280,1	237,4
Additional information				
Retail gross profit margin (%)		49,1	51,1	53,4

The retail gross profit margin percentage has been calculated as retail sales less cost of retail sales, divided by retail sales.

CONSOLIDATED HISTORICAL GROUP STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2011, 2012 and 2013

	Stated and share capital R'000	Share premium R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Equity attributable to owners of the parent R'000
Balance at 1 January 2011	1 039	97 456	(8 938)	4 113	575 546	669 216
Changes in equity						
Profit and total comprehensive income for the year	–	–	–	(3 818)	239 996	236 178
Purchases of treasury shares by share trust	–	–	(2 635)	–	–	(2 635)
Reduction in share premium	–	(67 515)	1 841	–	–	(65 674)
Share option scheme	–	–	–	250	–	250
Total changes	–	(67 515)	(794)	(3 568)	239 996	168 119
Balance at 1 January 2012	1 039	29 941	(9 732)	545	815 542	837 335
Changes in equity						
Conversion to no par value shares	29 941	(29 941)	–	–	–	–
Profit and total comprehensive income for the year	–	–	–	–	284 497	284 497
Purchases of treasury shares by share trust	–	–	(1 599)	–	–	(1 599)
Dividends paid	–	–	–	–	(50 450)	(50 450)
Share option scheme	–	–	–	539	–	539
Total changes	29 941	(29 941)	(1 599)	539	234 047	232 987
Balance at 1 January 2013	30 980	–	(11 331)	1 084	1 049 589	1 070 322
Changes in equity						
Profit and total comprehensive income for the year	–	–	–	–	309 323	309 323
Purchases of treasury shares by share trust	–	–	(2 536)	–	–	(2 536)
Sale of treasury shares by share trust	–	–	134	–	2 396	2 530
Dividends paid	–	–	–	–	(94 733)	(94 733)
Share option scheme	–	–	–	818	–	818
Total changes	–	–	(2 402)	818	216 986	215 402
Balance at 31 December 2013	30 980	–	(13 733)	1 902	1 266 575	1 285 724

CONSOLIDATED HISTORICAL GROUP STATEMENT OF CASH FLOWS

for the years ended 31 December 2011, 2012 and 2013

	Notes	2013 R'000	2012 R'000	2011 R'000
Cash flows from operating activities				
Operating cash flows before working capital changes	26	451 910	413 710	346 761
Movements in working capital	26	(173 900)	(259 992)	(203 253)
Cash generated from operations	26	278 010	153 718	143 508
Interest received		2 078	2 624	2 975
Interest paid		(5 883)	(6 236)	(6 156)
Dividends received		–	–	394
Taxation paid	27	(115 668)	(93 441)	(91 647)
Net cash inflow from operating activities		158 537	56 665	49 074
Cash flows from investing activities				
Purchase of property, plant and equipment	4	(134 700)	(35 464)	(24 403)
Proceeds on disposal of property, plant and equipment		9	–	300
Purchase of intangible assets	5	(26 883)	(24 612)	(16 466)
Proceeds from sale of available-for-sale financial assets		–	–	39 811
Loans repaid by employees	6	4 115	3 609	3 712
Investment in associates	7	(4 403)	(4 371)	(1 383)
Net cash (outflow)/inflow from investing activities		(161 862)	(60 838)	1 571
Cash flows from financing activities				
Purchase of treasury shares		(707)	(1 599)	(2 635)
Proceeds from sale of treasury shares		2 530	–	–
Proceeds from interest-bearing liabilities		229 950	31 585	74 685
Repayments of interest-bearing liabilities		(120 357)	(13 758)	(49 976)
Reduction in share premium		–	–	(65 674)
Dividends paid		(94 733)	(50 450)	–
Finance-raising costs paid		(1 937)	–	–
Net cash inflow/(outflow) from financing activities		14 746	(34 222)	(43 600)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts		11 421	(38 395)	7 045
Cash, cash equivalents and bank overdrafts at the beginning of the year		7 674	46 069	39 024
Cash, cash equivalents and bank overdrafts at the end of the year	11	19 095	7 674	46 069

CONSOLIDATED HISTORICAL GROUP SEGMENTAL ANALYSIS

for the years ended 31 December 2011, 2012 and 2013

	Retail			Financial Services			Property		
	2013 R'000	2012 R'000	2011 R'000	2013 R'000	2012 R'000	2011 R'000	2013 R'000	2012 R'000	2011 R'000
Segmental revenue	1 344 840	1 178 017	939 002	315 923	255 153	181 503	18 689	18 462	17 435
Retail sales	929 730	841 480	670 466	–	–	–	–	–	–
Finance charges and initiation fees earned	361 808	291 221	235 572	258 040	206 900	154 530	–	–	–
Fees from ancillary services	53 302	45 316	32 964	57 883	48 253	26 972	18 689	18 462	17 435
Dividends received	–	–	–	–	–	–	–	–	–
Intersegment revenue	–	–	–	–	–	–	(17 500)	(17 273)	(17 273)
Revenue from external customers	1 344 840	1 178 017	939 002	315 923	255 153	181 503	1 189	1 189	162
Segmental results*	277 885	262 960	229 888	116 368	99 436	69 033	16 492	15 782	15 107
Segmental assets**	1 038 561	782 937	597 814	502 783	444 326	340 697	228 649	154 257	124 856
Segmental liabilities**	305 290	188 172	133 876	12 127	16 896	26 785	62 360	98 597	77 281
Group loans receivable/(payable)	104 071	42 212	133 177	(249 633)	(270 335)	(228 484)	(135 992)	(34 165)	(33 681)
Segmental equity	837 342	636 977	597 115	241 023	157 095	85 428	30 297	21 495	13 894
Operating cash flows before working capital changes	290 596	272 960	238 502	145 788	130 766	94 104	17 681	16 774	16 253
Movements in working capital	(129 877)	(143 211)	(117 955)	(47 441)	(117 125)	(86 423)	3 105	(97)	59
Cash generated/(utilised) by operations	160 719	129 749	120 547	98 347	13 641	7 681	20 786	16 677	16 312
Gross profit margin (%)	49,1	51,1	53,4						
Segmental results margin (%)	20,7	22,3	24,5	36,8	39,0	38,0	88,2	85,5	86,6
Capital expenditure									
Property, plant and equipment	55 286	4 759	5 268	610	620	719	78 804	30 085	18 416
Intangible assets	26 649	24 587	16 424	234	25	42	–	–	–
Items included in segmental results:									
Interest received – Other and Financial Services	–	–	–	159	120	173	–	–	–
Interest paid – Other and Financial Services	–	–	–	(28 993)	(30 149)	(23 995)	–	–	–
Marketing costs	125 754	111 613	93 587	13 054	8 176	4 870	–	–	–
Staff costs	141 211	141 371	113 925	30 781	22 972	16 911	–	–	–
Depreciation and amortisation	11 992	9 739	8 774	490	896	1 341	1 189	1 165	1 145
Other costs	104 733	95 889	86 839	22 495	15 892	12 380	1 030	1 537	1 227
Other trading expenses	383 690	358 612	303 125	66 820	47 936	35 502	2 219	2 702	2 372
Debtor costs	212 002	149 997	94 936	104 461	77 772	53 151	–	–	–
Total trading expenses (refer to note 23)	595 692	508 609	398 061	171 281	125 708	88 653	2 219	2 702	2 372

* Refer to note 1.28 for further details on the measurement basis of segmental results.

** *Excluding group loans, including loans to share trust.*

	2013 R'000	2012 R'000	2011 R'000
Reconciliation of segmental results			
Segmental results, as reported above	437 216	403 288	343 149
Interest received	1 626	2 197	1 417
Interest paid	(6 005)	(6 235)	(6 156)
Share of loss of associates	(1 818)	(2 097)	(366)
Profit before taxation	431 019	397 153	338 044

Other			Eliminations			Total		
2013 R'000	2012 R'000	2011 R'000	2013 R'000	2012 R'000	2011 R'000	2013 R'000	2012 R'000	2011 R'000
2 905	153 266	8 746	–	–	–	1 682 357	1 604 898	1 146 686
–	–	–	–	–	–	929 730	841 480	670 466
–	–	–	–	–	–	619 848	498 121	390 102
–	–	284	–	–	–	129 874	112 031	77 655
2 905	153 266	8 462	–	–	–	2 905	153 266	8 462
(2 905)	(153 266)	(8 353)	–	–	–	(20 405)	(170 539)	(25 626)
–	–	393	–	–	–	1 661 952	1 434 359	1 121 060
34 156	176 768	38 214	(7 685)	(151 658)	(9 093)	437 216	403 288	343 149
6 470	9 772	27 946	(8 467)	(17 218)	(18 114)	1 767 996	1 374 074	1 073 199
110 962	17 305	16 036	(8 467)	(17 218)	(18 114)	482 272	303 752	235 864
281 554	262 288	128 988	–	–	–	–	–	–
177 062	254 755	140 898	–	–	–	1 285 724	1 070 322	837 335
241	(6 790)	32	(2 396)	–	(2 130)	451 910	413 710	346 761
313	441	114	–	–	952	(173 900)	(259 992)	(203 253)
554	(6 349)	146	(2 396)	–	(1 178)	278 010	153 718	143 508
						49,1	51,1	53,4
1 175,8	115,1	436,9	–	–	–	26,3	28,1	29,9
–	–	–	–	–	–	134 700	35 464	24 403
–	–	–	–	–	–	26 883	24 612	16 466
29 274	30 455	25 380	(28 989)	(30 149)	(23 995)	444	426	1 558
(1 545)	–	–	28 989	30 149	23 955	(1 549)	–	–
–	–	–	–	–	–	138 808	119 789	98 457
1 858	147	(940)	–	–	–	173 850	164 490	129 896
–	–	–	–	–	–	13 671	11 800	11 260
(2 348)	5 996	171	(17 500)	(17 273)	(17 273)	108 410	102 041	83 344
(490)	6 143	(769)	(17 500)	(17 273)	(17 273)	434 739	398 120	322 957
–	–	–	–	–	–	316 463	227 769	148 087
(490)	6 143	(769)	(17 500)	(17 273)	(17 273)	751 202	625 889	471 044

1 ACCOUNTING POLICIES

1.1 Presentation of annual financial statements

The annual financial statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS, the requirements of the Companies Act, No. 71 of 2008, as amended, and the Listings Requirements of the JSE Limited.

The significant accounting policies applied in the preparation of the consolidated historical financial statements are set out below.

1.2 Basis of consolidation

The consolidated historical financial statements include those of the company and its subsidiaries, including any special purpose entities such as the employee share trust.

1.3 Basis of preparation

These historical financial statements have been prepared on the historical cost basis except for available-for-sale investments, which are measured at fair value. The consolidated historical financial statements are expressed in South African Rand (ZAR or R). The principal accounting policies applied in the preparation of these historical financial statements are set out below and are consistent with those adopted in the prior year, except for new and amended standards and interpretations, as set out in note 2. The application of these new and amended standards and interpretations had no impact on the comparative results.

1.4 Investment in subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. All intergroup transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised in equity, separately from the group's interest in subsidiaries. Losses of subsidiaries attributable to non-controlling interest holders are allocated to the non-controlling interest even if this results in a debit balance being recognised. Transactions where ownership changes but control is retained are regarded as equity transactions and are recognised directly in the statement of changes in equity. Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit and loss as part of the gain or loss on disposal of the controlling interest. Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

1.5 Investment in associate

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. Refer to note 1.8 for the impairment of non-financial assets, including goodwill. The group's share of its associates' post-acquisition profits or losses is recognised in profit and loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

1.6 **Property, plant and equipment**

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

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

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

Buildings *	10,0%
Furniture and fittings	4,0% – 33,3%
Office equipment	7,7% – 33,3%
Computer equipment	11,1% – 50,0%
Motor vehicles	14,3% – 25,0%
Plant and machinery	14,3% – 33,3%

* *The main building component is not depreciated as its residual value exceeds cost.*

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

1.7 **Intangible assets**

Intangible assets are initially recognised at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. If assessed as having a finite useful life, it is amortised over its useful economic life using a straight-line basis and tested for impairment if there is an indication that it may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss. Intangible assets include licences and computer software (including development costs). All of the group's intangible assets are assessed as having finite useful lives. The annual amortisation rates applied are as follows:

Licences	10,0% – 33,3%
Computer software	14,3% – 33,3%

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

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

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

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

1.8 **Impairment of non-financial assets**

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

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

1.9 **Inventory**

Inventory is valued at the lower of cost, determined on the first-in-first-out basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and cost necessary to make the sale.

1.10 **Leases**

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

1.11 **Financial instruments**

Financial instruments recognised on the statement of financial position include trade and other receivables, cash and cash equivalents, trade and other payables, and interest-bearing borrowings. Financial instruments are initially measured at fair value, including transaction costs, when the group becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as fair value through profit and loss are expensed.

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

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment.

Cash and cash equivalents

Cash and cash equivalents, consisting of cash on hand, cash in banks, short-term deposits and bank overdrafts, are subsequently measured at amortised cost.

1.12 **Financial guarantee contracts**

Financial guarantee contracts are recognised as financial liabilities at the date the guarantee is issued at fair value less cumulative amortisation. The fair value of the guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

1.13 **Derivative financial instruments**

The group uses derivative financial instruments such as forward currency contracts to economically hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are categorised as held for trading at fair value through profit and loss, unless they are designated as hedges.

1.14 **Trade and other payables**

Liabilities for trade and other payables are classified as financial liabilities and are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when liabilities are derecognised, as well as through the amortisation process.

1.15 **Interest-bearing borrowings**

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

1.16 **Loans to employees**

Loans to employees are classified as loans and receivables. Loans with maturity repayment terms are measured at amortised cost using the effective interest rate method less any allowance for impairment.

1.17 **Impairment of financial assets**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and a provision for impairment of receivables is established and impairment losses incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired.

For trade and loans receivable the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

Trade and loans receivable are written off and, if previously impaired, the doubtful debt allowance utilised when there is no realistic prospect of future recovery and all collateral (where applicable) has been realised or transferred to the group. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

1.18 **Stated capital and equity**

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

Stated capital

Stated capital represents ordinary shares issued, being classified as equity. During the 2012 financial year the ordinary shares were converted to no par value shares, resulting in the existing share capital and premium being transferred to stated capital. If the group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs, are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Share premium

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

Treasury shares

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

1.19 **Dividend distribution**

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

1.20 **Share-based payments**

The group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (share options) of the group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of share options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of share options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity. When the share options are exercised, the company issues new shares or settles through releasing existing treasury shares. If issuing new shares, the proceeds received net of any directly attributable transaction costs are credited to stated capital when the options are exercised. If settling through the release of existing treasury shares, the proceeds received net of any directly attributable transaction costs are credited to retained earnings, with the resulting decrease in treasury shares being debited to same. The grant by the company of share options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent standalone accounts.

1.21 **Provisions and contingencies**

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

1.22 Revenue recognition

Revenue is recognised at the fair value of the consideration received, net of discounts and related taxes, and consists primarily of the retail sales, finance charges earned, fees from ancillary services and dividends received. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be measured reliably. The following specific criteria must also be met before revenue is recognised:

Retail sales

Retail sales comprise revenue from the sale of goods and income earned from the delivery of such goods and is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. It is the group's policy to sell its products to the retail customer with a right to return within 14 days. The group records a provision for estimated returns based on our sales returns policy and historical rates. The group does not operate any loyalty programmes.

Finance charges earned and initiation fees earned

Finance charges earned includes finance charges and delinquent interest earned on trade and other receivable balances. Finance charges and delinquent interest are recognised on the time-proportionate basis using the effective interest rate implicit in the instrument. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the group estimates cash flows and includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Initiation fees are charged upfront and are capitalised on initiation of a loan or credit sale. In accordance with IAS 39: Financial Instruments: Recognition and Measurement, these initiation fees are considered an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan or credit sale, using the effective interest rate. Trade receivables are reduced by the deferred portion of these fees. The group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

Fees from ancillary services

Fees from ancillary services include revenue earned for administration of transactions with customers, as well as insurance distributions received on our credit life products and group schemes. Monthly administration fees are recognised in profit and loss as they are charged to the customer. Insurance distributions are recognised as income when the right to receive payment is established.

Dividends received

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

1.23 Cost of retail sales

When inventories are sold the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. Cost of sales includes costs of purchase and subsequent distribution. Costs of purchase include the purchase price, import duties, non-recoverable taxes and transport costs. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. Costs directly related to the provision of services recognised as revenue in the current period are included in cost of sales.

1.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.25 **Employee benefits**

Retirement obligations

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

Bonus scheme

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

1.26 **Taxation**

The income tax expense is determined based on taxable income for the year and includes deferred tax, secondary tax on companies (STC) (which has been replaced effective 1 April 2012 by withholding tax on dividends) and capital gains tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In such case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current taxation

Management periodically evaluates positions taken in tax returns with respect to situations in which tax regulation is subject to interpretation. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred taxation is recognised using the liability method on temporary differences at the reporting date between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities. However, the deferred income taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation assets are recognised to the extent that it is probable that the related taxation benefit will be realised in the foreseeable future against future taxable profit. Deferred taxation is calculated using the taxation rates that have been enacted at the reporting date that are expected to apply when the asset is realised or the liability settled. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all to be utilised, the carrying value of the deferred tax asset is reduced. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are off-set when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Withholding tax on dividends

STC was abolished with effect from 1 April 2012 and replaced by a dividends tax, which is not levied on the company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss. Dividends tax withheld by the company on dividends paid to its shareholders (who do not qualify for an exemption from dividends tax) and payable at the reporting date to the South African Revenue Service (where applicable) is included in trade and other payables in the statement of financial position.

1.27 **Foreign currency transactions**

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

1.28 **Segmental reporting**

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

- Retail: The retail segment reflects the results of HomeChoice and FoneChoice. HomeChoice is a multi-channel home shopping retailer providing an exclusive range of household products whilst FoneChoice retails technology-related products to HomeChoice customers;
- Financial Services: The financial services segment reflects the results of FinChoice. FinChoice provides personal loans with terms ranging between one and 36 months;
- Property: This segment holds land and buildings which are primarily used by HomeChoice, FoneChoice and FinChoice; and
- Other: Aggregated under other is the holding company's results and the results of the group's associates.

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

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

The chief operating decision-maker monitors the results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They assess the performance of the retail and property segments based upon a measure of operating profit and financial services and other segments based on a measure of operating profit after interest received and interest paid. Intersegment pricing is determined on an arm's length basis in a manner similar to transactions with third parties, with the exception of certain intergroup loans.

1.29 **Significant accounting judgements, estimates and assumptions**

The preparation of the group's historical financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Trade and loan receivables

A provision for impairment of trade and loan receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The estimated future cash flow is based on prior debtors' book yields and average instalment terms. The prior year debtors' book yields have been adjusted to take into account the current economic conditions. As these conditions are uncertain, management has been cautious in assessing the ability of customers to make their required payments.

2 STANDARDS AND INTERPRETATIONS

2.1 **New and amended standards and interpretations adopted by the group**

In the 2013 financial year the group adopted the following standards and interpretations that are relevant to its operations:

IFRS 10: Consolidated Financial Statements

The new standard establishes control as the only basis for consolidation of all entities, regardless of the nature of the investee. It amends the definition of control to include three elements, namely power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. The new standard replaces IAS 27: Consolidated and Separate Financial Statements and SIC 12: Consolidation: Special Purpose Entities.

IFRS 12: Disclosure of Interests in Other Entities

The objective of the new standard is to increase transparency in financial reporting where the reporting entity has an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The standard requires disclosure of information to enable users of financial statements to evaluate the nature, risks and financial effects associated with its interests in other entities.

IFRS 13: Fair Value Measurement

The objective of the new standard is to reduce the complexity and improve the consistency of fair value measurements and is part of the IASB's IFRS and US GAAP convergence project. The standard consolidates and clarifies the requirements for measuring fair value and includes disclosure enhancements to assist users of financial statements to better assess the valuation techniques and inputs used to measure fair value.

Amendments to IFRS 7: Financial Instruments: Disclosures – Financial Assets and Liability Offsetting

The amended disclosures will require more extensive disclosures than are currently required under IFRS and US GAAP. The disclosures focus on quantitative information about recognised financial instruments that are off-set in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are off-set.

The following new standards, amendments or interpretations to existing standards became effective during the year, but are not relevant to the group's operations.

- *Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards*
- *Amendments to IAS 1: Presentation of Financial Statements*
- *Amendments to IAS 27: Separate Financial Statements*
- *Amendments to IFRS 11: Joint Arrangements*
- *IAS 19: Employee Benefits (revised)*
- *IAS 28: Investments in Associates and Joint Ventures (revised)*
- *Annual improvements to IFRS*
- *IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine*

2.2 **New and amended standards and interpretations not yet effective**

The company chose not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2014 or later periods:

IFRS 9: Financial Instruments: Classification and Measurement

The new standard covers the classification criteria used and fair value measurement options available for financial assets as well as the accounting and presentation of financial liabilities. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The standard also requires a single impairment method to be used. The amendment also relaxes the requirements for hedge effectiveness when applying hedge accounting. The amendment to financial liabilities accounting and disclosure introduces new requirements for an entity choosing to measure its own debt at fair value to present fair value changes due to the entity's own credit risk in other comprehensive income rather than in profit and loss. The group will assess the impact of the changes proposed, which could be significant.

IFRS 15: Revenue from contracts with customers

The new standard contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The impact of this new standard is not expected to have a material impact for the group.

IAS 32: Off-setting Financial Assets and Liabilities

The new standard addresses inconsistencies in applying offsetting criteria for financial assets and financial liabilities and clarifies that the right of offset should not be contingent on a future event. The impact of this amendment is not expected to have a material impact for the group.

Annual Improvements

A number of minor amendments have been issued during the year. Below are the amendments which are mandatory and relevant to the group's operations:

IFRS 2: Share-based Payments

The amendment provides further clarity to the definition of a "vesting condition" and now separately defines "performance condition" and "service condition". The group will assess the impact of the amendment, which will be applicable for share-based payments granted on or after 1 July 2014.

IFRS 8: Operating Segments

The amendment requires additional disclosure with respect to the judgements used by management in aggregating segments. The group will also be required to provide a reconciliation of segment assets to entity assets.

IFRS 13: Fair Value Measurements

An amendment has been made to clarify entities are able to measure short-term receivables and payables at invoice amounts where discounting such invoices would be immaterial. This is consistent with the group's current basis of fair value measurement.

IAS 40: Investment Property

The amendment provides further guidance to assist preparers in distinguishing between investment and owner-managed property and to consider whether the acquisition of an investment property is a business combination.

2.3 New and amended standards and interpretations not currently relevant to the group's operations

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

- Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities (effective 1 January 2014)
- IFRS 14: Regulatory Deferral Accounts (effective 1 January 2016)
- Amendments to IAS 19: Employee Benefits (effective 1 July 2014)
- Amendments to IAS 36: Recoverable Amount Disclosures for Non-financial Assets (effective 1 January 2014)
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014)
- IFRIC 21: Levies (effective 1 January 2014)
- Amendments to IFRS 11: Acquisition of Interest in Joint Operations (effective 1 January 2016)
- Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)
- Amendment to IAS 16 and IAS 41: Agriculture: Bearer Plants (effective 1 January 2016
- Amendments to IAS 27: Separate Financial Statements, Equity Method in Separate Financial Statements (effective 1 January 2016)
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture (effective 1 January 2016)

3 RISK MANAGEMENT AND FINANCIAL INSTRUMENT DISCLOSURE

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

The group's risk management process is more fully described in the governance section of its 2013 integrated annual report. This note discloses information about the group's capital risk management and exposure to risks from its use of financial instruments.

3.1 Capital risk management

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

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the group to fund the group's capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital. The board monitors the return on equity and seeks to maintain a balance between the higher returns that may be possible with higher levels of borrowings and the security and other benefits afforded by a sound capital position. The directors have determined a medium-term target of 27% to 32%. The group's return on equity was 26,3% (2012: 29,8% and 2011: 31,9%).

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

There were no changes in the group's approach to capital maintenance during 2013, 2012, or 2011. Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

3.2 **Financial risk management**

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

The group's financial assets and liabilities, as well as non-financial assets and liabilities, can be summarised as follows:

	Note	Loans and receivables R'000	Non-financial assets R'000	Total R'000
ASSETS				
2013				
Non-current assets				
Loans to employees	6	6 362	–	6 362
Current assets				
Trade receivables – Retail	10	686 375	–	686 375
Loans receivable – Financial Services	10	462 080	–	462 080
Other receivables	10	7 672	13 794	21 466
Cash at bank	11	67 981	–	67 981
Total		1 230 470	13 794	1 244 264
Guarantees		15 000		
Maximum exposure to credit risk		1 245 470		
2012				
Non-current assets				
Loans to employees	6	9 580	–	9 580
Current assets				
Trade receivables – Retail	10	583 528	–	583 528
Loans receivable – Financial Services	10	411 646	–	411 646
Other receivables	10	13 105	12 498	25 603
Cash at bank	11	10 192	–	10 192
Total		1 028 051	12 498	1 040 549
Guarantees		15 000		
Maximum exposure to credit risk		1 043 051		
2011				
Non-current assets				
Loans to employees	6	11 664	–	11 664
Current assets				
Trade receivables – Retail	10	442 277	–	442 277
Loans receivable – Financial Services	10	296 580	–	296 580
Other receivables	10	2 040	8 816	10 856
Cash at bank	11	31 811	–	31 811
Money market investments	11	14 258	–	14 258
Total		798 630	8 816	807 446
Guarantees		15 000		
Maximum exposure to credit risk		813 630		

	Note	At amortised cost R'000	Non-financial R'000	Total R'000
LIABILITIES				
2013				
Non-current liabilities				
Listed bonds	16	98 063	–	98 063
Borrowings from bank	16	49 382	–	49 382
Suspensive sale agreements	16	40 764	–	40 764
Non-current other payables	17	3 510	–	3 510
Current liabilities				
Trade payables	18	99 897	–	99 897
Other payables	18	31 445	3 210	34 655
Listed bonds	16	1 545	–	1 545
Borrowings from bank	16	5 252	–	5 252
Suspensive sale agreements	16	14 351	–	14 351
Total		344 209	3 210	347 419
2012				
Non-current liabilities				
Borrowings from bank	16	84 026	–	84 026
Suspensive sale agreements	16	6 951	–	6 951
Non-current other payables	17	3 480	–	3 480
Current liabilities				
Trade payables	18	87 337	–	87 337
Other payables	18	18 502	6 879	25 381
Borrowings from bank	16	7 248	–	7 248
Suspensive sale agreements	16	1 930	–	1 930
Total		209 474	6 879	216 353
2011				
Non-current liabilities				
Borrowings from bank	16	66 572	–	66 572
Suspensive sale agreements	16	8 323	–	8 323
Non-current other payables	17	3 450	–	3 450
Current liabilities				
Trade payables	18	71 287	–	71 287
Other payables	18	9 969	4 198	14 167
Borrowings from bank	16	5 102	–	5 102
Suspensive sale agreements	16	2 331	–	2 331
Total		167 034	4 198	171 232

3.3 Credit risk management

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

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

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

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

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

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

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

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

A provision for impairment is raised when there is objective evidence that the business will not be able to collect all amounts due according to the original terms of the receivable. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired. Accordingly a percentage of all trade and loans receivable past due is provided for. The group establishes an allowance for impairment that represents its estimate of incurred losses using delinquency roll rate models.

No security is obtained for trade and loans receivables, and accordingly the entire balance as per the statement of financial position is exposed to credit risk.

Trade receivables

Trade receivables have repayment terms of six to 36 months and attract interest based on rates determined by the National Credit Act. Methods used to grant credit to customers comply with the requirements of the Act.

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

	% of gross trade receivables			% of net trade receivables		
	2013	2012*	2011*	2013	2012	2011
Contractual						
Retail						
Satisfactory paid	70,9	71,9	72,0	77,4	77,9	78,2
Current	49,6	48,1	45,5	55,5	53,3	50,7
Past due less than 30 days	21,3	23,8	26,5	21,9	24,6	27,5
Past due 31 – 60 days	9,3	9,8	10,7	8,5	9,1	10,0
Past due 61 – 90 days	5,5	5,5	5,5	4,2	4,3	4,2
Past due more than 91 days	14,3	12,8	11,8	9,9	8,7	7,6
	100,0	100,0	100,0	100,0	100,0	100,0

* The 2012 and 2011 percentages include the combined ageing information for Trade Receivables – HomeChoice and Trade Receivables – Other Retail, which were previously separately disclosed.

Loans receivable

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

The group manages the ageing of loans receivable on a recency basis. Recency refers to the number of payment cycles that have elapsed since the last qualifying payment was received. The aging of customers, as presented below, are expressed as a percentage of the value of outstanding balances, based on both the gross loans receivable book before provisions and the net loans receivable book after provisions.

	% of gross loans receivable			% of net loans receivable		
	2013	2012	2011	2013	2012	2011
Recency						
Financial Services						
Current	88,3	88,9	90,9	93,9	93,4	95,4
Not paid 1 – 30 days	6,2	6,1	4,8	4,6	4,8	3,1
Not paid 31 – 60 days	2,5	2,2	2,0	1,1	1,1	1,0
Not paid more than 61 days	3,0	2,8	2,3	0,4	0,7	0,5
	100,0	100,0	100,0	100,0	100,0	100,0

	2013 %	2012* %	2011* %
Loan product weighting			
Financial Services			
1-month loan*	1,9	1,1	–
6-month loan	18,4	21,1	22,5
12-month loan	20,0	21,4	24,8
24-month loan	51,4	51,6	50,3
36-month loan	5,0	4,1	–
Other	3,3	0,7	2,4
	100,0	100,0	100,0

* The 2012 and 2011 product weightings now include a separate weighting for the one-month loan product, which had previously been disclosed as part of Other.

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

Retail	10,6	8,8	8,0
Financial Services	4,0	3,3	3,1

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

Cash and cash equivalents

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

Loans to employees

In terms of the Group's employee share incentive scheme, loans have been provided to certain directors and managers of the Group to enable them to acquire shares in HomeChoice Holdings Limited at market value. These shares are pledged to and held by the trustees of the HomeChoice Share Trust.

Financial guarantees

Credit risk arises in relation to financial guarantees given to certain parties. A subsidiary of the Group has provided security on behalf of the Group's associate, as discussed in note 7.

3.4 **Liquidity risk management**

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

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

	Weighted average interest rate %	On demand R'000	Less than 1 month R'000
2013			
Non-interest-bearing liabilities			
Non-current other payables	–	–	–
Trade and other payables	–	81 464	48 551
Financial guarantees	–	15 000	–
Interest-bearing liabilities			
Listed bonds	8,29	–	2 264
Borrowings from the bank	9,70	–	764
Suspensive sale agreements	8,50	–	1 113
		96 464	52 692
2012			
Non-interest-bearing liabilities			
Non-current other payables	–	–	–
Trade and other payables	–	49 204	49 161
Financial guarantees	–	15 000	–
Interest-bearing liabilities			
Borrowings from the bank	7,94	–	764
Suspensive sale agreements	8,77	–	218
		64 204	50 143
2011			
Non-interest-bearing liabilities			
Non-current other payables	–	–	–
Trade and other payables	–	34 033	44 962
Financial guarantees	–	15 000	–
Interest-bearing liabilities			
Borrowings from the bank	8,93	–	1 670
Suspensive sale agreements	9,00	–	323
		49 033	46 955

The Group has the following undrawn borrowing facilities available:

	2013 R'000	2012 R'000	2011 R'000
General banking facilities available	165 000	125 000	105 000
Guarantees	9 300	9 300	6 700
Suspensive sale agreements facility available	139 155	25 000	15 000
	313 455	159 300	126 700
Amounts drawn against these facilities	(177 473)	(96 539)	(73 480)
Unutilised borrowing facilities at 31 December	135 982	62 761	53 220

1 to 3 months R'000	3 months to 1 year R'000	1 to 2 years R'000	Over 2 years R'000	Total R'000	Carrying value R'000
–	–	770	2 740	3 510	3 510
860	870	–	–	131 745	131 342
–	–	–	–	15 000	–
–	6 420	8 751	106 725	124 160	99 608
1 528	6 877	9 169	54 252	72 590	54 634
6 025	12 946	13 106	28 628	61 818	55 115
8 413	27 113	31 796	192 345	408 823	344 209
–	–	770	2 710	3 480	3 480
6 611	953	–	–	105 929	105 839
–	–	–	–	15 000	–
1 528	9 236	15 269	97 987	124 784	91 274
436	1 963	2 617	5 189	10 423	8 881
8 575	12 152	18 656	105 886	259 616	209 474
–	–	770	2 680	3 450	3 450
1 763	870	–	–	81 628	81 256
–	–	–	–	15 000	–
1 772	7 975	10 634	81 638	103 689	71 674
703	2 011	2 489	7 318	12 844	10 654
4 238	10 856	13 893	91 636	216 611	167 034

3.5 Market risk management

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

Equity price risk management

The Group is not exposed to equity price risk.

Foreign currency risk management

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

The Group had uncovered foreign liabilities (including foreign bank overdrafts) at 31 December 2013 amounting to R66,5 million (2012: R23,1 million and 2011: R16,5 million). There were no outstanding forward exchange contracts at the reporting dates.

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

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

	Effect on profit after taxation		
	2013 R'000	2012 R'000	2011 R'000
15% appreciation in ZAR/USD exchange rates	7 184	2 493	1 787
15% depreciation in ZAR/USD exchange rates	(7 184)	(2 493)	(1 787)
The following line items on the Group's statement of financial position includes balances denominated in US Dollar:			
Trade and other payables	17 632	20 567	16 542
Bank overdraft	48 886	2 518	–
	66 518	23 085	16 542

Interest rate risk management

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

The Group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on the profit after taxation based on the Group's exposure at 31 December. The Group regards a 100 basis point (2012: 100 basis point and 2011: 100 basis point) change in the Reserve Bank repo rate as being reasonably possible at the reporting dates.

		Effect on profit after taxation		
	Movement in basis points	2013 R'000	2012 R'000	2011 R'000
Cash and cash equivalents	+100	489	73	229
	-100	(489)	(73)	(229)
Money market investments	+100	–	–	103
	-100	–	–	(103)
Listed bonds	+100	(717)	–	–
	-100	717	–	–
Borrowings from the bank	+100	(393)	(657)	(516)
	-100	393	657	516
Suspensive sale agreement	+100	(397)	(64)	(77)
	-100	397	64	77

3.6 **Fair value of financial instruments**

The fair values of financial instruments are measured in accordance to the following fair value measurement hierarchy:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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

		2013			2012			2011	
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
4 PROPERTY, PLANT AND EQUIPMENT									
Land and buildings	233 970	(5 781)	228 189	155 166	(4 592)	150 574	125 081	(3 427)	121 654
Motor vehicles	1 834	(1 148)	686	1 831	(989)	842	1 918	(1 126)	792
Computer equipment	38 553	(15 604)	22 949	18 581	(12 285)	6 296	15 847	(9 371)	6 476
Equipment, furniture, fittings and plant	55 287	(14 326)	40 961	19 375	(11 649)	7 726	17 344	(9 305)	8 039
Total	329 644	(36 859)	292 785	194 953	(29 515)	165 438	160 190	(23 229)	136 961

Analysis of movements	Opening balance R'000	Additions R'000	Disposals R'000	Depreciation R'000	Closing balance R'000
2013					
Land and buildings	150 574	78 804	–	(1 189)	228 189
Motor vehicles	842	3	–	(159)	686
Computer equipment	6 296	19 972	–	(3 319)	22 949
Equipment, furniture, fittings and plant	7 726	35 921	(6)	(2 680)	40 961
Total	165 438	134 700	(6)	(7 347)	292 785
2012					
Land and buildings	121 654	30 085	–	(1 165)	150 574
Motor vehicles	792	156	–	(106)	842
Computer equipment	6 476	2 868	(34)	(3 014)	6 296
Equipment, furniture, fittings and plant	8 039	2 355	–	(2 668)	7 726
Total	136 961	35 464	(34)	(6 953)	165 438
2011					
Land and buildings	104 384	18 416	–	(1 146)	121 654
Motor vehicles	788	487	(399)	(84)	792
Computer equipment	6 086	3 245	(10)	(2 845)	6 476
Equipment, furniture, fittings and plant	8 607	2 255	–	(2 823)	8 039
Total	119 865	24 403	(409)	(6 898)	136 961

4 **PROPERTY, PLANT AND EQUIPMENT (continued)**

Land and buildings comprise:

- Land and buildings, being remainder Erf 66592 Cape Town at Wynberg situated in the City of Cape Town, in extent of 2 858 m^2 (acquired in 2007);
- Land and buildings, being remainder Erf 91380 Cape Town at Wynberg situated in the City of Cape Town, in extent of 4 936 m^2 (acquired in 2011); and
- Industrial-site land and building, being remainder of Portion 240 of the farm Wimbledon 454 situated in the City of Cape Town and measuring 3314 hectares (acquired in 2005).

The carrying value of property, plant and equipment subject to suspensive sale agreements (refer to note 16) as at 31 December 2013 was R49,1 million (2012: R3,7 million and 2011: R4,2 million).

Included in property, plant and equipment are assets with a cost of R15,1 million (2012: R12,4 million and 2011: R7,8 million) that are in use but fully depreciated. Land and buildings include a carrying value of R209,1 million (2012: R132,3 million and 2011: R103,4 million) currently encumbered as shown in note 16. Included in additions are borrowing costs of R4,6 million which have been capitalised to the cost of a warehouse development during the 2013 year (2012: R0,8 million and 2011: Rnil). Included in disposals are equipment, furniture and fittings and plant with a cost of Rnil (2012: R0,3 million and 2011: R0,1 million) and accumulated depreciation of Rnil (2012: R0,3 million and 2011: R0,1 million), and computer equipment with a cost of Rnil (2012: R0,1 million and 2011: R0,2 million) and accumulated depreciation of Rnil (2012: R0,1 million and 2011: R0,2 million), which had no further economic value and have been removed from the register.

	2013			2012			2011		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
5 INTANGIBLE ASSETS									
Licences	27 620	(11 320)	16 300	24 357	(8 263)	16 094	19 623	(7 559)	12 064
Computer software	54 276	(9 339)	44 937	30 656	(6 072)	24 584	10 778	(1 929)	8 849
Total	81 896	(20 659)	61 237	55 013	(14 335)	40 678	30 401	(9 488)	20 913

Analysis of movements	Opening balance R'000	Additions R'000	Disposals R'000	Amortisation R'000	Closing balance R'000
2013					
Licences	16 094	3 263	–	(3 057)	16 300
Computer software	24 584	23 620	–	(3 267)	44 937
Total	40 678	26 883	–	(6 324)	61 237
2012					
Licences	13 529	4 734	–	(2 169)	16 094
Computer software	7 384	19 878	–	(2 678)	24 584
Total	20 913	24 612	–	(4 847)	40 678
2011					
Licences	3 510	12 000	–	(1 981)	13 529
Computer software	5 391	4 466	(92)	(2 381)	7 384
Total	8 901	16 466	(92)	(4 362)	20 913

The net carrying value of intangible assets subject to suspensive sale agreements (refer to note 16) at 31 December 2013 was R8,9 million (2012: R9,2 million and 2011: R8,9 million). Included in computer software are internally generated intangible assets with a carrying value of R42,1 million (2012: R15,1 million and 2011: R7,2 million). Included in intangible assets are assets with a cost of R4,6 million (2012: R4,4 million and 2011: R0,6 million) that are in use but fully amortised, and development costs of R31,3 million (2012: R30,0 million and 2011: R11,1 million) incurred on assets which have not yet been brought into use by the Group and have not been amortised.

	2013 R'000	2012 R'000	2011 R'000
6 LOANS TO EMPLOYEES			
Opening balance	9 580	11 664	13 177
Loans repaid	(4 115)	(3 609)	(3 712)
Amortised cost adjustment	260	538	1 046
Notional interest recognised	637	987	1 153
Loans to employees	6 362	9 580	11 664

In terms of the Group's employee share incentive scheme, loans have been provided to certain directors and employees of the Group to enable them to acquire shares in HomeChoice Holdings Limited at market value.

These full recourse loans are interest-free for the first five years after acquisition date, after which the loans are repayable on demand and bears interest charged at the prime interest rate. The shares are pledged to and held by the trustees of the HomeChoice Share Trust.

The employees are unconditionally bound to repay the loans. The Group has no obligation to purchase the shares when an employee resigns or retires. The amortised cost adjustment is based on an effective interest rate of prime less 2% at date of issue.

Refer to note 29 for details of loans provided to directors and key management personnel.

	Date advanced	2013 R'000	2012 R'000	2011 R'000
John Bester	19 April 2010	–	-	1 058
Willem Jungschläger	19 April 2010	746	933	1 058
Annalize Kirsten	24 June 2008 14 April 2009 19 April 2010	1 642	2 652	3 217
Directors of HomeChoice Holdings Limited		2 388	3 585	5 333
Directors and former directors of subsidiaries	24 June 2008 14 April 2009 19 April 2010	3 283	5 312	6 177
Employees	24 June 2008 14 April 2009 19 April 2010	1 327	2 048	2 856
Unearned notional interest		(636)	(1 365)	(2 702)
Total		6 362	9 580	11 664

		2013 R'000	2012 R'000	2011 R'000
7	**INVESTMENT IN ASSOCIATES**			
	Carrying amount of investments	6 536	3 951	1 677
	En-commandite partnership (founded in 2011)			
	During 2011 the Group entered into a new en-commandite partnership formed for the transportation of passengers by air for fare. The Group holds a 25% interest in the partnership and accounts for this minority interest as an associate. The principal place of business for the associate is Cape Town.			
	Movements in the carrying value of the associate were as follows:			
	Opening balance	3 951	1 677	–
	Contributions made	4 403	4 371	2 239
	Share of loss of associate	(1 818)	(2 097)	(562)
	Closing balance	6 536	3 951	1 677
	The summarised financial information of the associate is presented below:			
	Summarised statement of comprehensive income:			
	Revenue	2 390	2 197	1 508
	Other income	–	–	4 020
	Depreciation	(1 346)	(1 400)	(1 108)
	Other operating expenses	(4 894)	(4 933)	(4 605)
	Net interest paid	(847)	(1 057)	(620)
	Loss for the year	(4 697)	(5 193)	(805)
	Summarised statement of financial position:			
	Current			
	Trade and receivables	1 207	455	990
	Cash and cash equivalents	377	19	324
	Total current assets	1 584	474	1 314
	Trade and other payables	(1 036)	(373)	(935)
	Interest-bearing liabilities	(2 980)	(2 765)	(2 244)
	Total current liabilities	(4 016)	(3 138)	(3 179)
	Non-current			
	Property, plant and equipment	63 533	64 865	66 066
	Total non-current assets	63 533	64 865	66 066
	Interest-bearing liabilities	(7 034)	(10 032)	(12 814)
	Total non-current liabilities	(7 034)	(10 032)	(12 814)
	Net asset value of associate	54 067	52 169	51 387
	Reconciliation of summarised financial information:			
	Opening net assets, as at 1 January	52 169	51 149	11 865
	Additional owner contributions	6 595	6 213	54 657
	Liquidation of assets on sale of investment	–	–	(14 330)
	Loss for the year	(4 697)	(5 193)	(805)
	Closing net assets, as at 31 December	54 067	52 169	51 387
	Share of assets	16 279	16 335	16 763
	Share of liabilities	(10 272)	(12 890)	(15 269)
	Other contributions	529	506	–
		6 536	3 951	1 494

A subsidiary of the Group has provided surety limited to R15,0 million to The Standard Bank of South Africa Limited in connection with the Group's share of the associate's liability to the bank. The liability is payable over five years in monthly instalments of R0,3 million (2012: R0,3 million and 2011: R0,3 million) including interest and capital. The fair value of this financial guarantee has been determined to be immaterial as the bank has a mortgage over the associate's assets and the likelihood of the surety being called is negligible.

	2013 R'000	2012 R'000	2011 R'000
8 DEFERRED TAXATION			
The analysis of deferred tax assets and liabilities is as follows:			
Deferred tax assets	18 133	13 206	12 878
Deferred tax liabilities	(68 015)	(60 097)	(45 159)
Net deferred tax liabilities	(49 882)	(46 891)	(32 281)
The gross movements on the deferred income tax account are as follows:			
At 1 January	(46 891)	(32 281)	(26 253)
Charged to profit and loss	(2 991)	(14 610)	(6 028)
At 31 December	(49 882)	(46 891)	(32 281)

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

	Assessed loss R'000	STC credits R'000	Provisions R'000	Total R'000
Deferred tax assets				
At 1 January 2011	907	548	7 539	8 994
Charged to profit and loss	(907)	(548)	8	(1 447)
At 1 January 2012	–	–	7 547	7 547
Charged to profit and loss	–	–	930	930
At 31 December 2012	–	–	8 477	8 477
Charged to profit and loss	–	–	(2 453)	(2 453)
At 31 December 2013	–	–	6 024	6 024

	Accelerated tax wear and tear allowances R'000	Debtors' provisions and allowances R'000	Other allowances R'000	Total R'000
Deferred tax liabilities				
At 1 January 2011	(7 142)	(27 403)	(702)	(35 247)
Charged to profit and loss	(533)	(4 056)	8	(4 581)
At 1 January 2012	(7 675)	(31 459)	(694)	(39 828)
Charged to profit and loss	(1 729)	(14 052)	241	(15 540)
At 31 December 2012	(9 404)	(45 511)	(453)	(55 368)
Charged to profit and loss	(1 081)	93	450	(538)
At 31 December 2013	(10 485)	(45 418)	(3)	(55 906)

Deferred tax liabilities include amounts of R10,5 million (2012: R9,4 million and 2011: R4,0 million) that are non-current.

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through future taxable profits are probable. Deferred tax assets include no amounts that are non-current.

		2013 R'000	2012 R'000	2011 R'000
9	**INVENTORIES**			
	Merchandise for resale	118 492	75 670	74 247
	Provision for inventory obsolescence	(10 484)	(9 942)	(12 708)
	Goods in transit	36 956	44 513	30 610
		144 964	110 241	92 149

Inventory sold at less than cost during the current year amounted to R12,4 million (2012: R8,4 million and 2011: R3,6 million).

		2013 R'000	2012 R'000	2011 R'000
10	**TRADE AND OTHER RECEIVABLES**			
	Trade receivables – Retail*	845 730	716 006	534 763
	Provision for impairment	(159 355)	(132 478)	(92 486)
		686 375	583 528	442 277
	Loans receivable – Financial Services	525 116	464 438	331 914
	Provision for impairment	(63 036)	(52 792)	(35 334)
		462 080	411 646	296 580
	Other receivables	21 466	25 603	10 856
	Total trade and other receivables	1 169 921	1 020 777	749 713
	Total trade and loan receivables	1 370 846	1 180 444	866 677
	Provision for impairment	(222 391)	(185 270)	(127 820)
	Other receivables	21 466	25 603	10 856

* The 2012 and 2011 balances include the combined information for Trade receivables – HomeChoice and Trade receivables – Other retail, which were previously separately disclosed at values of R526,1 million and R57,1 million respectively (2011: R420,9 million and R21,3 million respectively).

A percentage of all trade and loan receivable balances past due has been provided for. Refer to significant accounting judgements, estimates and assumptions for further details regarding the calculation of impairment of debtors and note 3.3 for further details of credit risk management.

Movements in the provision for impairment of trade receivables – Retail were as follows:

	2013 R'000	2012 R'000	2011 R'000
Opening balance	(132 478)	(92 486)	(73 273)
Movement in provision	(26 877)	(39 992)	(19 213)
Debtor costs charged to profit and loss	(212 002)	(149 997)	(94 936)
Debts written off during the year, net of recoveries	185 125	110 005	75 723
Closing balance	(159 355)	(132 478)	(92 486)

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

	2013 R'000	2012 R'000	2011 R'000
Opening balance	(52 792)	(35 334)	(25 181)
Movement in provision	(10 244)	(17 458)	(10 153)
Debtor costs charged to profit and loss	(104 461)	(77 772)	(53 151)
Debts written off during the year, net of recoveries	94 217	60 314	42 998
Closing balance	(63 036)	(52 792)	(35 334)

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

Included in trade and loan receivables are amounts approximating R186,0 million (2012: R115,2 million and 2011: R79,0 million) that contractually fall due in excess of one year. These amounts are reflected as current as they form part of the normal operating cycle.

	2013 R'000	2012 R'000	2011 R'000
11 CASH AND CASH EQUIVALENTS			
Cash at bank	67 981	10 192	31 811
Money market investments	–	–	14 258
	67 981	10 192	46 069
Bank overdraft	48 886	2 518	–

Cash at bank earns interest based on daily bank deposit rates. Money market investments are made depending on cash requirements and earn interest at the respective prevailing investment rates.

The bank overdraft facility is secured by bank balances held with the lending bank. The Group is not entitled to set off the bank overdraft with cash and cash equivalents.

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

	2013 R'000	2012 R'000	2011 R'000
Cash and cash equivalents	67 981	10 192	46 069
Bank overdraft	(48 886)	(2 518)	–
	19 095	7 674	46 069

12 STATED CAPITAL, SHARE CAPITAL AND SHARE PREMIUM

12.1 Stated and share capital

	2013 R'000	2012 R'000	2011 R'000
Authorised			
200 000 000 (2012: 200 000 000 and 2011: 200 000 000) ordinary shares with no par value	2 000	2 000	2 000
Issued			
103 869 438 (2012: 103 869 438 and 2011: 103 869 438) ordinary shares with no par value	30 980	1 039	1 039
Share premium transferred upon conversion of shares to no par value shares (refer to note 12.2)	–	29 941	–
Stated capital	30 980	30 980	1 039

	'000	'000	'000
Reconciliation of movement in issued shares			
Number of issued shares at the beginning and end of the year	103 869	103 869	103 869
Treasury shares held by share trust	(3 090)	(3 090)	(2 970)
Number of issued shares, net of treasury shares	100 779	100 779	100 899
Treasury shares as a % of issued shares	3,0	3,0	2,9

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

12.2 Share premium

	R'000	R'000	R'000
Balance at the beginning of the year	–	29 941	97 456
Reduction in share premium	–	–	(67 515)
Transferred to stated capital upon conversion of shares to no par value shares (refer to note 12.1)	–	(29 941)	–
Balance at the end of the year	–	–	29 941

		2013 R'000	2012 R'000	2011 R'000
13	**TREASURY SHARES**			
	Balance at the beginning of the year	(11 331)	(9 732)	(8 938)
	Shares sold during the year	134	–	1 841
	Shares purchased during the year	(2 536)	(1 599)	(2 635)
	Balance at the end of the year	(13 733)	(11 331)	(9 732)

	'000	'000	'000
Balance at the beginning of the year	3 090	2 970	2 670
Shares purchased during the year	230	120	300
Shares sold during the year	(230)	–	–
Balance at the end of the year	3 090	3 090	2 970

14 SHARE-BASED PAYMENT

The Group has established a share option incentive scheme in which options to acquire shares in HomeChoice Holdings Limited have been granted to employees of subsidiaries of HomeChoice Holdings Limited. All options have been granted with an exercise price equal to the market price of the shares on the date of the grant and are conditional on the participant remaining in service with the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

	2013		2012		2011	
	Average exercise price per share (cents)	Number of options	Average exercise price per share (cents)	Number of options	Average exercise price per share (cents)	Number of options
At 1 January	938	3 173 400	748	1 385 250	584	250 000
Options granted during the year	1 116	669 500	1 066	2 175 750	782	1 229 100
Options forfeited during the year	1 007	(247 500)	981	(387 600)	747	(93 850)
At 31 December	966	3 595 400	938	3 173 400	748	1 385 250

No options were exercisable at the reporting dates. Share options outstanding at the end of the year have the following vesting dates and exercise prices:

	2013		2012		2011	
	Average exercise price per share (cents)	Number of options	Average exercise price per share (cents)	Number of options	Average exercise price per share (cents)	Number of options
2012	–	–	–	–	747	251 950
2013	–	–	747	201 550	–	–
2014	652	430 250	584	250 000	584	250 000
2015	800	771 600	798	830 100	795	883 300
2016	1 064	1 746 050	1 066	1 891 750	–	–
2017	1 108	647 500	–	–	–	–
Total	966	3 595 400	938	3 173 400	748	1 385 250

14 SHARE-BASED PAYMENT (continued)

Analysis of options outstanding:

Grant date	29 Nov 2010	20 May 2011	20 May 2011	1 Oct 2011	31 Mar 2012	Subtotal
Number of share options outstanding	250 000	180 250	456 600	315 000	557 000	1 758 850
Grant price (cents)	584	747	747	876	1 064	
Fair value of option (cents)	118	80	94	101	82	

Grant date	Subtotal	15 Apr 2012	29 Jun 2012	1 Oct 2012	20 Mar 2013	Subtotal
Number of share options outstanding	1 758 850	100 000	1 019 050	70 000	400 000	3 347 900
Grant price (cents)		876	1 064	1 329	1 000	
Fair value of option (cents)		94	76	188	160	

Grant date	Subtotal		20 Mar 2013	1 Aug 2013	27 Aug 2013	Total
Number of share options outstanding	3 347 900		147 500	10 000	90 000	3 595 400
Grant price (cents)			1 388	1 388	1 100	
Fair value of option (cents)			121	134	165	

The fair values of options granted during 2013, 2012 and 2011 were determined using a binomial option-pricing model. The assumptions used in determining the fair values were as follows:

Grant date	29 Nov 2010	20 May 2011	20 May 2011	1 Oct 2011	31 Mar 2012	15 Apr 2012
Grant price (cents)	584	747	747	876	1 064	876
Expected option life (years)	4	1	4	4	4	4
Expected volatility (%)	35,00	35,00	35,00	35,00	27,13	27,13
Expected dividend yield (%)	6,80	8,43	8,43	8,56	9,59	9,59
Expected employee attrition (%)	–	10,00	10,00	10,00	10,00	10,00
Risk-free interest rate (%)	6,40	6,10	7,87	6,80	6,89	6,89

Grant date	29 Jun 2012	1 Oct 2012	20 Mar 2013	20 Mar 2013	1 Aug 2013	27 Aug 2013
Grant price (cents)	1 064	1 329	1 000	1 388	1 388	1 100
Expected option life (years)	4	4	4	4	4	4
Expected volatility (%)	26,63	26,37	25,55	25,55	25,09	25,09
Expected dividend yield (%)	9,59	3,35	10,40	7,49	7,49	9,45
Expected employee attrition (%)	10,00	10,00	10,00	10,00	10,00	10,00
Risk-free interest rate (%)	6,18	5,66	6,02	6,02	7,55	7,55

The volatility, measured at the standard deviation of continuously compounded share returns, was based on statistical analysis of monthly share prices of listed peers over the last three years.

Total expenses of R0,8 million (2012: R0,5 million and 2011: R0,3 million) relating to equity-settled share-based payments were recognised during the year. Refer to note 15 for disclosure of the share-based payment reserve.

		Available-for-sale investments R'000	Share-based payment reserve R'000	Total R'000
15	**OTHER RESERVES**			
	Balance at 1 January 2011	3 818	295	4 113
	Realised gain on available-for-sale investments disposed during the year	(2 184)	–	(2 184)
	Unrealised loss on available-for-sale investments	(1 634)	–	(1 634)
	Share-based payment	–	250	250
	Total changes	(3 818)	250	(3 568)
	Balance at 1 January 2012	–	545	545
	Share-based payment	–	539	539
	Total changes	–	539	539
	Balance at 1 January 2013	–	1 084	1 084
	Share-based payment	–	818	818
	Total changes	–	818	818
	Balance at 31 December 2013	–	1 902	1 902

		2013 R'000	2012 R'000	2011 R'000
16	**INTEREST-BEARING LIABILITIES**			
	Long-term portion			
	Listed bonds	98 063	–	–
	Mortgage bonds	49 382	54 645	66 572
	Building loan	–	29 381	–
	Suspensive sale agreements	40 764	6 951	8 323
	Total non-current interest-bearing liabilities	188 208	90 977	74 895
	Short-term portion payable within one year			
	Listed bonds	1 545	–	–
	Mortgage bonds	5 252	4 874	5 102
	Building loan	–	2 374	–
	Suspensive sale agreements	14 351	1 930	2 331
	Total current interest-bearing liabilities	21 148	9 178	7 433
	Total interest-bearing liabilities	209 356	100 155	82 328

Listed bonds

Listed bonds consist of Domestic Medium-term Notes. The Group issued R100,0 million floating rate notes under a R500,0 million Domestic Term Note Programme approved by the JSE on 16 October 2013. The bonds carry interest at the three-month Jibar rate plus 3,15% and have a term of three years with quarterly interest payments.

Movements in listed bonds were as follows:

	2013 R'000	2012 R'000	2011 R'000
Opening balance	–	–	–
Borrowings raised	100 000	–	–
Bond-raising costs incurred	(1 937)	–	–
Interest and administration fees	1 545	–	–
Closing balance	99 608	–	–

16 INTEREST-BEARING LIABILITIES (continued)

Mortgage bonds

Mortgage bonds include a Standard Bank of South Africa Limited facility, secured by a general covering bond over the remaining extent of Erf 91380 Cape Town and a FirstRand Bank Limited facility, secured by a general covering bond over Portion 240 of farm Wimbledon No. 454 during 2012.

The FirstRand Bank Limited facility carried interest at prime and was settled in full during the 2012 financial year.

The Standard Bank of South Africa Limited bond carries interest at prime less 1% and has a remaining repayment term of eight years (2012: nine years and 2011: ten years).

	2013 R'000	2012 R'000	2011 R'000
Movements in mortgage bonds were as follows:			
Opening balance	59 519	71 674	55 076
Borrowings raised	–	–	64 721
Interest and administration fees	4 284	5 253	4 897
Payments made	(9 169)	(17 408)	(53 020)
Closing balance	54 634	59 519	71 674

Building loan

The building loan includes a Rand Merchant Bank building loan and VAT facility, secured by a general covering bond over Portion 240 of farm Wimbledon No. 454. The loan carried interest at prime less 0,25% and was settled in full during the 2013 financial year. A term loan of R105,5 million replacing the building loan will be drawn on during 2014.

	2013 R'000	2012 R'000	2011 R'000
Movements in the building loan were as follows:			
Opening balance	31 755	–	–
Borrowings raised	81 509	30 964	–
Interest and administration fees	4 637	791	–
Payments made	(117 901)	–	–
Closing balance	–	31 755	–

Suspensive sale agreements

Suspensive sale agreements are instalment sale agreements which the Group has entered into in respect of certain property, plant and equipment where the assets purchased are encumbered as security for the outstanding liability until such time that the liability is discharged. The suspensive sale agreements are repayable in monthly instalments of R1,1 million (2012: R0,2 million and 2011: R0,3 million) including interest and capital.

Interest rates are linked to the prime overdraft rate and varied between 7,25% and 8,5% (2012: 7,5% and 8,5% and 2011: 8,0% and 9,0%) during the year. There were no breaches in payments during the current or prior years. The suspensive sale agreements are secured over various items of property, plant and equipment as indicated in note 4, and intangible assets as indicated in note 5.

	2013 R'000	2012 R'000	2011 R'000
Movements in suspensive sale agreements were as follows:			
Opening balance	8 881	10 654	2 543
Borrowings raised	48 440	621	9 964
Interest and administration fees	1 434	934	292
Payments made	(3 640)	(3 328)	(2 145)
Closing balance	55 115	8 881	10 654

		2013 R'000	2012 R'000	2011 R'000
17	**OTHER PAYABLES**			
	Non-current other payables			
	Amounts owed to prize winners payable in excess of 12 months	3 510	3 480	3 450
18	**TRADE AND OTHER PAYABLES**			
	Trade payables	99 897	87 337	71 287
	Annual leave pay accrual	5 151	3 900	3 140
	Value-added taxation	2 632	6 164	3 651
	Other payables	26 872	15 317	7 376
		134 552	112 718	85 454

Refer to note 25 for disclosure on commitments regarding lease liabilities.

		Opening balance R'000	Utilised during the year R'000	Raised R'000	Closing balance R'000
19	**PROVISIONS**				
	Analysis of movements				
	2013				
	Bonus	18 934	(18 934)	–	–
	Ex-gratia payments	–	–	9 000	9 000
		18 934	(18 934)	9 000	9 000
	2012				
	Bonus	17 064	(17 367)	19 237	18 934
		17 064	(17 367)	19 237	18 934
	2011				
	Bonus	17 400	(16 630)	16 294	17 064
		17 400	(16 630)	16 294	17 064

Provisions relate to amounts payable to employees in accordance with the Group's annual incentive scheme. Annual incentives are discretionary and are payable in March. The bonus and ex-gratia payment provisions are based on a financial model that takes into account whether the Company achieved its financial targets, individual staff performance during the year and the remuneration committee's final discretion.

		2013 R'000	2012 R'000	2011 R'000
20	**OTHER NET GAINS AND LOSSES**			
	Foreign exchange gains/(losses)	(2 321)	793	(615)
	(Gains)/losses on disposal of property, plant and equipment and intangible assets	2	(34)	(201)
	Realised gain on available-for-sale investments	–	–	2 184
	Net gain on disposal of associate	–	–	660
		(2 319)	759	2 028
21	**OTHER INCOME**			
	Interest on loans to employees	637	879	1 180
	Prescription of amounts owing	1 072	3 266	866
	Other	952	891	49
		2 661	5 036	2 095

		2013 R'000	2012 R'000	2011 R'000
22	**TOTAL TRADING EXPENSES**			
	Expenses by nature			
	Debtor costs			
	Trade receivables – HomeChoice	212 002	149 997	94 936
	Loans receivable – FinChoice	104 461	77 772	53 151
	Total debtor costs	316 463	227 769	148 087
	Auditor's remuneration	1 817	2 027	1 428
	Consultation fees	3 790	3 029	1 607
	Amortisation of intangible assets	6 324	4 847	4 362
	Depreciation of property, plant and equipment	7 347	6 953	6 898
	Operating lease charges for immovable property	27	–	143
	Total operating lease charges	12 415	11 616	7 799
	Less: disclosed under cost of retail sales	(12 388)	(11 616)	(7 656)
	Marketing costs	138 809	119 789	98 457
	Staff costs	173 850	164 490	129 896
	Total staff costs	192 435	180 003	142 213
	Less: disclosed under cost of retail sales	(18 585)	(15 513)	(12 317)
	Other costs	102 775	96 985	80 166
	Total other trading expenses	434 739	398 120	322 957
		751 202	625 889	471 044
23	**INTEREST PAID**			
	Bank borrowings	291	49	967
	Listed bonds	1 545	–	–
	Mortgage bonds	4 284	5 253	4 897
	Building loan	4 637	791	–
	Suspensive sale agreements	1 434	934	292
	Total interest paid	12 191	7 027	6 156
	Less: amounts capitalised on qualifying assets	(4 637)	(791)	–
		7 554	6 236	6 156
24	**TAXATION**			
	South African normal income taxation			
	Current year	(117 625)	(100 230)	(88 661)
	Prior year over/(under)provision	(1 080)	2 184	(3 359)
	Deferred taxation			
	Current year	(4 049)	(12 426)	(6 028)
	Prior year underprovision	1 058	(2 184)	–
		(121 696)	(112 656)	(98 048)
		%	%	%
	Reconciliation of effective taxation rate:			
	Standard taxation rate	28,0	28,0	28,0
	Non-deductible expenditure	0,4	0,6	–
	Exempt income	(0,3)	(0,2)	(0,2)
	Dividends withholdings tax	0,1	–	–
	Secondary tax on companies	–	–	0,2
	Prior year adjustment	–	–	1,0
	Effective taxation rate	28,2	28,4	29,0

STC was abolished with effect from 1 April 2012 and replaced by a dividends tax, which is not levied on the Company but on the beneficial owner of the share and accordingly does not require recognition in profit or loss.

The prior year adjustment to taxation in 2011 relates to the taxation of proceeds from the sale in 2007 of a portion of the legal book of a subsidiary of the Group as a fully taxable recoupment. These proceeds were previously assessed and taxed by the South African Revenue Service as a capital gain.

25 COMMITMENTS

Leases are contracted for periods not exceeding five years and contain escalation clauses of between 8% and 9% and renewal options. The lease expenditure charged to profit and loss during the year is disclosed in note 22.

At 31 December the future minimum operating lease commitments amounted to the following:

	2013 R'000	2012 R'000	2011 R'000
Properties			
Payable within one year	1 960	9 499	9 328
Payable between two and five years	2 116	2 136	11 635
	4 076	11 635	20 963
Suspensive sale agreements			
Payable within one year	20 083	2 617	3 182
Payable between two and five years	41 734	7 806	9 808
	61 817	10 423	12 990
Future finance charges on suspensive sale agreements	(6 702)	(1 542)	(2 336)
	55 115	8 881	10 654
The present value of suspensive sale agreement payments is as follows:			
Payable within one year	16 494	1 957	2 331
Payable between two and five years	38 622	6 924	8 323
	55 116	8 881	10 654
Capital commitments for property, plant and equipment:			
Approved by the directors	68 457	8 554	836
Approved by the directors and contracted for	–	60 863	–
	68 457	69 417	836

26 RECONCILIATION OF CASH GENERATED FROM OPERATIONS

	2013 R'000	2012 R'000	2011 R'000
Profit before taxation	431 019	397 153	338 044
Share of loss of associates	1 818	2 097	366
(Gains)/losses on disposal of property, plant and equipment and intangible assets	(3)	34	201
Profit on sale of available-for-sale investments	–	–	(2 184)
Loans to employees – amortised cost adjustment	(260)	(538)	(1 046)
Notional interest on loans to employees	(637)	(987)	(1 153)
Depreciation and amortisation	13 671	11 800	11 260
Gain on disposal of associate	–	–	(660)
Share-based employee service expense	818	539	250
Foreign exchange contracts	–	–	(1 104)
Dividends received	–	–	(394)
Interest paid	7 554	6 236	6 156
Interest received	(2 070)	(2 624)	(2 975)
Operating cash flows before working capital changes	451 910	413 710	346 761
Movements in working capital	(173 900)	(259 992)	(203 253)
Increase in inventories	(34 723)	(18 092)	(22 302)
Increase in trade receivables – Retail	(102 847)	(141 251)	(110 527)
Increase in loans receivable – Financial Services	(50 434)	(115 066)	(89 707)
Increase in other receivables	4 129	(14 747)	(5 741)
Increase in trade and other payables	19 909	27 294	25 360
Increase/(decrease) in provisions	(9 934)	1 870	(336)
	278 010	153 718	143 508

27 TAXATION PAID

	2013 R'000	2012 R'000	2011 R'000
Amounts owing at the beginning of the year	(5 839)	(1 234)	(861)
Amounts charged to profit and loss	(121 696)	(112 656)	(98 048)
South African normal taxation	(118 705)	(98 046)	(92 020)
Deferred taxation	(2 991)	(14 610)	(6 028)
Deferred taxation movement	2 991	14 610	6 028
Amounts owing at the end of the year	8 876	5 839	1 234
	(115 668)	(93 441)	(91 647)

28 EVENTS AFTER THE REPORTING DATE

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

29 RELATED PARTY TRANSACTIONS

Holding company

At the reporting date the ultimate controlling party of the Group was Stockdale Investment Holdings Limited, a company incorporated in British Virgin Islands. Further details regarding significant shareholders are set out in the shareholder analysis in note 30.

Subsidiaries, associates and related trusts

In the ordinary course of business certain companies within the Group entered into certain intragroup transactions which have been eliminated on consolidation.

Other related parties

The HomeChoice Provident Fund

The Group provides retirement benefits for its permanent employees through the HomeChoice Provident Fund ("the provident fund"), a defined contribution plan. The fund is registered under and governed by the Pension Funds Act, 1956, as amended. The latest valuation received from the fund administrators confirmed that the provident fund was in a sound financial position.

Associates

Details regarding the Group's associates are set out in note 7. Transactions with the associates are entered into at the prevailing partnership rates.

	2013 R'000	2012 R'000	2011 R'000
Contributions to the provident fund	15 889	13 330	10 872
Fees paid to associates for transportation services	4 403	2 558	1 154

Remuneration

Details regarding executive and non-executive directors' remuneration are disclosed in note 35.

Interest of directors in contracts

As disclosed in note 7, the Group holds a 25% interest in an en-commandite partnership formed for the transportation of passengers by air for fare. Mr Garratt, a director, has a controlling interest in another entity with significant influence in the partnership.

Mr Jungschläger, a director of the Company, has a controlling interest in an entity which provided consultation services to the Group during the year in the amount of R126 084 (2012: R63 000 and 2011: R256 000).

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

Loans to directors

Loans have been provided to directors and key management personnel as part of the Employee Share Incentive Scheme as disclosed in note 6.

Loans to employees as reported in the annual financial statements	6 362	9 580	11 664
Unearned notional interest	468	1 365	2 702
Total loans receivable	6 830	10 945	14 366
Made up as follows:			
Non-executive directors of HomeChoice Holdings Limited	746	933	2 116
Operational directors of the Group	4 776	7 199	9 394
Other employees	1 308	2 813	2 856
	6 830	10 945	14 366

Share options

Share options have been granted to certain executive directors of HomeChoice Holdings Limited and employees of its subsidiaries (refer to note 35).

29 RELATED PARTY TRANSACTIONS (continued)

Key management personnel

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

	2013 R'000	2012 R'000	2011 R'000
Remuneration	27 079	26 049	22 852
Bonuses	4 773	5 048	4 070
Share-based payment cost	424	228	57
Retirement and medical aid	1 503	1 204	1 142
	33 779	32 529	28 121

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
30 SHAREHOLDER ANALYSIS				
Range of shareholding				
1 – 500	2	3,2	39	–
501 – 5 000	26	41,3	52 396	0,1
5 001 – 50 000	14	22,2	286 119	0,3
50 001 – 500 000	17	27,0	3 581 433	3,6
Over 500 000	4	6,3	96 859 364	96,0
	63	100,0	100 779 351	100,0
Share trust	1		3 090 087	
	64		103 869 438	
Public and non-public shareholding				
Non-public				
Directors	5	7,9	85 200 575	84,5
Directors of subsidiaries	5	7,9	1 650 000	1,6
Public	53	84,2	13 928 776	13,9
	63	100,0	100 779 351	100,0

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

	Number	%
2013		
GFM	**83 449 531**	**82,8**
RMB Securities (a division of FirstRand Bank Limited)	**9 487 033**	**9,4**
	92 936 564	**92,2**
2012		
GFM	83 649 531	83,0
RMB Securities (a division of FirstRand Bank Limited)	9 487 033	9,4
	93 136 564	92,4
2011		
GFM	78 516 331	77,6
RMB Securities (a division of FirstRand Bank Limited)	9 487 033	9,4
	88 003 364	87,0

31 EARNINGS PER SHARE

31.1 Basic and headline earnings per share

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

	2013		2012		2011	
	Gross R'000	Net R'000	Gross R'000	Net R'000	Gross R'000	Net R'000
Profit for the year		309 323		284 497		239 996
Adjusted for the after-tax effect of:						
(Gains)/losses on disposal of property, plant and equipment and intangible assets	(2)	(2)	34	24	201	145
Gain on disposal of associate	–	–	–	–	(660)	(660)
Gain on disposal of available-for-sale financial assets	–	–	–	–	(2 184)	(2 184)
Headline earnings		309 321		284 521		237 297
Weighted average number of ordinary shares in issue ('000)		100 779		100 860		101 083
Earnings per share (cents)						
Basic		306,9		282,1		237,4
Headline		306,9		282,1		234,8

31.2 Diluted and diluted headline earnings per share

The calculation of diluted and diluted headline earnings per share is based upon profit for the year attributable to owners of the parent divided by the fully diluted weighted average number of ordinary shares in issue as follows:

	2013 '000	2012 '000	2011 '000
Weighted average number of ordinary shares in issue	100 779	100 860	101 083
Number of shares issuable under the share option scheme for no consideration	448	696	–
Diluted weighted average number of ordinary shares in issue	101 227	101 556	101 083
Earnings per share (cents)			
Diluted	305,6	280,1	237,4
Diluted headline	305,6	280,2	234,8

32 DISTRIBUTIONS PER SHARE

The Company has made cash distributions to shareholders comprising dividends and reductions in share premium.

Distributions paid (cents)	110,0	50,0	85,0
Interim	44,0	–	35,0
Final	66,0	50,0	50,0
Nature of distributions (cents)	110,0	50,0	85,0
Dividend paid	110,0	50,0	50,0
Reduction in share premium	–	–	35,0

33 NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based upon net assets divided by the total number of shares in issue, net of treasury shares (refer to note 13).

	2013 '000	2012 '000	2011 '000
Net asset value per share (cents)	1 275,8	1 062,0	829,9
Net tangible asset value per share (cents)	1 215,0	1 021,7	809,1

34 RECLASSIFICATIONS AND RESTATEMENTS

To enhance disclosure, certain reclassifications and restatements have been made. These changes have no impact on overall equity, assets or liabilities.

34.1 Disclosure of revenue

The Group has effected amendments to its revenue disclosures. These amendments are considered to enhance the transparency of information provided to the user and to better reflect the nature of the Group's retail operations, being that of a direct marketing retailer.

At 30 June 2013 the revenue recognition accounting policy was reviewed and amended as follows:

- Initiation fee income has been reclassified from "Fees from ancillary services" and has now been disclosed as part of "Finance charges and initiation fees earned".

The impact of the disclosure changes on the results reported as at 31 December is as follows:

	Now disclosed R'000	Previously disclosed R'000	Difference R'000
2012			
Finance charges and initiation fees earned	498 121	363 474	134 647
Finance charges earned	363 474	363 474	–
Initiation fees earned	134 647	–	134 647
Fees from ancillary services	94 758	229 405	(134 647)
	592 879	592 879	–
2011			
Finance charges and initiation fees earned	390 102	278 454	111 648
Finance charges earned	278 454	278 454	–
Initiation fees earned	111 648	–	111 648
Fees from ancillary services	60 098	171 746	(111 648)
	450 200	450 200	–

34.2 **Segmental results**

The Group has effected amendments to the disclosure of divisional results in the segmental report and now reports “Segmental results” for each division rather than “Segmental operating profit”. The amendments have been made to improve the comparability of the Group’s Financial Services operations with that of other credit providers.

The impact of the disclosure changes on the results reported as at 31 December is as follows:

	Retail R’000	Financial Services R’000	Property R’000	Other R’000	Eliminations R’000	Total R’000
2012						
Previously disclosed						
Segmental operating profit	262 960	129 465	15 782	146 313	(151 658)	402 862
Adjusted for:						
Interest received	–	120	–	30 455	(30 149)	426
Interest paid	–	(30 149)	–	–	30 149	–
Now disclosed						
Segmental results	262 960	99 436	15 782	176 768	(151 658)	403 288
2011						
Previously disclosed						
Segmental operating profit	229 888	92 855	15 107	12 834	(9 093)	341 591
Adjusted for:						
Interest received	–	173	–	25 380	(23 995)	1 558
Interest paid	–	(23 995)	–	–	23 995	–
Now disclosed						
Segmental results	229 888	69 033	15 107	38 214	(9 093)	343 149

34.3 **Statement of cash flows**

The Group has amended the disclosure of dividends paid in the Group statement of cash flows. Dividends paid are now disclosed as a cash flow from financing activities rather than from operating activities.

35 REMUNERATION

R'000	Months paid	Short-term benefits: Director's fees	Salary	Other benefits	Performance bonus
2013					
Executive directors					
Richard Garratt	12	–	3 583	1 749	1 000
Shirley Maltz	12	–	2 304	–	1 729
Annalize Kirsten	12	–	1 645	–	1 347
		–	7 532	1 749	4 076
Non-executive directors					
John Bester	12	287	–	–	–
Pierre Joubert***	12	–	–	–	–
Willem Jungschläger	12	519	–	–	–
Amanda Chorn	12	227	–	–	–
		1 033	–	–	–
Total remuneration		1 033	7 532	1 749	4 076
2012					
Executive directors					
Richard Garratt	12	–	3 357	2 568	2 000
Shirley Maltz	12	–	1 753	5	1 985
Annalize Kirsten	12	–	1 551	3	1 594
		–	6 661	2 576	5 579
Non-executive directors					
John Bester	12	250	–	–	–
Pierre Joubert***	12	–	–	–	–
Willem Jungschläger	12	500	–	–	–
Amanda Chorn	12	173	–	–	–
		923	–	–	–
Total remuneration		923	6 661	2 576	5 579
2011					
Executive directors					
Richard Garratt	12	–	3 028	900	2 000
Shirley Maltz	12	–	1 647	30	1 991
Annalize Kirsten	12	–	1 413	17	1 717
		–	6 088	947	5 708
Non-executive directors					
John Bester	12	250	–	–	–
Pierre Joubert***	12	–	–	–	–
Willem Jungschläger	12	500	–	–	–
Amanda Chorn	12	141	–	–	–
		891	–	–	–
Total remuneration		891	6 088	947	5 708

* The performance bonus paid in March is based on the prior year's results.

** The value of equity-settled share options granted is the annual expense determined in accordance with IFRS 2: Share-based Payment and is presented for information purposes only as it is not regarded as constituting remuneration, given that the value was neither received nor accrued to the directors during the year. Gains made on the exercise of such share options are disclosed in the year when vesting occurs.

*** Pierre Joubert waived his fees as a director in respect of the periods under review.

**** These figures also form part of note 35 (Remuneration) below.

Share options outstanding held by directors at the end of the 2013 financial year have the following vesting date and exercise price:

Director	Vesting date	Number of share options '000	Exercise price per share R
Shirley Maltz	20 May 2015	25	7,47
	31 March 2016	25	10,64
	29 June 2016	450	10,64
	27 August 2017	50	11,00
		550	
Annalize Kirsten	20 May 2015	25	7,47
	31 March 2016	25	10,64
	29 June 2016	50	10,64
	20 March 2017	10	13,88
		110	
		660	

	Post-retirement benefits	Long-term benefits			
	Provident fund contributions	Interest benefit on financial assistance	Total remuneration	Value of equity-settled share options granted**	Financial assistance granted pursuant to share scheme
	–	–	6 332	–	–
	277	–	4 310	144	–
	197	138	3 327	29	1 642
	474	138	13 969	173	1 642
	–	–	287	–	–
	–	–	–	–	–
	–	52	571	–	746
	–	–	227	–	–
	–	52	1 085	–	746
	474	190	15 054	173	2 388
	31	–	7 956	–	–
	211	–	3 954	53	–
	186	182	3 516	15	2 652
	428	182	15 426	68	2 652
	–	34	284	–	–
	–	–	–	–	–
	–	62	562	–	933
	–	–	173	–	–
	–	96	1 019	–	933
	428	278	16 445	68	3 585
	185	–	6 113	–	–
	201	–	3 869	4	–
	228	246	3 621	4	3 217
	614	246	13 603	8	3 217
	–	77	327	–	1 058
	–	–	–	–	–
	–	77	577	–	1 058
	–	–	141	–	–
	–	154	1 045	–	2 116
	614	400	14 648	8	5 333

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION IN RESPECT OF HOMECHOICE HOLDINGS AND ITS SUBSIDIARIES FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

The Directors
HomeChoice International P.L.C. ("HIL")
93 Mill Street
Qormi
QRM 3102
Malta

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION

Introduction

HomeChoice International P.L.C. ("the Company") is issuing a Pre-listing Statement to its shareholders ("the Pre-listing Statement") regarding the proposed listing of the Company ("Proposed transaction").

At your request and for the purpose of the Pre-listing Statement to be dated on or about 27 November 2014, we have audited the consolidated historical financial information of HomeChoice Holdings Limited, which comprises the consolidated statements of financial position as at 31 December 2013, 31 December 2012 and 31 December 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information ("the Consolidated Historical Financial Information"), as presented in Annexure 3 to the Pre-listing Statement, in compliance with the JSE Limited ("JSE") Listings Requirements.

Responsibility

Directors' responsibility

The directors of the Company are responsible for the preparation, contents and presentation of the Pre-listing Statement and are responsible for ensuring that the Company complies with the JSE Listings Requirements. The directors of HomeChoice Holdings Limited are responsible for the preparation and fair presentation of the Consolidated Historical Financial Information in accordance with International Financial Reporting Standards, and for such internal controls as the directors of HomeChoice Holdings Limited determine is necessary to enable the preparation of Consolidated Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's responsibility

Our responsibility is to express an opinion on the Consolidated Historical Financial Information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance whether the Consolidated Historical Financial Information of HomeChoice Holdings Limited is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Historical Financial Information of HomeChoice Holdings Limited. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Consolidated Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Historical Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates made by management of HomeChoice Holdings Limited, as well as evaluating the overall presentation of the Consolidated Historical Financial Information.

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

Opinion

In our opinion, the Consolidated Historical Financial Information of HomeChoice Holdings Limited as set out in Annexure 3 to the Pre-listing Statement, presents fairly, in all material respects, the consolidated financial position of HomeChoice Holdings Limited as at 31 December 2013, 31 December 2012 and 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

Other Matter – Purpose of the Report

This report has been prepared for the purpose of the Pre-listing Statement and for no other purpose.

PricewaterhouseCoopers Inc.
Director: MC Hamman
Registered Auditor
Cape Town
24 November 2014

REVIEWED INTERIM FINANCIAL INFORMATION OF HOMECHOICE HOLDINGS AND ITS SUBSIDIARIES IN RESPECT OF THE SIX MONTHS ENDED 30 JUNE 2014

INTRODUCTION

The interim financial information of HomeChoice Holdings has been extracted and compiled from the reviewed interim results of HomeChoice Holdings for the six months ended 30 June 2014.

The preparation of the interim financial information as disclosed in this Annexure 5 is the responsibility of the Directors of HomeChoice Holdings.

This interim financial information was prepared by the finance department of HomeChoice Holdings Limited and its subsidiaries, acting under the supervision of Annalize Kirsten CA (SA), the chief financial officer of HomeChoice Holdings Limited.

The interim financial information of HomeChoice Holdings was reviewed by the Independent Reporting Accountants and Auditors and was reported on without qualification. The Independent Reporting Accountants and Auditors report on the interim financial information is included in Annexure 6 to this Pre-listing Statement.

COMMENTARY

Detailed commentary on the interim financial information of HomeChoice Holdings Limited and its subsidiaries is provided in the section *"Management's Discussion and Analysis Of Financial Condition and Results of Operations and Selected Historical Consolidated Financial and Other Information"* in the Pre-listing Statement as well as in the selected interim financial information of the Group included in the Pre-Listing Statement.

GROUP STATEMENT OF FINANCIAL POSITION

	Reviewed Jun 2014 R'000	Reviewed Jun 2013 R'000	Audited Dec 2013 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**288 303**	219 075	292 785
Intangible assets	**72 553**	53 005	61 237
Loans to employees	**3 658**	8 313	6 362
Investment in associates	**7 870**	5 056	6 536
Deferred taxation	**21 771**	17 856	18 133
	394 155	303 305	385 053
Current assets			
Inventories	**202 941**	164 400	144 964
Taxation receivable	**4 169**	3 506	77
Trade and other receivables	**1 261 864**	1 068 970	1 169 921
Trade receivables – Retail	**705 916**	629 555	686 375
Loans receivable – Financial Services	**537 633**	424 463	462 080
Other receivables	**18 315**	14 952	21 466
Cash and cash equivalents	**50 945**	29 897	67 981
	1 519 919	1 266 773	1 382 943
Total assets	**1 914 074**	1 570 078	1 767 996
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	**30 980**	30 980	30 980
Treasury shares	**(13 733)**	(11 331)	(13 733)
Other reserves	**2 403**	1 473	1 902
Retained earnings	**1 358 230**	1 141 069	1 266 575
	1 377 880	1 162 191	1 285 724
Non-current liabilities			
Interest-bearing liabilities	**225 175**	129 771	188 208
Deferred taxation	**72 545**	71 265	68 015
Other payables	**3 975**	3 095	3 510
	301 695	204 131	259 733
Current liabilities			
Interest-bearing liabilities	**26 345**	10 640	21 148
Taxation payable	**3 484**	2 104	8 953
Trade and other payables	**148 037**	125 834	134 552
Provisions	**–**	9 850	9 000
Bank overdraft	**56 633**	55 328	48 886
	234 499	203 756	222 539
Total liabilities	**536 194**	407 887	482 272
Total equity and liabilities	**1 914 074**	1 570 078	1 767 996

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Reviewed six months ended Jun 2014 R'000	Change %	Reviewed six months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000
Revenue	**860 632**	12,9	762 179	1 661 952
Retail sales	**451 021**	10,2	409 227	929 730
Finance charges and initiation fees earned	**342 666**	15,1	297 657	619 848
Finance charges earned	**246 023**	12,1	219 387	452 912
Initiation fees earned	**96 643**	23,5	78 270	166 936
Fees from ancillary services	**66 945**	21,1	55 295	112 374
Cost of retail sales	**(225 279)**	9,1	(206 505)	(472 771)
Debtor costs	**(154 356)**	6,3	(145 246)	(316 463)
Other trading expenses	**(250 329)**	20,6	(207 489)	(434 739)
Other net gains and losses	**(1 909)**		(3 080)	(2 319)
Other income	**891**		1 644	2 661
Operating profit	**229 650**	14,0	201 503	438 321
Interest received	**613**		230	2 070
Interest paid	**(8 875)**		(2 682)	(7 554)
Share of loss of associates	**(1 178)**		(953)	(1 818)
Profit before taxation	**220 210**	11,2	198 098	431 019
Taxation	**(62 041)**		(56 227)	(121 696)
Profit and total comprehensive income for the period	**158 169**	11,5	141 871	309 323
Number of shares ('000)				
– In issue	**103 869**		103 869	103 869
– Weighted shares in issue, net of treasury shares	**100 779**		100 779	100 779
Earnings per share (cents)				
– attributable	**156,9**	11,4	140,8	306,9
– diluted attributable	**156,3**	11,9	139,7	305,6
– headline (HEPS)	**157,1**	11,6	140,8	306,9
– diluted HEPS	**156,4**	12,0	139,7	305,6
Retail gross profit margin (%)	**50,1**		49,5	49,1

The retail gross profit margin percentage has been calculated as retail sales less cost of retail sales, divided by retail sales.

GROUP STATEMENT OF CHANGES IN EQUITY

	Reviewed six months ended Jun 2014 R'000	Reviewed six months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000
Equity at the beginning of the period	**1 285 724**	1 070 322	1 070 322
Profit and total comprehensive income for the period	**158 169**	141 871	309 323
Purchase of treasury shares by share trust	**–**	–	(2 536)
Dividends paid	**(66 514)**	(50 391)	(94 733)
Sale of treasury shares by share trust	**–**	–	2 530
Share option scheme	**501**	389	818
Equity at the end of the period	**1 377 880**	1 162 191	1 285 724

GROUP STATEMENT OF CASH FLOWS

	Reviewed six months ended Jun 2014 R'000	Change %	Reviewed six months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000
Cash flows from operating activities				
Operating cash flows before working capital changes	**241 854**	16,1	208 382	451 910
Movement in working capital	**(145 007)**		(98 703)	(173 900)
Cash generated from operations	**96 847**	(11,7)	109 679	278 010
Interest received	**613**		230	2 078
Interest paid	**(8 854)**		(2 682)	(5 883)
Taxation paid	**(70 710)**		(56 954)	(115 668)
Net cash (outflow)/inflow from operating activities	**17 896**	(64,4)	50 273	158 537
Cash flows from investing activities				
Purchase of property, plant and equipment	**(2 829)**		(56 788)	(134 700)
Proceeds from disposal of property, plant and equipment	**487**		–	9
Purchase of intangible assets	**(15 937)**		(16 091)	(26 883)
Loans repaid by employees	**2 952**		1 694	4 115
Investment in associates	**(2 512)**		(2 058)	(4 403)
Net cash outflow from investing activities	**(17 839)**	75,6	(73 243)	(161 862)
Cash flows from financing activities				
Purchase of treasury shares	**–**		–	(707)
Proceeds from sale of treasury shares	**–**		–	2 530
Proceeds from interest-bearing liabilities	**55 119**		50 511	229 950
Repayments of interest-bearing liabilities	**(13 445)**		(10 255)	(120 357)
Financing costs paid	**–**		–	(1 937)
Dividends paid	**(66 514)**		(50 391)	(94 733)
Net cash inflow from financing activities	**(24 840)**	145,1	(10 135)	14 746
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**(24 783)**		(33 105)	11 421
Cash, cash equivalents and bank overdrafts at the beginning of the period	**19 095**		7 674	7 674
Cash, cash equivalents and bank overdrafts at the end of the period	**(5 688)**	77,6	(25 431)	19 095

GROUP SEGMENTAL ANALYSIS

	Retail R'000	Financial Services R'000	Property R'000	Other R'000	Eliminations R'000	Total R'000
2014 – Reviewed						
Segment revenue	677 709	182 329	13 721	2 039	–	875 798
Retail sales	451 021	–	–	–	–	451 021
Finance charges and initiation fees earned	196 553	146 113	–	–	–	342 666
Fees from ancillary services	30 135	36 216	13 721	–	–	80 072
Dividends revenue	–	–	–	2 039	–	2 039
Less: intersegment revenue	–	–	(13 127)	(2 039)	–	(15 166)
Revenue from external customers	677 709	182 329	594	–	–	860 632
Growth in revenue from external customers (%)	12,3	15,1	(0,2)			12,9
Segment results*	131 371	73 032	12 657	15 442	(2 039)	230 463
Segment results margin (%)	19,4	40,1	92,2			26,3
Growth in segment results (%)	12,4	16,0	54,0			12,6
Segment assets**	1 079 106	605 542	228 530	3 309	(2 413)	1 914 074
Segment liabilities**	308 847	15 640	110 094	107 010	(5 397)	536 194
Operating cash flows before working capital changes	142 355	86 427	13 290	(211)	(7)	241 854
Movement in working capital	(64 919)	(77 411)	(352)	(2 325)	–	(145 007)
Cash generated/(utilised) from operations	77 436	9 016	12 938	(2 536)	(7)	96 847
2013 – Reviewed						
Segment revenue	603 227	158 357	9 303	1 545	–	772 432
Retail sales	409 227	–	–	–	–	409 227
Finance charges and initiation fees earned	168 348	129 309	–	–	–	297 657
Fees from ancillary services	25 652	29 048	9 303	–	–	64 003
Dividends revenue	–	–	–	1 545	–	1 545
Less: intersegment revenue	–	–	(8 708)	(1 545)	–	(10 253)
Revenue from external customers	603 227	158 357	595	–	–	762 179
Growth in revenue from external customers (%)	18,1	37,8	0,2			21,7
Segment results*	116 901	62 981	8 218	18 097	(1 543)	204 654
Segment results margin (%)	19,4	39,8	88,3			26,5
Growth in segment results (%)	3,9	37,0	-			13,0
Segment assets**	890 159	464 390	208 204	9 593	(2 268)	1 570 078
Segment liabilities**	239 496	14 032	152 139	11 417	(9 197)	407 887
Operating cash flows before working capital changes	123 361	76 934	8 799	(712)	–	208 382
Movement in working capital	(105 286)	(7 156)	13 129	609	–	(98 703)
Cash generated/(utilised) from operations	18 076	69 778	21 928	(103)	–	109 679

* The chief operating decision-maker monitors the results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They assess the performance of Retail and Property segments based upon a measure of operating profit and Financial Services and Other segments based on a measure of operating profit after interest received and interest paid.

** Excluding Group loans.

	Reviewed Jun 2014 R'000	Reviewed Jun 2013 R'000
Reconciliation of segment results		
Segment results as reported above	**230 463**	204 654
Interest received	**481**	133
Interest paid	**(9 555)**	(5 736)
Share of loss of associates	**(1 178)**	(953)
Profit before tax	**220 210**	198 098

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed interim Group financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting and should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards (IFRS), as well as the SAICA Financial Reporting Guides and the requirements of the South African Companies Act of 2008. The accounting policies applied in the preparation of these condensed interim Group financial statements are consistent with those used in the previous financial year, unless otherwise indicated. No new standards, interpretations or amendments, which are relevant to the Group's operations, became effective during the period.

	Reviewed six months ended Jun 2014 R'000	Reviewed six months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000
2 TRADE AND OTHER RECEIVABLES			
Trade and other receivables can be summarised as follows:			
Trade receivables – Retail	**863 183**	771 936	845 730
Provision for impairment	**(157 267)**	(142 381)	(159 355)
	705 916	629 555	686 375
Loans receivable – Financial Services	**608 174**	485 100	525 116
Provision for impairment	**(70 541)**	(60 637)	(63 036)
	537 633	424 463	462 080
Other receivables	**18 315**	14 952	21 466
Trade and other receivables	**1 261 864**	1 068 970	1 169 921

Loan disbursements to customers increased by 20,1% to R444 million (2013: R370 million), with 74% made to existing loan customers of good credit standing. Within the context of moderated revenue growth the active customer base increased by 5,7% to 71 448 and the gross loan book by 15,8% to R608,2 million from December 2013.

Trade receivables – Retail			
Debtor costs	**91 994**	93 077	212 002
Debtor costs as a % of revenue (%)	**13,6**	15,4	15,8
Debtor costs as a % of gross receivables (annualised) (%)	**21,3**	24,1	25,1
Non-performing receivables as a % of gross receivables* (%)	**8,8**	10,5	10,6
Provision for impairment as a % of gross receivables (%)	**18,2**	18,4	18,8
Loans receivable – Financial Services			
Debtor costs	**62 362**	52 169	104 461
Debtor costs as % of revenue (%)	**34,2**	32,9	33,1
Debtor costs as a % of gross receivables (annualised) (%)	**20,5**	21,5	19,9
Non-performing receivables as a % of gross receivables* (%)	**3,7**	5,1	4,0
Provision for impairment as a % of gross receivables (%)	**11,6**	12,5	12,0
Group			
Debtor costs	**154 356**	145 246	316 463
Debtor costs as % of revenue (%)	**17,9**	19,1	19,0
Debtor costs as a % of gross receivables (annualised) (%)	**21,0**	23,1	23,1
Provision for impairment as a % of gross receivables (%)	**15,5**	16,2	16,2

* Defined as accounts 120 days or more in arrears, as a percentage of the trade and loan receivable books.

	Reviewed six months ended Jun 2014 R'000	Reviewed six months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000
3 RECONCILIATION OF CASH FLOWS GENERATED BY OPERATIONS			
Profit before taxation	**220 210**	198 098	431 019
Share of loss of associates	**1 178**	953	1 818
Losses/(gains) on disposal of property, plant and equipment and intangibles	**263**	–	(3)
Loans to employees – amortised cost adjustment	**(57)**	(75)	(260)
Notional interest on loans to employees	**(191)**	(351)	(637)
Depreciation and amortisation	**11 183**	6 916	13 671
Share-based employee service expense	**538**	389	818
Capitalised bond costs – amortised cost adjustment	**468**	–	–
Interest paid	**8 875**	2 682	7 554
Interest received	**(613)**	(230)	(2 070)
Operating cash flows before working capital changes	**241 854**	208 382	451 910
Movements in working capital	**(145 007)**	(98 703)	(173 900)
Increase in inventories	**(57 977)**	(54 159)	(34 723)
Increase in trade receivables – Retail	**(19 541)**	(46 027)	(102 847)
Increase in loans receivable – Financial Services	**(75 553)**	(12 817)	(50 434)
Increase in other receivables	**3 114**	10 653	4 129
Increase in trade and other payables	**13 950**	12 731	19 909
Decrease in provisions	**(9 000)**	(9 084)	(9 934)
Cash generated from operations	**96 847**	109 680	278 010

4 TOTAL TRADING EXPENSES

	Reviewed six months ended Jun 2014 R'000	Change %	Reviewed six months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000
Expenses by nature				
Debtor costs				
Trade receivables – HomeChoice	**91 994**		93 077	212 002
Loans receivable – FinChoice	**62 362**		52 169	104 461
Total debtor costs	**154 356**		145 246	316 463
Auditor's remuneration	**824**		833	1 817
Consultation fees	**3 187**		3 006	3 790
Amortisation of intangible assets	**4 621**		3 764	6 324
Depreciation of property, plant and equipment	**6 562**		3 152	7 347
Operating lease charges for immovable property	**2**		–	27
Total operating lease charges	**1 059**		5 958	12 415
Less: disclosed under cost of retail sales	**(1 057)**		(5 958)	(12 388)
Marketing costs	**84 687**		62 857	138 809
Staff costs	**95 465**		88 635	173 850
Total staff costs	**104 850**		97 213	192 435
Less: disclosed under cost of retail sales	**(9 385)**		(8 578)	(18 585)
Other costs	**54 981**		45 242	102 775
Total other trading expenses	**250 329**		207 489	434 739

5 HEADLINE EARNINGS

	Reviewed six months ended Jun 2014 R'000	Change %	Reviewed six months ended Jun 2013 R'000	Audited year ended Dec 2013 R'000
Profit for the period	158 169		141 871	309 323
Non-headline items, gross of tax effect				
Loss on disposal of property, plant and equipment and intangible assets	263		–	–
Tax effect	(74)		–	–
Headline earnings for the period	158 358	11,6	141 871	309 323

6 DIVIDENDS PER SHARE

Interim dividend proposed/paid (cents)	61		44	44
Final dividend paid (cents)	–		–	66
	61		44	110

7 NET ASSET VALUE PER SHARE

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

Net asset value per share (cents)	1 367		1 153	1 276
Net tangible asset value per share (cents)	1 295		1 101	1 215
Number of shares in issue ('000)	103 869		103 869	103 869
Number of shares in issue, net of treasury shares ('000)	100 779		100 779	100 779

8 PURCHASE OF INTANGIBLE ASSETS

Included in the reporting period's purchase of intangible assets is the capitalisation of R9,8 million of costs relating to the ERP system implementation.

9 CONTINGENT LIABILITIES

The Group had no contingent liabilities at the reporting date.

10 RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions similar to those disclosed in the Group's annual financial statements for the year ended 31 December 2013 took place during the period and related party balances are existing at the reporting date. Related party transactions include key management personnel compensation, loans to directors and intragroup transactions which have been eliminated on consolidation.

11 EVENTS AFTER THE REPORTING DATE

No event, material to the understanding of this interim report has occurred between the end of the interim period and the date of approval of these interim results.

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments approximate their carrying value.

13 SEASONALITY

Due to its seasonal nature, the retail business has a history of generating higher revenues during the second half of the year. In the financial year ended 31 December 2013, 44% of retail sales accumulated in the first half of the year, with 56% accumulating in the second half.

14 ESTIMATES

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2013.

15 GROUP SEGMENTAL ANALYSIS

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

Retail consists mainly of the Group's HomeChoice and FoneChoice operations, whereas Financial Services represents the Group's FinChoice operations. The Group's property companies, which own commercial properties utilised mainly within the Group, are included in the Property segment. The Other segment relates mainly to the holding company's standalone results, as well as those of its associates.

16 COMPARATIVES

To enhance disclosure, certain reclassifications and restatements have been made. These changes have no impact on overall equity, assets or liabilities.

Segment results

The Group has effected amendments to the disclosure of divisional results in the Group segment analysis and now reports "Segment results" for each division rather than "Segment operating profit". Segment results for the Financial Services and Other segments are after interest received and interest paid. The amendments have been made to improve the comparability of the Group's Financial Services operations with that of other credit providers. The impact of the disclosure changes on the results reported as at 30 June 2013 is to change the Financial Services' segmental operating profit of R76,7 million to segment results of R63,0 million, and the other segmental operating profit of R1,3 million to segment results of R18,1 million.

Group statement of cash flows

The Group has amended the disclosure of dividends paid in the Group statement of cash flows. Dividends paid are now disclosed as a cash flow from financing activities rather than from operating activities.

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE REVIEWED INTERIM FINANCIAL INFORMATION OF HOMECHOICE HOLDINGS AND ITS SUBSIDIARIES IN RESPECT OF THE SIX MONTHS ENDED 30 JUNE 2014

The Directors
HomeChoice International P.L.C. ("HIL")
93 Mill Street
Qormi
QRM 3102
Malta

INDEPENDENT REPORTING ACCOUNTANT'S REVIEW REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Introduction

HomeChoice International P.L.C. ("the Company") is issuing a Pre-listing Statement to its shareholders ("the Pre-listing Statement") regarding the proposed listing of the Company ("Proposed transaction").

At your request and for the purpose of the Pre-listing Statement to be dated on or about 27 November 2014, we have reviewed the accompanying condensed consolidated statement of financial position of HomeChoice Holdings Limited as at 30 June 2014 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months period then ended, and selected explanatory notes ("the Condensed Consolidated Interim Financial Information"), as presented in Annexure 5 to the Pre-listing Statement, in compliance with the JSE Limited ("JSE") Listings Requirements.

Directors' responsibility

The directors of the Company are responsible for the preparation, contents and presentation of the Pre-listing Statement and are responsible for ensuring that the Company complies with the JSE Listings Requirements. The directors of HomeChoice Holdings Limited are responsible for the preparation and presentation of the Condensed Consolidated Interim Financial Information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Reporting Accountant's responsibility

Our responsibility is to express a conclusion on the Condensed Consolidated Interim Financial Information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", which applies to a review of historical information. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Condensed Consolidated Interim Financial Information of HomeChoice Holdings Limited as set out in Annexure 5 to the Pre-listing Statement, is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting and the JSE Listings Requirements.

Other Matter – Purpose of the Report

This report has been prepared for the purpose of the Pre-listing Statement and for no other purpose.

PricewaterhouseCoopers Inc.
Director: MC Hamman
Registered Auditor
Cape Town
24 November 2014

PRO FORMA FINANCIAL INFORMATION OF HIL

INTRODUCTION

The *pro forma* statement of financial position at 30 June 2014 and statement of comprehensive income of HomeChoice International P.L.C. for the period then ended set out below have been prepared to show the impact of the Proposed transaction.

The *pro forma* statement of financial position and statement of comprehensive income have been prepared for illustrative purposes only and because of their nature may not fairly present HomeChoice International P.L.C.'s financial position, changes in equity, results of operations or cash flows, nor the effect and impact of the Offer going forward.

The directors of the Company are responsible for the compilation, contents and preparation of financial information giving effect to the Proposed transaction based on audited financial information. Their responsibility includes determining that the *pro forma* financial information has been properly compiled on the basis stated, the basis is consistent with the accounting policies of the Company and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed pursuant to the Companies Act Requirements and the JSE Listings Requirements.

The *pro forma* consolidated statement of financial position and the *pro forma* consolidated statement of comprehensive income are presented in a manner consistent in all respects with IFRS, the SAICA Guide on *Pro Forma* Financial Information and with the basis on which the historical financial information has been prepared in terms of accounting policies of HomeChoice International P.L.C.

The *pro forma* statement of financial position and statement of comprehensive income as set out below should be read in conjunction with the Independent Reporting Accountants' report set out in Annexure 8 to the Pre-listing Statement.

The *pro forma* statement of financial position set out below presents the effects of the Proposed transaction on the consolidated financial position of HomeChoice International P.L.C. as at 30 June 2014 as if the Proposed transaction had taken place at 30 June 2014 and for the period then ended. All adjustments are considered to have a continuing effect, unless otherwise stated.

A new entity, HIL, is placed on top of an existing group, HomeChoice Holdings, by issuing shares to the existing shareholders. This transaction would not be a business combination and would be accounted for as a reorganisation of an existing group that has not changed the substance of the reporting entity. No capital will be raised. The existing shareholders of HomeChoice Holdings will be the new shareholders in HIL. The consolidated financial statements of the new entity, HIL, will be presented using the values from the consolidated financial statements of the previous group holding company. The equity structure – that is, the issued share capital, share premium and treasury shares – would reflect that of the new company, with other amounts in equity (such as retained earnings and cumulative translation reserves) being those from the consolidated financial statements of the previous group holding company. The resulting difference that will arise would be recognised as a component of equity, called reorganisation reserve.

The *pro forma* financial information is therefore presented as if HIL had been the parent company of the Group throughout the periods presented.

***PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
as at 30 June 2014

	Note(s)	HIL (i) R'000	Reviewed Before (ii) R'000	Adjustments R'000	After R'000
Assets					
Non-current assets					
Property, plant and equipment		–	288 303	–	288 303
Intangible assets		–	72 553	–	72 553
Loans to employees		–	3 658	–	3 658
Investment in associates		–	7 870	–	7 870
Deferred taxation		–	21 771	–	21 771
		–	394 155	–	394 155
Current assets					
Inventories		–	202 941	–	202 941
Taxation receivable		–	4 169	–	4 169
Trade and other receivables		–	1 261 864	–	1 261 864
Trade receivables – Retail		–	705 916	–	705 916
Loans receivable – Financial Services		–	537 633	–	537 633
Other receivables		–	18 315	–	18 315
Cash and cash equivalents	1	–	50 945	(6 500)	44 445
		–	1 519 919	(6 500)	1 513 419
Total assets		–	1 914 074	(6 500)	1 907 574
Equity and liabilities					
Equity attributable to equity holders of parent					
Ordinary share and stated capital	2	–	30 980	(29 941)	1 039
Share premium	2	–	–	3 115 044	3 115 044
Treasury shares	2	–	(13 733)	(78 970)	(92 703)
Reorganisation reserve	2	–	–	(3 006 134)	(3 006 134)
Other reserves		–	2 403	–	2 403
Retained earnings	2	–	1 358 230	(6 500)	1 351 730
Total equity		–	1 377 880	(6 500)	1 371 380
Non-current liabilities					
Interest-bearing liabilities		–	225 175	–	225 175
Deferred taxation		–	72 545	–	72 545
Other payables		–	3 975	–	3 975
		–	301 695	–	301 695
Current liabilities					
Interest-bearing liabilities		–	26 345	–	26 345
Taxation payable		–	3 484	–	3 484
Trade and other payables		–	148 037	–	148 037
Bank overdraft		–	56 633	–	56 633
		–	234 499	–	234 499
Total liabilities		–	536 194	–	536 194
Total equity and liabilities		–	1 914 074	(6 500)	1 907 574
Net asset value per share:					
Net asset value per share including intangibles (cents)		–	1 367,2	–	1 360,8
Net asset value per share excluding intangibles (cents)		–	1 295,2	–	1 288,8
Total shares in issue ('000)		–	103 869	–	103 869
Total shares in issue, net of treasury shares ('000)		–	100 779	–	100 779

(i) As HIL was only incorporated on 22 July 2014, there is no financial information of HIL as at 30 June 2014.

(ii) Extracted from the Reviewed Interim Financial Information of HomeChoice Holdings Limited and its subsidiaries in respect of the six months ended 30 June 2014.

***PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Notes and assumptions

		Cash and cash equivalents R'000
1	**Cash utilised**	
	Transaction costs payable by the company	7 000
	Less: already incurred in interim results for the period ended 30 June 2014	(500)
		6 500

		Share capital R'000	Share premium R'000	Treasury shares R'000	Re-organisation reserve R'000	Other reserves R'000	Retained earnings R'000	Total equity R'000
2	**Increase in share capital**							
	Opening balance	30 980	–	(13 733)	–	2 403	1 358 230	1 377 880
	Shares issued in exchange for shareholding in HomeChoice Holdings Limited	1 039	3 115 044	(92 703)	–	–	–	3 023 381
	Net assets acquired	(30 980)	–	13 733	(3 006 134)	–	–	(3 023 381)
	Less: transaction costs	–	–	–	–	–	(6 500)	(6 500)
	Total	1 039	3 115 044	(92 703)	(3 006 134)	2 403	1 351 730	1 371 380

A new entity, HIL, is placed on top of an existing group, HomeChoice Holdings, by issuing shares to the existing shareholders. This transaction would not be a business combination and would be accounted for as a reorganisation of an existing group that has not changed the substance of the reporting entity. No capital will be raised. The existing shareholders of HomeChoice Holdings will be the new shareholders in HIL. The consolidated financial statements of the new entity, HIL, will be presented using the values from the consolidated financial statements of the previous group holding company. The equity structure – that is, the issued share capital, share premium and treasury shares – would reflect that of the new company, with other amounts in equity (such as retained earnings and cumulative translation reserves) being those from the consolidated financial statements of the previous group holding company. The resulting difference that will arise would be recognised as a component of equity, called reorganisation reserve.

Share capital, share premium and treasury shares have been adjusted to include the effects of:

- the issue of 103 869 438 shares to existing shareholders in terms of the Proposed transaction, issued at a price of R30,00 and a par value of R0,01; and
- the HomeChoice Share Trust held 3 090 087 shares before and after the Proposed transaction. The movement in Treasury Shares represents the adjustments from applying the accounting for capital reorganisations. Treasury share are reflected at R92 702 610, being 3 090 087 shares at R30,00 per share.

The effect of the Proposed transaction is to reflect the share capital, share premium and treasury shares of the new holding company, HIL, and to eliminate HomeChoice Holdings share capital and treasury shares and to create a reorganisation reserve with a negative/debit balance of R3 006 134.

3 There are no other events after the reporting period that need to be taken into account in the above *pro formas*.

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 6 months ended 30 June 2014

	Note(s)	HIL (i)	Reviewed Before (ii) R'000	Adjustments R'000	After R'000
Revenue		–	860 632	–	860 632
Retail sales		–	451 021	–	451 021
Finance charges and initiation fees earned		–	342 666	–	342 666
Finance charges earned		–	246 023	–	246 023
Initiation fees earned		–	96 643	–	96 643
Fees from ancillary services		–	66 945	–	66 945
Cost of retail sales		–	(225 279)	–	(225 279)
Debtor costs		–	(154 356)	–	(154 356)
Other trading expenses	1	–	(250 329)	(6 500)	(256 829)
Other net gains and losses		–	(1 909)	–	(1 909)
Other income		–	891	–	891
Operating profit		–	229 650	(6 500)	223 150
Interest received		–	613	–	613
Interest paid		–	(8 875)	–	(8 875)
Share of loss of associates		–	(1 178)	–	(1 178)
Profit before taxation		–	220 210	(6 500)	213 710
Taxation	2	–	(62 041)	–	(62 041)
Profit and total comprehensive income for the year		–	158 169	(6 500)	151 669
Headline earnings:					
Profit for the period		–	158 169	(6 500)	151 669
Non-headline items, gross of tax effect					
Loss on disposal of property, plant and equipment and intangible assets		–	263	–	263
Tax effect		–	(74)	–	(74)
Headline earnings for the period		–	158 358	(6 500)	151 858
Basic earnings per share (cents)		–	156,9		150,5
Headline earnings per share (cents)		–	157,1		150,7
Fully diluted basic earnings per share (cents)		–	156,3		149,8
Fully diluted headline earnings per share (cents)		–	156,4		150,0
Weighted average number of shares in issue, net of Treasury shares ('000)		–	100 779	–	100 779
Shares deemed to be issued for no consideration		–	448	–	448
Diluted weighted average number of shares in issue ('000)		–	101 227	–	101 227

(i) As HIL was only incorporated on 22 July 2014, there is no financial information of HIL for the six-month period ended 30 June 2014.

(ii) Extracted from the Reviewed Interim Financial Information of HomeChoice Holdings Limited and its subsidiaries in respect of the six months ended 30 June 2014.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes and assumptions

		R'000
1	**Other trading expenses**	
	Transaction costs payable by company	7 000
	Less: already incurred in interim results for the period ended 30 June 2014	(500)
	Less: costs allocated to equity	–
	Total	6 500

Transaction costs of the Proposed transaction, which relate to the Listing, will be expensed through the income statement and will not be recurring.

2 Tax at 28% on the profit before tax movement, excluding expenses of a capital nature.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF HIL

The Directors
HomeChoice International P.L.C. ("HIL")
93 Mill Street
Qormi
QRM 3102
Malta

Independent Reporting Accountant's assurance report on the compilation of *pro forma* financial information of HomeChoice International P.L.C. ("the Company")

Introduction

HomeChoice International P.L.C. ("the Company") is issuing a Pre-listing Statement to its shareholders ("the Pre-listing Statement") regarding the proposed listing of the Company ("Proposed transaction").

At your request and for the purposes of the Pre-listing Statement to be dated on or about 27 November 2014, we present our assurance report on the compilation of the *pro forma* financial information of the Company by the directors. The *pro forma* financial information, presented in **Annexure 7** to the Pre-listing Statement, consists of the *pro forma* statement of financial position as at 30 June 2014, the *pro forma* statement of comprehensive income for the six months ended 30 June 2014 and the *pro forma* financial effects ("the *Pro Forma* Financial Information"). The applicable criteria on the basis of which the directors have compiled the *Pro Forma* Financial Information are specified in the JSE Limited ("JSE") Listings Requirements and described in **Annexure 7** of the Pre-listing Statement.

The *Pro Forma* Financial Information has been compiled by the directors to illustrate the impact of the Proposed transaction on the Company's reported financial position as at 30 June 2014, and the Company's financial performance for the period then ended, as if the Proposed transaction had taken place at 30 June 2014 and for the period then ended, respectively. As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the HomeChoice Holdings Limited's financial statements for the period ended 30 June 2014, on which an auditor's report was issued on 15 August 2014, on which a review report has been published.

Directors' responsibility

The directors of the Company are responsible for the compilation, contents and presentation of the *Pro Forma* Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in **Annexure 7**. The directors of the Company are also responsible for the financial information from which it has been prepared.

Reporting Accountant's responsibility

Our responsibility is to express an opinion about whether the *Pro Forma* Financial Information has been compiled, in all material respects, by the directors on the basis specified in the JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *Pro Forma* Financial Information.

As the purpose of *Pro Forma* Financial Information included in a Pre-listing Statement is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *Pro Forma* Financial Information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *Pro Forma* Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the Company, the corporate action or event in respect of which the *Pro Forma* Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *Pro Forma* Financial Information.

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

Opinion

In our opinion, the *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 7** of the Pre-listing Statement.

PricewaterhouseCoopers Inc.
Director: MC Hamman
Registered Auditor
Cape Town
24 November 2014

FURTHER PARTICULARS OF THE DIRECTORS OF HIL

1 OTHER DIRECTORSHIPS AND PARTNERSHIPS HELD BY THE DIRECTORS OF HIL IN THE FIVE YEARS IMMEDIATELY PRECEDING THE LAST PRACTICABLE DATE

Director	Entity name	Entity type	Director as at Last Practicable Date
Rick Garratt	HomeChoice Holdings Limited	Company	Yes
	Ballyhoo Yacht	Close corporation	Yes
	CAG Investment Holdings	Company	Yes
	CRG Investment Holdings	Company	Yes
	Garfam Nominees	Company	Yes
	Folie Air Transport	Company	Yes
	Blueport Trade 121	Company	Yes
	Cathgar Investments	Company	Yes
Shirley Maltz	HomeChoice Holdings Limited	Company	Yes
	Oiseaux Investments	Company	Yes
Gregoire Lartigue	Guardian Corporate Services Limited	Company	Yes
	Guardian Trust Company Limited	Company	Yes
	Tower Nominees No.1 Jersey Limited	Company	Yes
	Tower Nominees No.2 Jersey Limited	Company	Yes
	Pick Two Limited	Company	Yes
	Zeljezara Niksic	Company	Yes
	Dewforst Limited	Company	No
	GFM Limited	Company	Yes
	HomeChoice South Africa plc	Company	Yes
	Mefar International	Company	Yes
Stanley Portelli	Darma Holdings Limited	Company	Yes
	Tretremove Limited	Company	Yes
	B&J Holdings Limited	Company	Yes
	ERC Limited	Company	Yes
	RS Ventures Limited	Company	Yes
	Oche Holdings Limited	Company	Yes
	Twoford Holdings Limited	Company	Yes
	Bond CZ Limited	Company	Yes
	Deokmy Limited	Company	Yes
	Freeman Distribution Limited	Company	Yes
	Freeman Media Limited	Company	Yes
	HomeChoice South Africa plc	Company	Yes
	Dobrzycki Holdings BIS	Partnership	Yes
	JAP International Holding Limited	Company	Yes
	JAP International Limited	Company	Yes
	PE Poland Investments Limited	Company	Yes
	Real Stone Capital Limited	Company	Yes
	Torres Networks Holdings (Malta) Lmited	Company	Yes
	Torres Networks (Malta) Limited	Company	Yes
	Torres Networks Limited	Company	Yes
	Fivespan Holding Limited	Company	Yes

Director	Entity name	Entity type	Director as at Last Practicable Date
Charles Rapa	OCCI Malta Limited	Company	Yes
	AMCI Malta Limited	Company	Yes
	Quifel International Group Limited	Company	Yes
	Fountain Holdings Limited	Company	Yes
	Dark Cover Limited	Company	No
	Pale Cover Limited	Company	No
	Clear Cover Limited	Company	No
	JM Property Limited (Malta Branch)	Company	No
	Horace Capital Limited	Company	Yes
	Wintide Limited	Company	Yes
	JMP Investments (Malta) Limited	Company	Yes
	Insignia Cards Limited	Company	Yes
	Home choice South Africa P.L.C.	Company	Yes
	Eferton Group Limited	Company	Yes
Amanda Chorn	HomeChoice Holdings Limited	Company	Yes
	Quadrant Financial Solutions Limited	Company	Yes
	Spur International Limited BVI	Company	Yes
Eduardo Gutierrez-Garcia	Development Partners International LLP	Partnership	Yes
	Q-Venture Holdings Limited	Company	No
	Eaton Tower Holding LLP	Company	Yes
	Eaton Towers Limited (previously ETW Africa Holdings UK Limited)	Company	No
	Liberty Star Consumer Holdings Proprietary Limited	Company	Yes
	Venture Communications Holdings Limited	Company	Yes
	CAL Bank Limited	Company	Yes
	Friedshelf 1511 Proprietary Limited	Company	Yes
	Sekgwa Lodge and Conferences Proprietary Limited	Company	Yes
Robert Hain	City Financial Investment Company Limited	Company	Yes
	Wittering Limited	Company	Yes
	Shadbolt Partners LLP	Partnership	Yes
	Kingsway Consultancy Limited	Company	Yes
	Sound Diplomacy Holdings Limited	Company	Yes
	Bank Leumi (UK) PLC	Company	Yes
	Javelin Mortgage Investment Corp	Company	Yes
	Armour Residential REIT Inc	Company	Yes
	Majorpoint Limited	Company	Yes
	Dundee Wealth SA	Company	Yes
	Tailwind Financial Inc.	Company	Yes
Paul Burnett	Norman Bissett and Associates Group Proprietary Limited	Company	No
	Norman Bissett and Associates Holdings Proprietary Limited	Company	No
	Norman Bissett and Associates of Namibia Proprietary Limited	Company	No
	Norman Bissett and Associates of Botswana Proprietary Limited	Company	No

DETAILS OF SUBSIDIARY COMPANIES AND THEIR DIRECTORS

HIL was incorporated as a public company under the laws of Malta on 22 July 2014 specifically for purposes of holding all of HomeChoice Holdings Shares, through its subsidiary, namely HIL SA. HIL holds all but 1 (one) of the shares in the issued share capital of HIL SA, who in turn will, if the Scheme is implemented, hold 100% (one hundred per cent) of the HomeChoice Holdings Shares at the Listing Date. As at the Last Practicable Date, the only asset of HIL, save for nominal working capital, is its 100% (one hundred per cent) shareholding of HIL SA. It does not have any operating history or any other subsidiaries.

HIL SA was incorporated as a public company under the laws of Malta on 14 October 2014 specifically for purposes of holding all of HomeChoice Holdings Shares. If the Scheme is implemented, HIL SA will hold 100% (one hundred per cent) of the HomeChoice Holdings Shares at the Listing Date. As at the Last Practicable Date, HIL SA does not have any assets. It does not have any operating history or any other subsidiaries.

HomeChoice Holdings is a holding company which wholly owns:

- the following operating companies:
  - HomeChoice Proprietary Limited;
  - HomeChoice Property Company Proprietary Limited ;
  - FinChoice Proprietary Limited ; and
  - Odvest 189 Proprietary Limited;
- the following dormant companies:
  - HC Direct Proprietary Limited;
  - Matyana van der Merwe Proprietary Limited;
  - HomeChoice Investments Proprietary Limited;
  - HomeChoice Nominees Proprietary Limited;
  - FoneChoice Proprietary Limited;
  - HomeChoice Proprietary Limited (Incorporated in the Republic of Namibia); and
  - HomeChoice Proprietary Limited (Incorporated in the Republic of Botswana).

Details of HIL's subsidiaries as at the Listing Date are set out below.

None of HIL's subsidiaries, as at Last Practicable Date or as at the Listing Date, are listed on an exchange operated by the JSE or any other securities exchange.

1 OPERATING SUBSIDIARIES OF HIL AS AT THE LISTING DATE

Company	Registration number	Date of incorporation	Date of becoming subsidiary	Issued capital
HomeChoice South Africa P.L.C.	C67092	14/10/2014	14/10/2014	R3 041 562 780
HomeChoice Holdings Limited	1991/005430/06	26/09/1991	Listing Date	R17 248 292
HomeChoice Proprietary Limited	1985/002759/07	17/06/1985	Listing Date	R1
HomeChoice Property Company Proprietary Limited	1991/005428/07	26/09/1991	Listing Date	R60
FinChoice Proprietary Limited	1993/005310/07	13/09/1993	Listing Date	R1 700
Odvest 189 Proprietary Limited	2008/006231/07	10/03/2008	Listing Date	R120

Save for HomeChoice South Africa which is incorporated in the Republic of Malta, all of HIL's subsidiaries are incorporated in South Africa.

All of the operating subsidiaries of HIL are wholly-owned subsidiaries.

The main business of the above subsidiaries is as follows:

- HIL SA was incorporated specifically for purposes of holding all of HomeChoice Holdings Shares.
- HomeChoice Holdings Limited operated as the holding company of HomeChoice, FinChoice, HomeChoice Property Company and Odvest, full details of which are set out in the "Business Overview" section commencing on page 12 of this Pre-listing.

- HomeChoice owns the omni-channel home shopping retail business, full details of which are set out in the "Business Overview" section commencing on page 12 of this Pre-listing Statement.
- FinChoice owns the unsecured personal lending business, full details of which are set out in the "Business Overview" section commencing on page 12 of this Pre-listing Statement.
- HomeChoice Property Company Proprietary Limited and Odvest 189 Proprietary Limited own the properties set out in paragraph 2 *(Principal Immovable Properties Owned and Leased)* of the "Additional Information" section of page 59.

Other than the shareholders of the above companies, by amending the Articles of Association, no person holds any rights enabling them to vary the voting rights of the shares in these subsidiaries.

2 NON-OPERATING AND DORMANT SUBSIDIARIES OF HIL AS AT THE LISTING DATE

Company	Registration number	Date of incorporation	Date of becoming subsidiary	Issued share capital
HC Direct Proprietary Limited	1991/005500/07	1991/09/300	Listing Date	R60
Matyana van der Merwe Proprietary Limited	1995/013792/07	1995/12/20	Listing Date	R1 700
HomeChoice Investments Proprietary Limited	1997/007475/07	1997/05/20	Listing Date	R120
HomeChoice Nominees Proprietary Limited	2008/006231/07	2008/03/10	Listing Date	R120
FoneChoice Proprietary Limited	1991/005429/07	26/09/1991	Listing Date	R60
HomeChoice Proprietary Limited (Incorporated in the Republic of Namibia)	93/716	17/12/1993	Listing Date	N$4 000
HomeChoice Proprietary Limited (Incorporated in the Republic of Botswana)	93/1986	07/12/1993	Listing Date	BWP100

Save for HomeChoice Proprietary Limited (Namibia), which is incorporated in the Republic of Namibia, and HomeChoice Proprietary Limited (Botswana) which is incorporated in the Republic of Botswana, all of the Company's subsidiaries are incorporated in South Africa.

All of the non-operating subsidiaries of HIL are dormant wholly-owned subsidiaries.

3 CHANGES TO SHARE CAPITAL OF THE SUBSIDIARIES

Under the Malta Companies Act, HIL SA is required to be a public company for purposes of implementing the Scheme. Under the Malta Companies Act, public companies must have at least two shareholders. For this reason, Gregoire Lartigue will remain the holder of 1 (one) HIL SA Share until after the implementing the Scheme, with all the remaining HIL SA Shares being held by HIL. As soon as possible after implementing the Scheme, HIL SA will, however, convert to a private company under the Malta Companies Act, upon which Gregoire Lartigue's 1 (one) HIL SA Share will be repurchased and cancelled by HIL SA at the subscription price paid for such HIL SA Share at incorporation. After such repurchase and cancellation, HIL SA will be a wholly-owned subsidiary of HIL.

Save for the above, there have been no changes to the share capital of the subsidiaries, as at the Last Practicable Date and as at the Listing Date, in the three years preceding the Last Practicable Date.

4 DIRECTORS OF OPERATING SUBSIDIARIES

The Directors of the HIL's operating subsidiaries, as at Last Practicable Date and as at the Listing Date, are set out in the table below:

Directors of operating subsidiaries	Directors
HomeChoice South Africa P.L.C.	Gregoire Lartigue
	Stanley Portelli
	Charles Rapa
	Rick Garratt
	Shirley Maltz
	Annalize Kirsten

Directors of operating subsidiaries	Directors
HomeChoice Holdings Limited	Rick Garratt
	Shirley Maltz
	Annalize Kirsten
	Amanda Chorn
	Pierre Joubert
	John Bester
	Willem Jungschläger
HomeChoice Proprietary Limited	Rick Garratt
	Shirley Maltz
	Annalize Kirsten
HomeChoice Property Company Proprietary Limited	Rick Garratt
	Shirley Maltz
	Annalize Kirsten
FinChoice Proprietary Limited	Rick Garratt
	Shirley Maltz
	Annalize Kirsten
Odvest 189 Proprietary Limited	Rick Garratt
	Shirley Maltz
	Annalize Kirsten

Further details of HIL's Directors are set out in **Annexure 9** to this Pre-listing Statement. There are no other directorships held by HIL's Directors of its material subsidiaries during the previous two years not already set out above or in **Annexure 9** to this Pre-listing Statement.

DETAILS OF MATERIAL BORROWINGS

The HomeChoice Group has the following borrowings and facilities as at the Last Practicable Date

Lender and description of agreement	Facility amount (R'000)	Amount outstanding (R'000)	Interest rate	Security	Repayment terms	Origination
FirstRand Bank Limited (suspensive sale agreements)	65 000	11 928	Prime rate less 1,25%	Assets purchased are encumbered as security	Repayable in monthly instalments of R500 000 including interest	Asset-backed finance (motor vehicle, computer equipment, plant and machinery (mainly computer equipment))
Standard Bank of South Africa Limited (suspensive sale agreements)	40 000	13 824	Prime rate less 1,30%	Assets purchased are encumbered as security	Repayable in monthly instalments of R878 888 including interest	Asset-backed finance (ERP system – Intangible)
ABSA Bank (suspensive sale agreements)	40 000	20 315	Prime rate less 1,20%	Assets purchased are encumbered as security	Repayable in monthly instalments of R300 259 including interest	Asset-backed finance (plant and machinery, equipment and furniture and fittings)
FirstRand Bank (loan facility)	105 500	49 898	Jibar + 285 bps	General covering bond over Portion 240 of Farm Wimbledon Number 454 Cession of rentals and insurance proceeds	Repayable over 5 years (repayment date 1 November 2018)	Fund the development of head office building
Standard Bank of South Africa (loan facility)	65 000	50 708	Prime rate less 1,0%	General covering bond over the remaining extent of Erf 91380 Cape Town. Cession of rentals and insurance proceeds	Repayable over 10 years (repayment date 30 November 2021)	Settle a loan facility with Rand Merchant Bank, which was initially used to fund the development of the head office building
Listed bond	100 000	100 255	Jibar + 315 bps	Unsecured	Repayable after 3 years (25 October 2016)	General corporate purposes

EXTRACTS FROM ARTICLES OF ASSOCIATION OF HIL AND SUBSIDIARIES

Set out below are summarised extracts from the Company's Articles of Association:

"2 POWERS OF THE COMPANY

The Company has all of the legal powers and capacity contemplated in the Act, and no provision contained in these Articles should be interpreted or construed as negating, limiting, or restricting those powers in any way whatsoever."

"32 BORROWING POWERS

The Directors may from time to time:

32.1 exercise the borrowing powers of the Company for any purpose and in such sums as they think fit; and

32.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of Securities, mortgage or charge upon all or any of the property or assets of the Company."

"38 AMENDMENT OF MEMORANDUM OF INCORPORATION

Subject to the provisions of clause 4.7, these Memorandum and Articles of Association may only be amended by way of an Extraordinary Resolution and Special Resolution of the ordinary Shareholders in accordance, except if such amendment is in compliance with an order of a court of competent jurisdiction."

"4 ISSUE OF SHARES AND VARIATION OF RIGHTS

4.1 The Company is authorised to issue –

4.1.1 any of its unissued authorised share capital comprising ordinary Shares of R0,01 (one cent) each, of the same class, each of which ranks pari passu in respect of all rights and entitles the holder to –

4.1.1.1 vote on any matter to be decided by the Shareholders of the Company and to 1 (one) vote in respect of each Share that it holds and is entitled to vote at every annual general/general meeting in person or by proxy;

4.1.1.2 participate proportionally in any distribution made by the Company; and

4.1.1.3 receive proportionally the net assets of the Company upon its liquidation.

4.2 For purposes of clause 4.1 *pari passu* shall have the meaning attributed thereto in terms of the JSE Listings Requirements.

4.3 The Board shall not have the power to –

4.3.1 increase or decrease the number of authorised Shares of any class of the Company's Shares;

4.3.2 create any new class or classes of authorised but unissued Shares;

4.3.3 consolidate and reduce the number of the Company's issued and authorised Shares of any class;

4.3.4 subdivide its Shares of any class by increasing the number of its issued and authorised Shares of that class without an increase of its capital;

4.3.5 reclassify any classified Shares that have been authorised but not issued;

4.3.6 classify any unclassified Shares that have been authorised but not issued;

4.3.7 determine the preferences, rights, limitations or other terms of any Shares; or

4.3.8 change the name of the Company,

and such powers shall only be capable of being exercised by the Shareholders by way of an Extraordinary Resolution and Special Resolution of the Shareholders.

4.4 In addition to clause 4.3 the Board shall not have the power to convert any class of Shares into one or more other classes of Shares and such powers shall only be capable of being exercised by the Shareholders by way of Special Resolution of the Shareholders.

4.5 All Securities of a class shall rank *pari passu* in all respects.

4.6 Each Share issued by the Company has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share as contemplated in clause 20.1.

4.7 The numbers of authorised Shares of each class, and the preferences, rights, limitations and other terms associated with each class of Shares as set out in these Memorandum and Articles of Association, may be changed only by an amendment of these Memorandum and Articles of Association by Special Resolution of the Shareholders and in accordance with the JSE Listings Requirements (to the extent applicable) and Extraordinary Resolution in accordance with the Act, and such amendments shall not be implemented without an Extraordinary Resolution adopted by the holders of Shares of that class at a separate meeting.

4.8 No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms may be varied in response to any objectively ascertainable external fact or facts. For the purpose of this clause 4.8 "external fact or facts" includes the occurrence of any event, a variation in any fact, benchmark or other point of reference, a determination or action by the Company, Board, or any other person, an agreement to which the Company is a party, or any other document.

4.9 The Company may only issue Shares which are fully paid up and freely transferable and only within the classes and to the extent that those Shares have been authorised by or in terms of these Memorandum and Articles of Association.

4.10 The Board may, subject to clause 4.15 and the further provisions of this clause 4.10, resolve to issue Shares of the Company at any time, but only:

4.10.1 within the classes and to the extent that those Shares have been authorised by or in terms of these Memorandum and Articles of Association; and

4.10.2 to the extent that such issue has been approved by the Shareholders in general meeting, either by way of a general authority (which may be either conditional or unconditional) to issue Shares in its discretion or a specific authority in respect of any particular issue of Shares, provided that, if such approval is in the form of a general authority to the Directors, it shall be valid only until the next annual general meeting of the Company and it may be varied or revoked by any general meeting of the Shareholders prior to such annual general meeting.

4.11 All issues of Shares for cash and all issues of options and convertible Securities granted or issued for cash must, in addition, be in accordance with the JSE Listings Requirements, unless Shares, options or convertible Securities are issued in terms of an Employee Share Scheme, in which case such issues shall comply with Schedule 14 of the JSE Listings Requirements.

4.12 All Securities of the Company for which a listing is sought on the JSE and all Securities of the same class as Securities of the Company which are listed on the JSE must only be issued after the Company has received the consideration approved by the Board for the issuance of such Securities.

4.13 Subject to clause 4.14, the Board is hereby authorised, in accordance with article 85(1)(a) of the Act, to issue Shares at any time, in its sole discretion, up to a maximum number and nominal value equal to the authorised share capital of the Company unissued from time to time, which authorisation shall be valid for a maximum period of 5 (five) years, renewable by Ordinary Resolution for further maximum periods of 5 (five) years each.

4.14 Subject to what may be authorised by the Act, the JSE Listings Requirements and at meetings of Shareholders in accordance with clause 4.15, the Board may only issue unissued Shares if such Shares have first been offered to existing ordinary Shareholders in proportion to their shareholding on such terms and in accordance with such procedures as the Board may determine, unless such Shares are issued for the acquisition of assets by the Company, by way of a vendor consideration placing, or in terms of an Employee Share Scheme which has been approved by way of Extraordinary Resolution and Special Resolution and complies with Schedule 14 of the JSE Listings Requirements.

4.15 Notwithstanding the provisions of clause 4.14, the Shareholders may at a general meeting authorise the Directors to issue Shares of the Company at any time and/or grant options to subscribe for Shares as the Directors in their discretion think fit, up to a number and nominal value equal to the authorised share capital of the Company unissued at the time the Shareholders' resolution is approved provided that (i) such transaction(s) comply, *mutatis mutandis*, with the JSE Listings Requirements and (ii) such authorisation shall:

4.15.1 for as long as the Shares are listed on the JSE, be valid for a maximum period prescribed in terms of the Listings Requirements, or a period of five (5) years as contemplated in article 85(1)(b) of the Act, whichever is the shorter period; and

4.15.2 if the Shares are no longer listed on the JSE, be valid for a maximum period of 5 (five) years as contemplated in article 85(1)(b) of the Act.

4.16 For so long as the Board is authorised by the Shareholders to issue unissued Shares in accordance with clause 4.13 or clause 4.15, the Board shall have the power, in accordance with article 88(7) of the Act, to restrict or withdraw the right of pre-emption contemplated in article 88 of the Act.

4.17 Whenever as a result of a consolidation or subdivision of Shares any Shareholders would become entitled to fractions of a Share, the Directors may, on behalf of and for the benefit of those Shareholders sell the Shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the Company) and distribute the net proceeds of sale in due proportion among those Shareholders, and the Directors may authorize some person to transfer the Shares to, or in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the Shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

"20 VOTES OF SHAREHOLDERS

20.1 **Votes attaching to Shares**

20.1.1 Subject to any special rights or restrictions as to voting attached by or in accordance with these Articles to any class of shares on any vote, however conducted, at a meeting of the Company:

20.1.1.1 every Shareholder who is present in person or by proxy shall have one vote for every Share of which he is the holder; and

20.1.1.2 the holders of securities other than Ordinary Shares shall not be entitled to vote on any resolution at a meeting of Shareholders.

...

20.3 **Votes of joint holders**

In the case of joint holders of a Share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Securities Register in respect of the Share."

"14 DEBT INSTRUMENTS

The Board may authorise the Company to issue secured or unsecured debt instruments, but no special privileges, such as attending and voting at general meetings and the appointment of directors, shall be associated with any such debt instruments, and the authority of the Board in such regard is accordingly limited by these Articles."

"25 COMPOSITION AND POWERS OF THE BOARD OF DIRECTORS

...

25.2 **Share qualification**

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a Shareholder of the Company shall nevertheless be entitled to attend and speak at Shareholders' meetings.

Appointment of executive Directors

The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of Chairman or Deputy Chairman) on such terms and for such period as they may (subject to the provisions of the Act) determine and, without prejudice to the terms of any contract entered into in any particular case, may at any time revoke or vary the terms of any such appointment.

The appointment of any Director to the office of Chairman or Deputy Chairman or Managing or Joint Managing or Deputy or Assistant Managing Director shall automatically determine if he ceases to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

The appointment of any Director to any other executive office shall not automatically determine if he ceases from any cause to be a Director, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

25.4 **Appointment and Retirement of Directors**

25.4.1 ***Retirement at Annual General Meetings***

25.4.1.1 No Director shall be appointed for life or for an indefinite period.

25.4.1.2 All Directors shall retire at the 1st (first) annual general meeting.

25.4.1.3 Directors shall rotate in accordance with the following provisions of this clause 25.4.1.1:

25.4.1.3.1 at each annual general meeting 1/3 (one-third) of the non-executive Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one-third), but not less than 1/3 (one-third), shall retire from office, provided that if a Director is appointed as managing Director or as an employee of the Company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of Directors;

25.4.1.3.2 the Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot;

25.4.1.3.3 a retiring Director shall be eligible for re-election;

25.4.1.3.4 the Company, at the general meeting at which a Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto, provided that the Company shall not be entitled to fill the vacancy by means of a resolution passed by shareholders other than at a meeting;

25.4.1.3.5 if at any meeting at which an election of Directors ought to take place the offices of the retiring Directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the further provisions of these Articles, will apply mutatis mutandis to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring Directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.

25.4.1.4 The Board shall, through its nomination committee if such committee has been constituted, provide the shareholders with a recommendation in the notice of the meeting at which the re-election of a retiring Director is proposed, as to which retiring Directors are eligible for re-election, taking into account that Director's past performance and contribution.

25.4.2 ***Vacation of office***

25.4.2.1 The office of a Director shall be vacated in any of the following events, namely:

25.4.2.1.1 if he shall become prohibited by law from acting as a Director;

25.4.2.1.2 if he shall resign by writing under his hand left at the Office or if he shall in writing offer to resign and the Directors shall resolve to accept such offer;

25.4.2.1.3 if a bankruptcy or insolvency order is made against him in any jurisdiction or shall compound with his creditors generally;

25.4.2.1.4 if an order shall be made by any court claiming jurisdiction in that behalf on the ground (however formulated) of mental disorder for his detention or for the appointment of a curator/guardian or for the appointment of a receiver or other person (by whatever name called) to exercise powers with respect to his property or affairs;

25.4.2.1.5 if he shall be absent from meetings of the Directors for six months without leave and the Directors shall resolve that his office be vacated;

25.4.2.1.6 if a notice in writing is served upon him, signed by not less than three-quarters of the Directors for the time being, to the effect that his office as Director shall on or receipt of such notice *ipso facto* be vacated, but so that if he holds an appointment to an executive office which thereby automatically determines such removal shall be deemed an act of the Company and shall have effect without prejudice to any claim for damages for breach of any contract of service between him and the Company.

25.4.2.2 The Board has the power, at any time and from time to time, to appoint any person as a Director, either to fill any vacancy on the Board or as an addition to the Board on a temporary basis, provided that the appointment of a Director to fill a casual vacancy or as an addition to the Board must be confirmed by the shareholders at the next annual general meeting of the Company.

25.4.3 ***Removal of Director***

The Company may in accordance with and subject to the provisions of the Act by Ordinary Resolution remove any Director from office (notwithstanding any provision of these Articles or of any agreement between the Company and such Director, but without prejudice to any claim he may have for damages for breach of any such agreement) and elect another person in place of a Director so removed from office.

25.5 **Powers of the Directors**

25.5.1 ***The Board has the power to:***

25.5.1.1 fill any vacancy on the Board on a temporary basis, provided that such appointment must be confirmed by the Shareholders, in accordance with clause 25.1.2, at the next annual general meeting of the Company; and

25.5.1.2 exercise all of the powers and perform any of the functions of the Company that are not by the Act, by these Articles or by the JSE Listings Requirements required to be exercised by the Company in General Meeting,

and the powers of the Board in this regard are only limited and restricted as contemplated in this clause 25.

25.5.2 The Directors may at any time and from time to time by power of attorney appoint any person or persons to be the attorney or attorneys and agent(s) of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors in terms of these Articles) and for such period and subject to such conditions as the Directors may from time to time think fit. Any such appointment may, if the Directors think fit, be made in favour of any company, the shareholders, directors, nominees or managers of any company or firm, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the Directors. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorneys and agents as the Directors think fit. Any such attorneys or agents as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them. Any reference to a power of attorney herein shall include any other form of delegation including the right to sub-delegate.

25.5.3 Save as otherwise expressly provided herein, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments, and all documents to be executed by the Company, shall be signed, drawn, accepted, endorsed or executed, as the case may be, in such manner as the Directors shall from time to time determine.

25.5.4 All acts performed by the Directors or by a committee of Directors or by any person acting as a Director or a member of a committee shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Directors or persons acting as aforesaid, or that any of them were disqualified from or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.

25.5.5 If the number of Directors falls below the minimum number fixed in accordance with these Articles, the remaining Directors must as soon as possible and in any event not later than 3 (three) months from the date that the number falls below such minimum, fill the vacancy/ies in accordance with clause 25.5.1.1 or convene a general meeting for the purpose of filling the vacancies, and the failure by the Company to have the minimum number of Directors during the said 3 (three) month period does not limit or negate the authority of the board of Directors or invalidate anything done by the board of Directors while their number is below the minimum number fixed in accordance with these Articles.

25.5.6 The Directors in office may act notwithstanding any vacancy in their body, but if after the expiry of the 3 (three) month period contemplated in clause 25.5.5, their number remains below the minimum number fixed in accordance with these Articles, they may, for as long as their number is reduced below such minimum, act only for the purpose of filling vacancies in their body or of summoning general meetings of the Company, but not for any other purpose.

“27 DIRECTORS’ COMPENSATION

27.1 **Directors’ fees**

The ordinary remuneration of the Directors shall from time to time be determined by the Directors except that such remuneration shall not exceed an aggregate amount per annum as may from time to time be determined by Ordinary Resolution of the Company and shall be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office.

27.2 **Other remuneration of Directors**

A Chairperson or Deputy Chairperson, whether or not such office is held in an executive capacity, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise or may receive such other benefits as a disinterested quorum of Directors may determine.

27.3 **Directors’ expenses**

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or shareholders’ meetings or otherwise in connection with the business of the Company. “

“34 DISTRIBUTIONS

34.1 The Company may make a proposed distribution if such distribution is in compliance with the JSE Listings Requirements and the provisions of the Act, provided that if such distribution is a repayment of capital, the Company shall not be entitled to make such distribution on the basis that it may be called up again.

34.2 No distribution shall bear interest against the Company, except as otherwise provided under the conditions of issue of the Shares in respect of which such distribution is payable.

34.3 Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.

34.4 The Directors may from time to time declare and pay to the Shareholders such interim distributions as the Directors consider to be appropriate.

34.5 All distributions are to be declared by the Directors in accordance with the provisions of the Act.

34.6 All unclaimed distributions (other than monetary distributions) may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, provided that distributions unclaimed for a period of 3 (three) years (or such longer or shorter period as the law may prescribe for the prescription of a claim) from the date on which they were declared may be declared forfeited by the Directors for the benefit of the Company. The Directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. All unclaimed monies due to any Shareholder/s shall be held by the Company in trust until lawfully claimed by such Shareholder/s, provided that such unclaimed monies shall be subject to the laws of prescription.

34.7 Any distribution must be made payable to Shareholders registered as at a date subsequent to the date of declaration thereof or the date of confirmation thereof, whichever is the later date.

34.8 **Distribution in specie**

The Company may, subject to the JSE Listings Requirements, direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company). Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash shall be paid to any Shareholder upon the footing of the value so fixed in order to adjust the rights of Shareholders and may vest any assets in trustees.

34.9 **No dividend except out of profits**

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Act.”

EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF HIL SA PROVIDING FOR THE QUALIFICATION, REMUNERATION AND BORROWING POWERS OF THE DIRECTORS ARE SET OUT BELOW:

"58 The directors may appoint from amongst their number the Chairman of the Board who shall also be the Chairman of the General Meeting. The directors shall exercise their powers subject to these regulations, to the provisions of the Act, and to the resolutions of the Company in general meetings; but no resolution taken by the Company in general meeting shall invalidate any prior act of the directors which would have been valid if that resolution had not been taken. Save as aforesaid, the Board of Directors shall have the power:

(a) to borrow or raise money without limitation, exclusively from any person being a shareholder of the Company;

(b) to do all such other matters on behalf of the Company as are not by these regulations or by the Act reserved to the general meeting."

"66 Subject to the provisions of articles 143, 144 and 145 of the Act, no director shall be disqualified by his position as a director from entering into any agreement with the Company, and a director may vote and be taken into account for the purpose of forming a quorum, in respect of any contract or arrangement in which he may be in any way interested and may retain for his own use and benefit all profits and advantages accruing therefrom."

"71 No remuneration shall be payable to the directors, including directors holding an executive office, unless and to the extent approved by the Company in general meeting. The directors shall, however, be entitled to a reimbursement of all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Board of Directors or general meetings of the Company or in connection with the business of the Company."

EXTRACTS FROM THE MEMORANDUM OF INCORPORATION OF HOMECHOICE HOLDINGS PROVIDING FOR THE QUALIFICATION, REMUNERATION AND BORROWING POWERS OF THE DIRECTORS ARE SET OUT BELOW:

"5 POWERS AND CAPACITY OF THE COMPANY

5.1 Except where expressly stated otherwise in this MOI, the Company has the powers and capacity of an Individual and notwithstanding the omission from this MOI of any provision to that effect, the Company may do anything which the Companies Act empowers a company to do if so authorised by its MOI, provided that, in addition to the matters requiring approval by way of a Special Resolution in terms of the Companies Act, the following matters shall also require approval by way of a Special Resolution:

5.1.1 if and for so long as the Securities of the Company are listed on the JSE Exchange, if any of the Listings Requirements require an Ordinary Resolution to be passed with a 75% (seventy five per cent) majority, the resolution shall instead be required to be passed by a Special Resolution, not taking into account the votes of Shareholders excluded by the Listings Requirements (currently reflected in paragraph 4.24 of the Listings Requirements and paragraph 14.10 of Schedule 14 of the Listings Requirements); and

5.1.2 amendments to the MOI as stated in clause 6 (Amendments to the MOI).

5.2 If and for as long as any of the Securities of the Company are listed on the JSE Exchange, no resolution as contemplated in section 20(2) and section 20(6) of the Companies Act will be put to the Shareholders if such resolution would lead to the ratification of an act which is contrary to the Listings Requirements, unless otherwise agreed with the JSE."

"26.8 There are no general qualifications prescribed by the Company for a person to serve as a Director or an Alternate Director in addition to the requirements of the Companies Act. The Board with the assistance of the Nomination Committee, if one is appointed, otherwise the Remuneration Committee must make recommendations to the Securities Holders regarding the eligibility of persons nominated for election as Directors, taking into account their past performance and contribution, if applicable. A brief curriculum vitae of each person standing for election or re-election as a Director at a Shareholders' Meeting or the Annual General Meeting, must accompany the notice of the meeting. In addition the notice period to be allowed before the date of a Shareholders' Meeting or an Annual General Meeting convened for the nomination of a new director must be such as to give sufficient time, after receipt of the notice, for nomination to reach the company's office from any part of South Africa.

26.9 Neither a Director nor an Alternate Director shall be obliged to hold any qualification shares.

26.10 Except as provided for in clause 26.15, no Director shall be entitled to appoint any person as an Alternate Director to himself/herself, but each Director shall be entitled to nominate a person proposed to be an Alternate Director to the Director for election by the Registered Shareholders."

"31.3 No person shall be appointed as a member of a Board committee, if she/he is Ineligible or Disqualified and any such appointment shall be a nullity. A person who is Ineligible or Disqualified must not consent to be appointed as a member of a Board committee nor act as such a member. A person placed under probation by a court must not serve as a member of a Board committee unless the order of court so permits.

31.4 There are no general qualifications prescribed by the Company for a person to serve as a member of a Board committee in addition to the requirements of the Companies Act."

"28 REMUNERATION OF DIRECTORS AND ALTERNATE DIRECTORS AND MEMBERS OF BOARD COMMITTEES

28.1 In this clause 28, reference to "Directors" means only Directors of the Company who are not Alternate Directors, unless expressly stated otherwise.

28.2 The Directors or Alternate Directors or members of Board committees shall be entitled to be paid such remuneration for their services as Directors or Alternate Directors or members of Board committees as may be approved from time to time by Special Resolution within the previous 2 (two) years. In addition, the Directors and Alternate Directors may be paid all their reasonable expenses properly and necessarily incurred by them in and about the business of the Company, in particular for travelling to and from meetings of the Board, Holders and committees as is determined in compliance with clause 33 (Personal Financial Interests of Directors, Prescribed Officers and Members of Board Committees), by a disinterested quorum of Directors, which may be either in addition to or in substitution for any other remuneration.

28.3 A Director or Alternate Director may hold office or be employed in any other capacity in the Company (other than as Director) or as a director or employee of a company controlled by, or itself a Subsidiary of the Company and in that event, his/her appointment and remuneration in respect of such other office or employment must, in addition to any other approvals required in terms of the Companies Act, be determined, in compliance with clause 33 (Personal Financial Interests of Directors, Prescribed Officers and Members of Board Committees), by a disinterested quorum of Directors, provided that any remuneration for the holding of such office or such employment shall not form part of the Director's remuneration for their services as Director (even if the Director concerned does not receive any other remuneration for his/her services as Director) unless the payment of such remuneration is approved by the Shareholders in accordance with clause 28.2. Unless otherwise determined by the Board (which determination may only be prospective), any Director or Alternate Director shall not have to account to the Company for any approved profits by virtue of holding such office or employment."

"30. GENERAL POWERS AND DUTIES OF DIRECTORS

30.1 Subject to any provision to the contrary of this MOI, the Companies Act and the Listings Requirements (if, and for as long as, any of the Company's Securities are listed on the JSE Exchange), the powers of management granted to the Board in terms of section 66(1) of the Companies Act are limited in that the powers of management granted to the Directors are subject to, and must be consistent with, any resolution passed at any Shareholders' Meeting, provided that no resolution passed by the Company in a Shareholders' Meeting shall, however, invalidate any prior act of the Directors, which would have been valid, if such resolution had not been passed."

SALIENT FEATURES OF THE HIL SHARE OPTION SCHEME

1 PRINCIPAL TERMS

1.1 **"Act"** – means the Companies Act 1995, Cap. 386 of the Laws of the Republic of Malta;

1.2 **"Bad Leaver Termination"** – the termination of employment of a Participant by the Group by reason of:

1.2.1 misconduct;

1.2.2 poor performance;

1.2.3 acting against the interests of the Group or its shareholders;

1.2.4 resignation by the Participant;

1.2.5 dismissal based on Operational Requirements as contemplated in the LRA; or

1.2.6 the company by which the Participant is employed ceasing to be a member company of the Group;

1.3 **"Board"** – the board of directors for the time being of the Company, acting either as a board, or through any committee of its members appointed by the Board from time to time and/or through the Compliance Officer, whichever is charged by the Board with the administration of the Scheme;

1.4 "**Change of Control"** – all circumstances where a party (or parties acting in concert), who did not previously do so, directly or indirectly, acquires:

1.4.1 beneficial ownership of the prescribed percentage or more of the Company's issued Shares; or

1.4.2 control of the prescribed percentage or more of the voting rights at meetings of the Company; or

1.4.3 the right to control the management of the Company or the composition of the Board; or

1.4.4 the right to appoint or remove directors holding a majority of voting rights at Board meetings; or

1.4.5 the right to control the business or undertaking of the Company through a merger or consolidation with any other business or entity, or upon a sale of the whole or a major part of the Company's assets or undertaking.

For the purposes of this clause the expression "prescribed percentage" shall bear the meaning assigned to it from time to time in terms of the Act, presently being 35%;

1.5 **"Company"** – HomeChoice International P.L.C., registration number C66099, a company duly incorporated in the Republic of Malta, whose shares are to be listed on the JSE;

1.6 **"Eligible Employee"** – a person eligible for participation in the Scheme, namely an executive, senior manager and/or employee of any member company of the Group, including any present or future executive director holding or to be holding salaried employment or office, which executive, manager and/or employee shall be selected by the Board from time to time in its sole and absolute discretion (subject to the proviso that no person may participate in a decision affecting his own rights or obligations in terms of the Scheme), but excluding any non-executive director;

1.7 **"Exercise"** – the exercising by a Participant of all or any of his Vested Options in terms of the Rules;

1.8 **"Fair Market Value"** – in relation to a Share on any particular day, shall be the following:

1.8.1 if the Company is listed, the volume weighted average traded price of a Share on the JSE over the 30 (thirty) Trading Days immediately prior to the day in question;

1.8.2 if the If the Company is not listed, a value determined in accordance with the following:

1.8.2.1 the Board shall value or cause the Shares to be valued from time to time when required for the purposes of this Scheme at a price which could be obtained upon a sale of the Shares between a willing buyer and a willing seller dealing freely at arm's length in an open market, and such valuation shall be approved by the Board, whereafter it shall be final and binding on the Company and the Participants; and

1.8.3 the Board shall procure that copies of the valuations so prepared shall be available for perusal by any Participant, upon request.

1.9 **“Good Leaver Termination”** – the termination of employment of a Participant by the Group by reason of:

1.9.1 death;

1.9.2 incapacity arising from injury, disability or ill health, in each case as certified by a qualified medical practitioner nominated by the relevant Employer Company; or

1.9.3 retirement on or after his Retirement Date;

1.10 **“Maximum Period”** – unless otherwise agreed in the Option Letter, the period commencing on an Option Date and expiring on the sixth anniversary of the Option Date; and further provided that:

1.10.1 the Board shall extend the Maximum Period on written notice to Participants, to the first permissible day thereafter, if and to the extent necessary to take account of the fact that the last day of the Maximum Period falls on a date on which, or during a period in which; or

1.10.2 by virtue of any Applicable Law or any policy of the Group (including any corporate governance policy) it is not permissible to Settle to a Participant; or

1.10.3 by virtue of any Applicable Law or any policy of the Group (including any corporate governance policy) a Participant would be precluded from receiving or otherwise dealing/trading in Shares; or

1.10.4 the Board may extend the Maximum Period on written notice to Participants, to the first permissible day thereafter, if and to the extent necessary to take account of the fact that any category of Participants has, in any 12 month period preceding the last day of the Maximum Period, been precluded from receiving or otherwise dealing/trading in Shares for five or more months.

1.11 **“Normal Retirement”** – retirement on the compulsory retirement date as stipulated by the Participant’s terms and conditions of employment;

1.12 **“Offer”** – a written offer made by the Board in terms of the Scheme to an Eligible Employee to acquire Shares in the Company, on acceptance of which offer an Option shall arise;

1.13 **“Option Date”** – the relevant effective date of an Option as determined from time to time by the Board, which date shall be irrespective of the date on which the Offer to an Eligible Employee is actually made or accepted;

1.14 **“Participant”** – an Eligible Employee to whom an Offer has been made and who has accepted such Offer, and includes the executor of the Participant’s deceased estate or Family Entity where appropriate;

1.15 **“Reconstruction”** or **“Takeover”** – any takeover, amalgamation, merger or reconstruction of the Company, however effected, including a reverse takeover, reorganisation or scheme of arrangement, which results in a Change of Control;

1.16 **“Purchase Price”** – an amount determined by the Board in its sole and absolute discretion and as stipulated in the Offer Letter, which shall not be more than Fair Market Value at the Option Date or less than 80% of Fair Market Value at the Option Date, save that the 80% may be reduced to 50% to recruit a senior future employee;

1.17 **“Retirement Date”** – the date on which, or age at which a Participant can be required to retire by any Employer Company at Normal Retirement;

1.18 **“Rules”** – the rules of the Scheme, as amended from time to time;

1.19 **“Scheme”** – the HomeChoice International P.L.C. 2014 Employee Share Option Scheme;

1.20 **“Settled”** – in relation to Exercised Options, shall mean:

1.20.1 the purchase of Shares by the Participant; and:

1.20.1.1 the subsequent allotment and issue by the Company of Shares into the name of a Participant; or

1.20.1.2 the sale of sufficient Shares on behalf of the Participant in order to settle the Share Debt, and the subsequent allotment, issue or transfer of Shares to the Participant as detailed in 1.20.1.2 above of the balance of the Shares due to the Participant after settlement of the Share Debt; or

1.20.1.3 the sale of all or any of the Shares due to be Settled to a Participant on his behalf, and the payment to the Participant of the cash amount remaining after the deduction of the Share Debt,

and the words **“Settlement”** and **“Settle”** shall be construed accordingly, provided that if Settlement falls on a date which, or during a period in which:

1.20.1.4 by virtue of any Applicable Law or any policy of the Group (including any corporate governance policy) it is not permissible to Settle Shares to a Participant; or

1.20.1.5 by virtue of any Applicable Law or any policy of the Group (including any corporate governance policy) it is not permissible for a Participant to receive or otherwise deal/trade in Shares, the Settlement shall be delayed to the fifth Trading Day after the date on which it becomes permissible to Settle Shares to a Participant and/or for the Participant to receive or deal/trade in Shares (as the case may be);

1.21 **"Shares"** – ordinary shares of no par value in the capital of the Company (or such other class of shares as may represent the same as a result of any conversion to no par value shares, reorganisation, reconstruction or other variation of the share capital of the Company to which the provisions of the Scheme may apply from time to time), having the rights and privileges as set out in the Company's articles of association;

1.22 **"Share Debt"** – at any relevant time in respect of Shares Settled to a Participant, the Purchase Price, any amount in respect of Tax due by a Participant, and the Participation Costs as defined in the Rules, in each case together with any interest accrued thereon which is outstanding from time to time, less any amount paid in reduction of the Share Debt;

1.23 **"Vest, Vesting and Vested"** – when used in relation to an Option, shall mean that a Vesting Date has occurred and the Option become capable of being Exercised in accordance with the Rules;

1.24 **"Vesting Date"** – in relation to an Option, the date from which the Option may be Exercised by Participants as described in the Option, which date, unless otherwise determined by the Board, shall be a date 4 (four) years from the Option Date.

2 INTRODUCTION AND PURPOSE

2.1 The Company has designed and implemented this share option scheme for the Group to attract, motivate, reward and retain Participants who are able to influence the performance of the Group, on a basis which aligns their interest with those of the Company's shareholders.

2.2 It is intended that Options which have been Exercised will be Settled in Shares, although the Scheme does provide for cash Settlement.

2.3 The Scheme is administered by the Board in terms of the Rules.

3 NATURE OF THE SCHEME

3.1 The Scheme operates as a share option scheme whereby Participants will from time to time be offered an Option to acquire Shares in the Company at a predetermined strike price defined as the Purchase Price. The Options offered are open for acceptance normally within a 21 (twenty one) day period in terms of an Offer Letter.

3.2 The Options Vest at a date determined by the Board when the Options are initially offered, which date is expected to be a date 4 (four) years from the Option Date, unless the Board determines otherwise.

3.3 A Participant will then be entitled, on or after the Vesting of the Options but no later than 6 (six) years from the initial Offer Date (or as otherwise determined by the Board), to apply to the Board to Exercise one or more of the Participant's Vested Options. Every Exercise must be initiated by way of a written Exercise Notice.

3.4 A Participant shall only be Settled in Shares or cash if he has paid the Purchase Price for the Shares and met all conditions which attach to the Offer.

3.5 All Options which have not been Exercised prior to expiry shall be forfeited and cancelled.

3.6 A Participant shall not be entitled to any dividends or other distributions, and shall have no right to vote in respect of Shares forming part of an Option, unless and until the Option is Exercised and Settled to the Participant in accordance with the provisions of this Scheme.

3.7 The maximum number in aggregate of shares which may be acquired by all participants under the Scheme is 10 000 000 shares and by any one Participant under the Scheme is 1 000 000 shares.

4 TERMINATION OF EMPLOYMENT

4.1 Unless the Board determine otherwise, if a Participant ceases to be employed by the Group by reason of a Good Leaver Termination:

4.1.1 prior to the Vesting of the Options, then such Options will immediately Vest, and be Settled to the Participant; or

4.1.2 after the Vesting of Options but prior to them being Exercised, then such Vested Options will be deemed Exercised, and will be Settled to the Participant,

provided that if the Fair Market Value of the Shares on the Date of Termination of Employment is less than the Purchase Price, then the Options will be forfeited and cancelled unless otherwise determined by the Board.

4.2 Unless the Board determine otherwise, if a Participant ceased to be employed by the Group by reason of a Bad Leaver Termination then all Options, whether Vested or Unvested, will be forfeited and cancelled.

5 ADJUSTMENT

The rights of Participants in terms of the Scheme shall be adjusted on a fair basis in the event of the Company adjusting its equity capital.

6 RECONSTRUCTION OR TAKEOVER

If there is a Reconstruction or Takeover of the Company, the Board may, in its sole and absolute discretion, take such action (if any) as they consider appropriate to place the Participants in an economic position which is not less favourable following the implementation of such action, including (without limitation) (i) accelerating the Vesting of Options which have not yet Vested; (ii) deeming all Vested Options to have been Exercised; and/or (iii) converting Options into options or other rights of a substantially similar value (as determined by the Auditors) in respect of shares in one or more other companies.

7 DISPUTES

The Scheme provides for mediation and thereafter arbitration in the event of any dispute.

8 AMENDMENT OF THE SCHEME

8.1 It shall be competent for the Board to amend any of the provisions of the Scheme subject to the prior approval (if required) of every stock exchange on which the Shares are for the time being listed; provided that no such amendment affecting the rights (whether conditional or otherwise) in and to the Options of any Participant shall be effected without the prior written consent of the Participant concerned, and provided further that no such amendment affecting any of the following matters shall be competent unless it is sanctioned by special resolution of the Company in general meeting:

8.1.1 the definition of Eligible Employees and Participants;

8.1.2 the definition of Fair Market Value, Purchase Price or Exercise Price;

8.1.3 the maximum number of Shares which may be acquired for the purpose of or pursuant to the Scheme;

8.1.4 the maximum number of Shares which may be acquired by any Participant in terms of the Scheme;

8.1.5 the period in which payments or loans to provide payments (if any) may be paid;

8.1.6 the voting, dividend, transfer or other rights (including rights on liquidation of the Company) which may attach to any Option;

8.1.7 the basis on which Offers are made;

8.1.8 the provisions of the Rules dealing with adjustments to share capital;

8.1.9 the provisions of the Rules dealing with the rights (whether conditional or otherwise) in and to the Options of any Participants who leave the employment of the Group prior to Vesting or Exercise; or

8.1.10 the provisions of the Rules dealing with amendments to the Scheme.

8.2 Any Share which have been acquired by the Participants in terms of the Scheme shall be excluded from the vote at a general meeting of the Company to amend the Scheme.

8.3 If it should become necessary or desirable by reason of the provisions of Applicable Laws at any time after the signing of these Rules, to amend the provisions of these Rules so as to preserve the substance of the provisions contained in these Rules but to amend the form so as to achieve the objectives embodied in these Rules in the best manner, having regard to such Applicable Laws and without prejudice to the Participants concerned, then the Board may (with the prior approval (if required) of every stock exchange on which the Shares are at the time listed) amend these Rules accordingly.

CORPORATE GOVERNANCE AND THE KING CODE

1 COMMITMENT AND APPROACH

The Directors endorse and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the Group. In discharging this responsibility, the Board intends to comply with the King Code in both letter and spirit.

The Directors have pro-actively taken steps to ensure that all the elements required to make the Company fully compliant with the recommendations incorporated in the King Code have been implemented. The Company has adopted a board charter setting out roles, functions, obligations, rights, responsibilities and powers of the Board and the policies and practices of the Board in respect of its duties, functions and responsibilities. The Company has also adopted terms of reference for each of its committees.

The King Code directs that the chairman of the Board should be an independent non-executive director. The position of chairman is held by an independent non-executive director, Stanley Portelli.

The Directors confirm that the Group has complied in all other material respects with the King Code. Shareholders are referred the website of HomeChoice Holdings (www.homechoiceholdings.co.za) for full disclosure of HIL's application of the King Code.

2 BOARD OF DIRECTORS' PRACTICES

The Company's Board of Directors currently consists of three executive Directors and six non-executive Directors (of which four are independent). The Board of Directors is ultimately responsible for the day-to-day management of the Company's business, the Company's strategy and key policies. The Board of Directors is also responsible for approving the Company's financial objectives and targets. Members of the Board of Directors are appointed by the Company's shareholders.

The Company's executive Directors, who are also members of the executive committee, are involved in the day-to-day business activities of the Group and are responsible for ensuring that the decisions of the Board of Directors are implemented in accordance with the mandates given to it by the Board.

The Board meets four times per financial year, excluding any ad hoc meetings held to consider special business. There is a clear balance of power and authority at Board level, such that no one director has unfettered powers of decision-making.

3 COMMITTEES

3.1 Audit and risk committee

Charles Rapa, an independent non-executive Director, chairs the audit and risk committee, and its other members are Amanda Chorn and Stanley Portelli, both of whom are also independent non-executive Directors. The audit and risk committee is responsible for performing the functions required of it in terms of section 94(7) of the SA Companies Act. These functions include nominating and appointing the Company's auditors and ensuring that such auditors are independent of the Company; determining the fees to be paid to the auditor and the auditor's terms of engagement; ensuring that the appointment of the auditor complies with the provisions of the SA Companies Act and any other relevant legislation; dealing with any complaints (whether from within or outside the Company) relating to accounting practices, internal audits of the Company or the content of the Company's financial statements and related matters.

Meetings of the audit and risk committee are also attended by invitees, including the Finance Director and heads of internal audit and external auditors. The heads of internal audit and the external auditors have unlimited access to the chairman of the committee. The external auditors are invited to all meetings and at least annually meet with the committee without senior management being present.

The non-statutory functions of this committee are to assist the Board in fulfilling its responsibilities by reviewing the effectiveness of internal control systems in the Company with reference to the findings of external auditors, reviewing the annual financial statements and interim reports of the Company as well as other public communications of a financial nature, considering accounting issues, ensuring that all key areas of risks have been properly identified and that the Company mitigates such risks, reviewing audit recommendations and ensuring that the Company complies with relevant legislation and sound corporate governance principles. In addition, and if required, the committee will review any significant cases of fraud, misconduct or conflicts of interests. The audit and risk committee will from time to time determine policies with regard to non-audit services provided by the external auditor.

The audit and risk committee reviews the expertise, experience and performance of the Company's Chief Financial Officer, Annalize Kirsten, annually and reports on whether or not it is satisfied therewith. The audit and risk committee has determined that it is satisfied with Annalize Kirsten's current expertise, experience and performance as the Company's Chief Financial Officer. In addition, the audit and risk committee reviews and reports on the expertise, resources and experience of the Company's finance function.

The audit and risk committee meets four times per financial year, excluding any ad hoc meetings held to consider special business.

3.2 **Remuneration and nomination committee**

The remuneration and nomination committee comprises Charles Rapa (who chairs the committee), Stanley Portelli and Eduardo Gutierrez-Garcia, who are, save for Eduardo Gutierrez-Garcia, independent non-executive Directors. The Chief Executive Officer, Gregoire Lartigue is also invited to meetings, but is recused whenever matters concerning his remuneration is considered.

The remuneration and nomination committee is responsible for reviewing the Group's board structures, the size and composition of the various boards within the Group and to make recommendations in respect of these matters as well as an appropriate split between executive and non-executive Directors and independent Directors. This committee also assists in identification and nomination of new directors for approval by the Board. It considers and approves the classification of Directors as independent, oversees induction and training of Directors and conducts annual performance reviews of the Board and various Board committees. The remuneration and nomination committee is also responsible for ensuring the proper and effective functioning of the Group's boards and assists the chairman in this regard. The remuneration and nomination committee meets annually, excluding any ad hoc meetings held to consider special business

The remuneration and nomination committee further has the responsibility and authority to consider and make recommendations to the Board on, inter alia, remuneration policy of the Company, the payment of performance bonuses, executive remuneration, short, medium and long-term incentive schemes and employee retention schemes.

The remuneration committee uses external market surveys and benchmarks to determine executive Directors' remuneration and benefits as well as non-executive Directors' base fees and attendance fees. The Company's remuneration philosophy is to structure packages in such a way that long and short-term incentives are aimed at achieving business objectives and the delivery of shareholder value.

3.3 **Executive committee**

This committee is comprised of all of the executive Directors, namely Gregoire Lartigue, Paul Burnett and Shirley Maltz. No fees are payable to executives for service on this committee.

3.4 **Social and ethics and sustainability committee**

This committee is comprised of Charles Rapa, Eduardo Gutierrez-Garcia and Stanley Portelli all of whom are non-executive Directors. Eduardo Gutierrez-Garcia chairs the committee. The social and ethics committee monitors the Company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, in respect of social and economic development, good corporate citizenship (including the promotion of equality, prevention of unfair discrimination; the environment, health and public safety, including the impact of the Company's activities and of its products or services), consumer relationships and labour and employment issues.

The responsibility of this committee is further to advise the Board on all relevant aspects that may have a significant impact on the long-term sustainability of the Group and which influence the Group's integrated sustainability reporting. The committee will also draw to the attention of the Board matters within its mandate as occasion requires and report to the shareholders at the Company's annual general meeting on such matters. The social and ethics and sustainability committee meets quarterly, excluding any ad hoc meetings held to consider special business.

In order to carry out its functions, the committee will be entitled to request information from any Directors or employees of the Company, attend and be heard at general shareholders' meetings, and receive notices in respect of such meetings.

3.5 **Internal control systems**

To meet the Company's responsibility to provide reliable financial information, the Company maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material losses, unauthorised acquisition, use or disposal, and that transactions are properly authorised and recorded.

The systems include a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the Group, and the careful selection, training and development of people. The Company does not have an independent internal audit function.

The Company monitors the operation of the internal control systems in order to determine if there are deficiencies. Corrective actions are taken to address control deficiencies as they are identified. The Board of Directors, operating through the audit and risk committee, oversees the financial reporting process and internal control systems.

There are inherent limitations on the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, an effective internal control system can provide only reasonable assurance with respect to financial statement preparation and the safeguarding of assets.

3.6 **Company Secretarial Function**

The company secretary, who is not a Director of the Company, is required to provide the Directors of the Company, collectively and individually, with guidance as to their duties, responsibilities and powers. He is also required to ensure that the Directors are aware of all laws and legislation relevant to, or affecting the Company and reporting to any meetings of the shareholders of the Company or of the Company's Directors any failure on the part of the Company or a director to comply with the Articles of Association or rules of the Company.

The company secretary must certify in the Company's annual financial statements whether the Company has filed required returns and notices, and whether all such returns and notices appear to be true, correct and up to date, and ensure that a copy of the Company's annual financial statements is sent, to every person who is entitled to it.

The company secretary is also required to ensure that minutes of all shareholders' meetings, Directors' meetings and the meetings of any committee of the Directors are properly recorded.

The company secretary will be subject to an annual evaluation by the Board which will consider and satisfy itself on the competence, qualification and experience of the company secretary. The Company will confirm this by reporting to Shareholders in its general report that the Directors have executed this responsibility.

George Said, the company secretary of HIL, is a suitably-qualified, competent and experienced company secretary and has been appointed and appropriately empowered to fulfil duties with regards to assistance to the Board. The Board has considered the independence of the company secretary and is satisfied that there is an arm's length relationship between the company secretary and the Board, who can remove the company secretary from his office.

3.7 **Non-application of King Code principles**

The Company is not applying King Code principle 9.3. The financial statements are independently assured, but at this stage the Audit and Risk committee does not believe that independent assurance on sustainability will provide significant benefit to stakeholders.

LEGISLATION AND PROPOSED LEGISLATION REGULATING THE GROUP'S BUSINESSES

1 NATIONAL CREDIT ACT, NO. 34 OF 2005

The National Credit Act, No 34 of 2005 ("NCA") came into effect on 1 June 2006 and provides for the regulation of credit and credit providers in South Africa. It specifically regulates the provision of credit on an arm's length basis to consumers. Consumers include all natural persons and certain juristic persons whose asset value or annual turnover is less than a prescribed threshold, currently ZAR1 million.

The NCA requires certain persons who provide credit to consumers under credit agreements to which the NCA applies, to register with the National Credit Regulator ("NCR"), established under the NCA. Credit providers who, alone or in conjunction with any associated person provide credit to consumers under at least 100 credit agreements (to which the NCA apply, but excluding incidental credit agreements) and credit providers to whom more than R500 000 is owed in principal debt under outstanding credit agreements (to which the NCA apply but excluding incidental credit agreements) are required to register. Both HomeChoice and FinChoice are registered credit providers.

Registration under the NCA may be cancelled if the credit provider fails to comply with the Act or regulatory requirements.

The NCA regulates, amongst other things:

- credit agreements and the origination process;
- obtaining personal and other information from consumers and restrictions on the use, dissemination and application thereof;
- the receipt and reporting to credit bureaus and the NCR of consumer credit information;
- The protection of consumer rights and prohibition of discriminatory practices and other prohibited conduct as well as the prevention of reckless lending;
- the enforcement and termination of credit agreements and collection practices and processes;
- consumer over-indebtedness and regulation of debt review processes; and
- the disclosure, charging and collecting of fees and costs under credit agreements.

The NCA prescribes maximum interest rates, initiation fees, service charges, collection fees and other costs which may be lawfully charged in terms of the NCA in relation to the categories of credit agreements regulated under the NCA.

The NCA governs all loans and provision of credit to consumers irrespective of the amount involved. Because the NCA is, inter alia, intended to provide some form of protection and redress for vulnerable consumers, the NCA places particular emphasis on smaller credit agreements. Small credit agreements which primarily involve loans or credit of up to R15 000 have particular prescriptions under the NCA such as certain prescribed form for agreements and other documents.

The NCA provides for different interest rates and other charges that can be levied depending on the classification of the credit agreement concerned and its duration. In the case of unsecured credit transactions, the maximum annual rate is calculated as the product of the Repo Rate (set by the South African Reserve Bank – currently 5,5%) multiplied by 2,2, plus 20%. In the case of short-term credit transaction (for amounts not exceeding R8 000 which is repayable within six months) the maximum interest rate currently allowed is 5% per month.

In addition, the NCA establishes maximum initiation and monthly service fees that can be charged. In the case of unsecured credit, the initiation fee is a maximum of R150 plus 10% of the amount of the credit in excess of R1 000, subject to an overall cap of R1 000. The maximum monthly service fee is currently R50. These amounts exclude value added tax.

The NCA also regulates insurance that is sold in relation to a credit agreement (credit insurance) and provides that a credit provider may require a consumer to maintain credit life insurance over the term of the credit agreement, but should allow the consumer the opportunity to choose its own insurer.

2 CONSUMER PROTECTION ACT, NO. 68 OF 2008

The Consumer Protection Act, No. 68 of 2008 ("CPA") came into effect on 31 March 2011 and provides for the regulation of consumer rights generally. In particular it regulates the supply of goods and services in South Africa as well as the promotion and marketing thereof and certain other incidental matters.

As is the case in the NCA all natural persons as well as certain juristic persons whose asset value or annual turnover is less than a prescribed threshold, currently being R2 000 000, are regarded as consumers.

The CPA does not regulate or apply to transactions and agreements to which the NCA applies. It does, however, apply to any goods or services which are the subject matter of a credit agreement. The CPA would accordingly be relevant only to that aspect of the business of the Group that relates to the promotion, marketing and supply of goods and services to consumers but not to the granting of credit and furnishing of loans.

The CPA regulates, amongst other things:

- the promotion, marketing and sale of goods and services including, direct marketing, catalogue marketing and other forms/avenues of marketing;
- the supply, delivery and installation of goods sold irrespective of whether sold for cash or on credit;
- the safety and quality of goods and ensuring that the requirements and standards provided for in the CPA are complied with;
- promotional activities such as trade coupons, promotional offers and promotional competitions;
- the protection of consumer rights and prevention of discriminatory and other prohibited practices;
- product labelling requirements and other forms of mandatory notices such as warnings;
- liability for defects, failures, hazards and unsafe goods and safety monitoring and product recall provisions; and
- returns of goods and repairs to defective goods and warranties in goods.

One of the most important provisions in the CPA is the imposition of strict liability in relation to the supply of goods which are unsafe, defective, hazardous or have inadequate instructions or warnings pertaining to any hazard arising from the use of such goods. The liability is strict in the sense that it is irrelevant whether or not the harm resulted from any negligence on the part of the supplier.

Activities like bundling of products are also regulated so as to ensure that consumer choice is not compromised. Bundled products must either be offered separately or there must otherwise be an economic benefit to the consumer or the balance of convenience must outweigh the consumer's right to choice.

Direct marketing to consumers at home is specifically regulated and contact times and days are prescribed. Direct marketing outside of these prescribed periods can only be done if the consumer has requested or agreed otherwise.

Where goods are provided to a consumer the consumer has a right to receive goods that will be useable and durable for a reasonable period of time, having regard to the use to which they would normally be put and to all the surrounding circumstances of their supply, comply with any applicable standards set under public regulation and, unless specifically agreed, goods that are reasonably suitable for the purposes for which they are generally intended and are of good quality, in good working order and free of any defects. This statutory right, which is in effect an implied warranty imposed on the supplier, is in addition to any express warranty or right that the consumer may have at common law. If the implied warranty is breached, a consumer has up to six months to require that the goods be repaired or replaced or the purchase price refunded.

When a supplier undertakes to perform any services for a consumer, the consumer has a right to the timely performance of those services and notice of any unavoidable delay. The services must be rendered in a manner and of a quality that persons are generally entitled to expect, having regard to the circumstances of the supply and any specific criteria or conditions agreed between the supplier and the consumer. If a supplier fails to perform a service to these standards, the consumer may require the supplier to either remedy any defect; or refund to the consumer a reasonable portion of the price paid, having regard to the extent of the failure.

Transactions with consumers resulting from direct marketing may be rescinded by the consumer without reason or penalty within five business days from the later of the date on which transaction or agreement was concluded or the goods in question were delivered. The consumer must then be refunded within 15 business days of the supplier receiving the notice of rescission (if no goods were delivered yet) or return of the goods in question.

3 FINANCIAL ADVISORY AND INTERMEDIARY SERVICES ACT, NO. 37 OF 2011

The Financial Advisory and Intermediary Services Act, No. 37 of 2001 ("FAIS Act") regulates the provision or rendering of financial advice and intermediary services to South African persons, and requires any person seeking to provide such financial advice and intermediary services to obtain appropriate authorisation as a financial services provider ("FSP") from the Financial Services Board, the regulator of, amongst others, financial advisory and intermediary services. Licenses are granted for different categories of financial products and different types of financial service offered by the authorised FSP. A person who is not authorised to provide financial advisory and intermediary services and who conducts such services is guilty of an offence, and may be subject to the imposition of fines and/or imprisonment. FinChoice is an authorised FSP, with licence number FSP 25610.

The FAIS Act draws no distinction between retail and institutional clients, and also offers no general exemption from its provisions to an authorised FSP providing financial advisory and intermediary services solely to companies within the same group as the authorised FSP.

In addition to compliance with licence conditions, an authorised FSP must adhere to on-going reporting obligations to the FSB. Codes of conduct promulgated under the FAIS Act prescribe how an authorised FSP must conduct its day-to-day business dealings with its clients. Failure to comply with the FAIS Act and any of the regulations can expose the authorised FSP to significant penalties and the suspension or withdrawal of its licence.

4 SA COMPANIES ACT, NO. 71 OF 2008

The SA Companies Act, No. 71 of 2008 ("Companies Act") as amended by the Companies Amendment Act, 2011, became effective on 1 May 2011 and governs South African company law. The Companies Act has modified aspects of company law governance and of traditional company law doctrine. The Companies Act incorporates best practice corporate law concepts, such as solvency and liquidity regimes, increased standards of corporate governance; director accountability and transparency; safeguards against market manipulation; improved minority protections and remedies including shareholder appraisal rights; and introduces new mechanisms, such as mergers and amalgamations and business rescue.

The introduction of the Companies Act requires that South African companies and their boards of directors update certain of their practices. There is a two-year moratorium period calculated from 1 May 2011 for companies to align their corporate documents with the Companies Act, although many significant sections and concepts apply with immediate effect. Currently many of the concepts remain new and untested. Until a body of jurisprudence is developed, there will be areas of contention and uncertainty in the application of the Companies Act.

5 PROTECTION OF PERSONAL INFORMATION ACT

The Protection of Personal Information ("POPI") Act binds all public and private bodies which collect, use, access, store, disseminate and/or otherwise, process personal information in any manner whatsoever, unless a private or public body forms part of the exclusions set out in POPI.

POPI creates offences and penalties for non-compliance and breach of the provisions thereof and creates a regulatory body to which complaints by any person may be made, and upon which an investigation into such allegation will occur. Notification will need to be given to the regulator and approved by the regulator prior to the processing of personal information, unless a public or private body is exempted by the applicable regulatory body. It should be noted that the regulator may also authorise the processing of the information if it is in the public interest without the consent of a data subject, provided that the public interest significantly outweighs the data privacy interests of the data subject or where the processing of the personal information will benefit the data subject or another third party. The transfer of personal information outside South Africa will also be regulated to ensure that information will not be transferred out of South Africa without adequate safeguards for the protection of information in the receiving country. POPI provides data subjects with rights to access their personal information held by any public or private body and prescribes strict measures to be taken in the event that there is a breach of personal information. POPI also creates rights for persons regarding unsolicited electronic communications (via direct marketing and/or other means) and automated decision-making.

POPI significantly increases the compliance burden across the Group. The collection and processing of personal information (as defined by the Act) is integrated into the daily operations of the Group.

The various existing legislative requirements for the retention and destruction of electronic, magnetic and paper information will be augmented by the enactment of POPI.