SUMMARISED GROUP FINANCIAL **STATEMENTS**

for the year ended 31 December 2019
and cash dividend declaration

HOMECHOICE INTERNATIONAL PLC

SUSTAINING STRATEGIC DIRECTION DESPITE DIFFICULT TRADING PERFORMANCE

HomeChoice International plc

THE GROUP IS A LEADING PARTICIPANT IN THE RETAIL HOMEWARE AND FINANCIAL SERVICES SECTORS TO THE URBAN MIDDLE-INCOME MASS MARKET IN SOUTHERN AFRICA.

It has serviced this market for more than 30 years and has built up a loyal, primarily female, customer base of more than 912 000 active customers.

The group operates through two trading operations, Retail and Financial Services.

Revenue
+7.3%
to **R3.5 billion**

271 000
new customers
acquired

Retail sales
+4.9%

Stand-alone insurance premiums
+48%

Investments in technology and customer experience continue

Loan disbursements
+27.0%

Headline earnings per share
436.0 cents
down 14.1%

Milestone
R2 billion credit extended on digital channels – 40.2% of all credit

EBITDA
-8.5%
on decision to reduce higher stock holdings

Final dividend of
79.0 cents
down 20.2%

Cash conversion rate of
58.2%

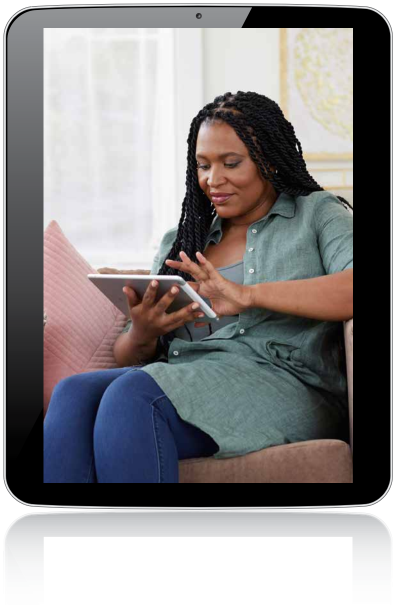
COMMENTARY

The Retail business is an omni-channel retailer to the mass market with considerable expertise in both merchandise and credit management. Retail's multi-channel offering includes digital and social media platforms, contact centres, sales agents' networks, showrooms and the recently launched ChoiceCollect containers. Our product offering comprises a curated range of quality homewares and textiles under the trusted HomeChoice brand, as well as an increasing contribution from electronics, home appliances and footwear, featuring some 145 well-known external brands. Affordable and accessible credit offerings enable our customers to create the home they love.

Financial Services is a diversified FinTech business offering a range of personal lending, value-added services and insurance products on digital platforms. Providing convenient digital solutions to the increasingly mobi-savvy target market puts our customers in control of their own financial well-being.

		31 Dec 2019*	31 Dec 2018**	% change
Group				
Revenue	(Rm)	**3 484**	3 247	7.3
EBITDA	(Rm)	**751**	821	(8.5)
EBITDA margin	(%)	**21.5**	25.2	
Operating profit	(Rm)	**679**	763	(11.0)
Operating profit margin	(%)	**19.5**	23.5	
Earnings per share (EPS)	(cents)	**436.0**	506.8	(14.0)
Headline EPS (HEPS)	(cents)	**436.0**	507.7	(14.1)
Cash generated from operations	(Rm)	**437**	474	(7.8)
Cash conversion	(%)	**58.2**	57.7	
Final dividend declared/paid	(cents)	**79.0**	99.0	(20.2)
Total dividend	(cents)	**166.0**	194.0	(14.4)
Retail				
Revenue	(Rm)	**2 613**	2 501	4.5
Retail sales	(Rm)	**1 951**	1 860	4.9
Gross profit margin	(%)	**47.4**	49.6	
EBITDA	(Rm)	**442**	453	(2.4)
EBITDA margin	(%)	**16.9**	18.1	
Financial Services				
Loan disbursements	(Rm)	**2 266**	1 784	27.0
Revenue	(Rm)	**871**	746	16.8
EBITDA	(Rm)	**362**	357	1.4
EBITDA margin	(%)	**41.6**	47.8	

* IFRS 16, Leases *adopted effective 1 January 2019.*
** IAS 17, Leases *applied in 2018 financial year.*



Trading performance

Group revenue increased by 7.3% to R3.5 billion in a challenging retail market. This was boosted by strong loan disbursements growth of 27.0%, retail sales growth of 4.9% and the acquisition of 271 000 new customers.

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

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

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

A debt review book of R220 million was sold in the first half of the year. By reinvesting the proceeds in loans to existing Financial Services customers, the sale had the effect of replacing a poor-performing, low-yielding asset with a higher-performing, higher-yielding asset. Credit impairment losses (debtor costs) increased by 28.7%, despite low bad debt write-offs growth of 4.8%. A higher provision charge, non-comparable with 2018, increased the debtor costs .

Trading expenses were well controlled, up 7.6%, notwithstanding continuing investment in digital transformation, in expanding the retail footprint and in growing the insurance business. Gains were achieved through effective marketing spend benefiting from the new marketing propensity models developed by our data science and analytics teams. The digitalisation of customer service processes has also successfully delivered improvements in customers' experience and cost-efficiencies.

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

Headline earnings decreased by 14.0% to R455 million and HEPS decreased by 14.1% to 436.0 cents. The dividend cover of 2.6 times has been maintained. The board has declared a final dividend of 79.0 cents, bringing the total dividend for the year to 166.0 cents, 14.4% down on the comparable period.

The group uses digital credit extended as a metric to measure the progress on our digital transformation. Pleasingly, we continue to see growth in digital engagement in Financial Services. Retail digital growth was impacted by the complex implementation of the new cloud-based e-commerce platform, resulting in lower digital Retail sales during the year. The group reached a milestone R2 billion of group credit transacted on digital platforms, 40.2% (2018: 39.1%) of the total credit extended.

The group has adopted *IFRS 16, Leases* with effect from 1 January 2019. The impact on the group is not significant and is explained in more detail below.

RETAIL

homechoice
for the home you love

EXPANSION ONGOING IN TOUGH RETAIL MARKET

Retail revenue increased by 4.5% to R2.6 billion, with a 4.9% merchandise sales growth. EBITDA decreased by 2.4% to R442 million largely due to a lower gross profit margin.

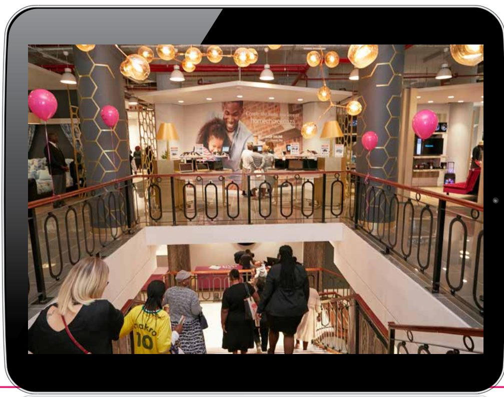
Trading performance across our product categories was mixed. Double-digit growth was achieved in cookware, appliances and electronics categories, by providing customers great value and high levels of innovation. High clearance levels of excess bedding stocks in H1 resulted in a lower contribution from textiles, declining from 64% to 60%. The 145 external brands on offer provide additional choice and convenience to customers, increasing the contribution to sales of 21.0% (2018: 16.0%).

The lower gross profit margin of 47.4% (2018: 49.6%) was the result of higher clearance activity in H1, non-comparable warehouse expenses for the Johannesburg distribution centre (opened in 2018) and lower levels of favourable exchange rate gains compared to 2018.

The HomeChoice brand continues to appeal to the mass market. 249 000 new customers were acquired during the period, with TV the primary acquisition channel. New customers are typically brought onto the book with lower credit limits and shorter terms. As they become more familiar with the credit process, their limits and terms are increased in line with their credit payment behaviour. An increasing proportion of new customers remain in a buying position after six months. We have actively controlled credit risk metrics through streamlining our vetting processes, driving mobile payments and improving the customer mix to more existing customers.

Our implementation of a new e-commerce engine during the year was complex and following a cautious approach, the site was launched in September 2019. While the resources were focused on implementation, limited upgrades and enhancements were made to the old digital site, resulting in reduced traffic and lower conversion rates, digital sales contribution decreased to 15% of total sales. To address this decline, additional in-house resources have been brought on board and the business is focused on increasing traffic to the new site, improving customers' digital experience and accelerating digital sales growth rates.

An additional four Retail showrooms and six ChoiceCollect containers were opened during the year, bringing the total to nine and eight respectively. ChoiceCollect containers are located in township suburbs and, together with the showrooms, are key initiatives in our omni-channel offering, providing customers convenience and choice. Click and collect from these channels has increased to 10% of deliveries (2018: 6%) as more customers choose this convenient delivery option. We have continued to reduce our reliance on SAPO for parcel deliveries to 16% from 23% and are planning further reductions for 2020.



finchoice

for when you need it

DIGITAL USAGE WELL ESTABLISHED IN CUSTOMER BASE

Financial Services revenue increased by 16.8% to R871 million, comprising a 14.8% increase in finance income and a 21.5% growth in ancillary and insurance fees. Higher debtor costs of +54.1% were driven by higher non-comparable provision increases, with bad debts written off increasing by 17.5%. This has resulted in a muted increase in EBITDA of 1.4% to R362 million.

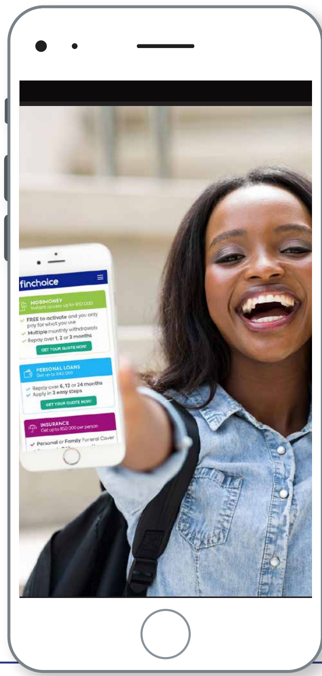
Loan disbursements increased by 27.0% to R2.3 billion. The strong growth was partially funded from the proceeds of the group's distressed debt review book sold in H1. 84% of loan disbursements were made to existing customers, reflective of the commitment of our loyal customer base. A higher utilisation of our facility account and an increase in loans to externally sourced customers resulted in the average loan term decreasing from 19.7 months to 19.4 months and the average loan balance reducing from R9 474 to R8 628.

86% of the active customer base are registered on our self-service digital platforms and 58% possess a digital-only FinChoice MobiMoney™ facility product. Digital engagement by customers continues to increase, as evidenced by 86.0% (2018: 84.1%) of all transactions being concluded on a digital platform. Higher digital engagement is also facilitated by sale of value-added services (airtime, data, electricity) using the MobiMoney platform.

Financial Services acquired 63 000 new customers, a 34.8% increase (2018: 46 000), with 22 500 (36%) from external sources. Financial Services has historically only leveraged the Retail customer base to acquire new customers. Increasingly, we have integrated with other external acquisition channels to acquire customers, primarily sourced from digital sites. We manage the initial risk exposure of the externally sourced customers with lower credit limits and shorter-terms loans until their credit behaviour has been proven.

A key component of our income diversification strategy is the stand-alone personal insurance business. Premiums increased by 48.0%, supported by digital channels and a dedicated contact centre. Two new products were launched in the year and we saw increased penetration of the existing base as more customers elected to insure with the group. The stand-alone insurance book had 61 000 policies in force at the end of the period.

Trading expenses increased by 11.6%. Costs were contained to mitigate the impact of higher debtor costs while continuing to support the growth areas of insurance and digitalisation.



Mixed performance in credit

The group has a stable credit book, with gross trade and loans receivable increasing by 9.2% to R3.8 billion, primarily due to the high loan disbursements during the period under review. Group debtor costs increased by 28.7% resulting from the impact of non-comparable provision movements and an increase in the Financial Services bad debt write-offs (explained in more detail below).

Credit performance for the period is summarised below:

		31 Dec 2019	31 Dec 2018	% change
Group				
Gross trade and loans receivable	(Rm)	**3 784**	3 464	9.2
Debtor costs as a % of revenue*	(%)	**20.6**	17.1	
Retail				
Number of active accounts		**581 818**	603 944	
Active accounts able to purchase	(%)	**66.4**	68.8	
Gross trade and loans receivable	(Rm)	**1 947**	1 865	4.4
Debtor costs as a % of revenue	(%)	**16.5**	14.9	
Provision for impairment	(Rm)	**366**	359	
Provision for impairment as a % of gross receivables	(%)	**18.8**	19.2	
NPLs**	(%)	**10.2**	9.6	
NPL cover	(times)	**1.8**	2.0	
Financial Services				
Number of active accounts		**223 742**	185 177	
Active accounts able to reload	(%)	**76.4**	72.1	
Gross trade and loans receivable	(Rm)	**1 837**	1 599	14.9
Debtor costs as a % of revenue	(%)	**32.7**	24.7	
Provision for impairment	(Rm)	**254**	252	
Provision for impairment as a % of gross receivables	(%)	**13.8**	15.8	
NPLs	(%)	**4.3**	4.1	
NPL cover	(times)	**3.2**	3.8	

* *Debtor costs include bad debts written off net of recoveries, as well as movements in provisions.*
** *Non-performing loans (>120 days).*

R220 million of distressed debtors' accounts, managed in line with the National Credit Act's debt review process, was sold during H1. The group holds high provisions on the debt review book reflective of their credit risk. Consequently, when this book was sold, the changing mix of the total debtors' book had the impact of reducing the overall provision percentages.

Well-controlled Retail credit risk

Debtor costs in Retail have increased by 16.1% relative to the sales growth of 4.9%. Well-controlled bad debt write-offs which reduced by 0.3%, was countered with a non-comparable shift in the quantum of the impairment provision.

The moderate increase in the debtors' book provision to 18.8% (June 2019: 18.4%) is non-comparable against the 2018 financial period when there was a reduction in the provision from 21.0% (January 2018) to 19.2% (December 2018) due to the adoption of IFRS 9.

Benefits in credit risk have been achieved from a higher proportion of business to existing customers, streamlining processes in credit approval and prevention of fraud, as well as an increase in the proportion of Naedo debit order payments.

NPLs have increased marginally to 10.2% (2018: 9.6%) and NPL coverage is within acceptable levels.

Financial Services credit risk increased; however corrective action taken

Debtor costs increased by 54.1% relative to loan disbursements growth of 27.0%. Bad debts written off (net of recoveries) increased by 17.5%, primarily due to higher credit limits given to new MobiMoney and externally sourced customers. Further, these customers were then given credit limit increases too early in their life cycle. Corrective action has been taken to treat external customers' limits more conservatively for longer durations of demonstrating good payment behaviour before migrating them into the existing customer risk profiles. The limits assigned to new customers from certain risk bands on the MobiMoney product have been curtailed and scorecards aligned.

The provision for impairment has increased to 13.8% at December 2019 (June 2019: 12.0%) due to the higher risk experienced in the year. The non-comparable increase in the movement in provisions was the primary driver of the high debtor costs increase. The movement is non-comparable due to the sale of the debt review book in H1, the subsequent growth in provisions on the new debt review book and the impact of the adoption of IFRS 9.

NPLs have increased marginally to 4.3% (2018: 4.1%) and NPL coverage remains conservative at 3.2 times.

Investments in strategic initiatives to support future growth

Cash generated from operations for the year was R437 million, 7.8% down due to lower profitability. Cash conversion improved to 58.2% despite the 27.0% increase in loan disbursements and lower Retail sales.

There was a strong focus on debtor collections. The implementation of digital payments and a higher percentage of debit orders in the Retail business assisted in keeping working capital within acceptable levels.

A change in the industry-wide SARS treatment of bad debts written off had the effect of a once-off tax charge of R44 million. Excluding this payment, cash balances are in line with 2018.

R116 million (2018: R126 million) of capex was spent on strategic investments in additional showrooms and technology. These investments will deliver an enhanced customer experience while the distribution centre capex drives productivity and capacity efficiencies.

Application of new accounting standards

As required by International Financial Reporting Standards (IFRS) the group has adopted *IFRS 16, Leases* effective 1 January 2019. The group leases various offices, warehouses and retail showrooms.

In adopting IFRS 16 the group has applied the simplified transition approach, recognising the cumulative effect as an adjustment to the opening balance of retained earnings at 1 January 2019.

As a result of adopting IFRS 16, R67 million is shown as right-of-use assets and R75 million as lease liabilities as at 31 December 2019.

Changes to board composition

At the annual general meeting, held on 10 May 2019, Pierre Joubert was appointed as an independent non-executive director. He is based in Mauritius and brings a wealth of financial services experience to the board's deliberations. He is also a member of the audit and risk committee.

Rick Garratt, the group's founder, stepped down from the board on 31 December 2019.

Redomiciliation

As previously announced on 27 August 2019, the board obtained shareholder approval to redomicile the company from Malta to Mauritius. The purpose of the redomiciliation is for the group to be managed from Mauritius, where the expansion of the Financial Services operations is to be driven from.

The administrative processes to effect the change are still in progress and are expected to conclude during the course of May 2020. In order to avoid any unintended consequences of the payment of a dividend during this period, the board has considered it appropriate to declare the final dividend of 79.0 cents and delay the dividend payment date to 25 May 2020, subject to the successful completion of the redomiciliation.

Further communication will be made to shareholders on the successful completion of the redomiciliation.

Outlook

The economic outlook for South Africa remains muted with high unemployment and a slow recovery in key economic indicators. The vibrant informal economy continues to show growth as more individuals supplement their primary income with a secondary income derived from the informal sector.

We are committed to continue to drive our strategic initiatives and, with a loyal and expanding customer base, strong brands and continuous innovation, we believe we are well positioned to drive growth.

Potential risks from the Coronavirus are being actively managed and we currently do not foresee it having a material impact on the group's supply chain.

Our vision is to provide for our customers' lifestyle through digitally focused and innovative retail and financial services products and for the group to be a leading digital player in the mass market.

The above information has not been reviewed or reported on by the group's external auditor.

S Portelli
Chairman

G Lartigue
Chief Executive Officer

S Maltz
Chief Executive Officer
(South Africa)

Qormi, Malta, 12 March 2020

Dividend declaration

Notice is hereby given that the board of directors has declared a final gross cash dividend of 79.0000 cents (63.2000 cents net of dividend withholding tax) per ordinary share for the year ended 31 December 2019. The dividend has been declared from income reserves. HIL is registered in the Republic of Malta and the dividend is a foreign dividend. Withholding tax of 20% will be applicable to all South African shareholders who are not exempt.

The issued share capital at the declaration date is 105 376 146 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 19 May 2020
Shares commence trading "ex" dividend	Wednesday, 20 May 2020
Record date	Friday, 22 May 2020
Payment date	Monday, 25 May 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 May 2020 and Friday, 22 May 2020, both days inclusive.

G Said
Company Secretary

Qormi, Malta, 12 March 2020

SUMMARISED GROUP FINANCIAL STATEMENTS

SUMMARISED GROUP
STATEMENT OF FINANCIAL POSITION

	Notes	2019 Rm	% change	2018 Rm
Assets				
Non-current assets				
Property, plant and equipment		**471**	1.5	464
Intangible assets		**169**	45.7	116
Right-of-use asset		**67**	100.0	–
Financial assets at fair value through profit and loss		**24**	–	24
Deferred taxation		**2**	100.0	1
		733	21.2	605
Current assets				
Inventories	2	**349**	14.8	304
Taxation receivable		**1**	100.0	–
Trade and other receivables	3	**3 188**	9.8	2 903
Trade receivables – Retail		**1 581**	5.0	1 506
Loans receivable – Financial Services		**1 583**	17.5	1 347
Other receivables		**24**	(52.0)	50
Cash and cash equivalents		**80**	(25.9)	108
		3 618	9.1	3 315
Total assets		**4 351**	11.0	3 920
Equity and liabilities				
Equity attributable to equity holders of the parent				
Stated and share capital		**1**	–	1
Share premium		**3 010**	0.2	3 005
Reorganisation reserve		**(2 961)**	–	(2 961)
		50	11.1	45
Treasury shares		**(18)**	>100.0	(3)
Other reserves		**33**	83.3	18
Retained earnings		**2 881**	9.8	2 624
Total equity		**2 946**	9.8	2 684
Non-current liabilities				
Interest-bearing liabilities		**537**	(29.0)	756
Lease liabilities		**57**	100.0	–
Deferred taxation		**51**	(22.7)	66
Trade and other payables		**4**	(33.3)	6
		649	(21.6)	828
Current liabilities				
Interest-bearing liabilities		**391**	>100.0	92
Lease liabilities		**18**	100.0	–
Taxation payable		**16**	(65.2)	46
Trade and other payables		**283**	6.0	267
Provisions		**–**	(100.0)	3
Bank overdraft		**48**	100.0	–
		756	85.3	408
Total liabilities		**1 405**	13.7	1 236
Total equity and liabilities		**4 351**	11.0	3 920

SUMMARISED GROUP
STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2019 Rm**	% change	2018 Rm
Revenue		**3 484**	7.3	3 247
Retail sales		**1 951**	4.9	1 860
Finance income		**1 093**	7.6	1 016
Fees from ancillary services	4	**440**	18.6	371
Cost of Retail sales		**(1 027)**	9.5	(938)
Other operating costs		**(1 785)**	15.2	(1 550)
Credit impairment losses	5	**(717)**	28.7	(557)
Other trading expenses	5	**(1 068)**	7.6	(993)
Other net gains and losses		**(1)**	(80.0)	(5)
Other income		**8**	(11.1)	9
Operating profit		**679**	(11.0)	763
Interest income		**4**	33.3	3
Interest expense		**(101)**	13.5	(89)
Share of loss of associates		**–**	–	(1)
Profit before taxation		**582**	(13.9)	676
Taxation		**(127)**	(14.2)	(148)
Profit and total comprehensive income for the year		**455**	(13.8)	528
Earnings per share (cents)				
Basic	6	**436.0**	(14.0)	506.8
Diluted		**428.7**	(14.2)	499.8
Headline earnings per share (cents)				
Basic	6	**436.0**	(14.1)	507.7
Diluted		**428.7**	(14.4)	500.8

SUMMARISED GROUP **STATEMENT OF CHANGES IN EQUITY**

	Stated and share capital Rm	Share premium Rm	Treasury shares Rm	Reorgan-isation reserve Rm	Other reserves Rm	Retained earnings Rm	Equity attributable to owners of the parent Rm
Balance at 1 January 2018 as originally presented	1	3 003	(3)	(2 961)	13	2 320	2 373
Change on initial application of IFRS 9	–	–	–	–	–	(11)	(11)
Restated balance as at 1 January 2018	1	3 003	(3)	(2 961)	13	2 309	2 362
Changes in equity							
Profit and total comprehensive income for the year	–	–	–	–	–	528	528
Shares issued	–	2	–	–	–	–	2
Dividends paid	–	–	–	–	–	(213)	(213)
Share incentive schemes	–	–	–	–	5	–	5
Total changes	–	2	–	–	5	315	850
Balance at 1 January 2019	**1**	**3 005**	**(3)**	**(2 961)**	**18**	**2 624**	**2 684**
Change on initial application of IFRS 16 (note 1.2)	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Restated equity at the beginning of the period	**1**	**3 005**	**(3)**	**(2 961)**	**18**	**2 621**	**2 681**
Changes in equity							
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**455**	**455**
Shares issued	**–**	**5**	**–**	**–**	**–**	**–**	**5**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(195)**	**(195)**
Share incentive schemes	**–**	**–**	**–**	**–**	**15**	**–**	**15**
Shares purchased	**–**	**–**	**(15)**	**–**	**–**	**–**	**(15)**
Total changes	**–**	**5**	**(15)**	**–**	**15**	**260**	**265**
Balance at 31 December 2019	**1**	**3 010**	**(18)**	**(2 961)**	**33**	**2 881**	**2 946**

SUMMARISED GROUP
STATEMENT OF CASH FLOWS

	Notes	2019 Rm	% change	2018 Rm
Cash flows from operating activities				
Operating cash flows before working capital changes		**718**	(7.5)	776
Movements in working capital		**(281)**	(7.0)	(302)
Cash generated from operations	7	**437**	(7.8)	474
Interest received		**4**	33.3	3
Interest paid		**(93)**	9.4	(85)
Taxation paid		**(174)**	11.5	(156)
Net cash inflow from operating activities		**174**	(26.3)	236
Cash flows from investing activities				
Additions of property, plant and equipment		**(44)**		(70)
Proceeds on disposal of property, plant and equipment		**–**		1
Additions of intangible assets		**(72)**		(56)
Investment in associates		**–**		14
Financial assets at fair value through profit and loss		**11**		19
Net cash outflow from investing activities		**(105)**	14.1	(92)
Cash flows from financing activities				
Proceeds from the issuance of shares		**5**		2
Purchase of shares to settle forfeiture share scheme obligations		**(15)**		–
Proceeds from interest-bearing liabilities		**315**		271
Repayments of interest-bearing liabilities		**(243)**		(207)
Principal elements of lease payments		**(12)**		–
Dividends paid		**(195)**		(213)
Net cash outflow from financing activities		**(145)**	(1.4)	(147)
Net decrease in cash and cash equivalents and bank overdrafts		**(76)**		(3)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**108**		111
Cash, cash equivalents and bank overdrafts at the end of the year		**32**	(70.4)	108

GROUP
SEGMENTAL INFORMATION

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

* *Refer to note 8 for further details on segments and segmental results.*

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

NOTES TO THE SUMMARISED GROUP FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

1.1 Basis of presentation

The group annual financial statements for the year ended 31 December 2019 and these summarised group financial statements have been prepared by the group's finance department, acting under the supervision of P Burnett, CA(SA), the finance director of the group.

The summarised group financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements (JSE) for abridged reports. The JSE Limited Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34, Interim Financial Reporting*. The accounting policies applied in the preparation of the group annual financial statements from which the summarised group financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous group annual financial statements, other than the adoption of *IFRS 16, Leases*, as outlined below.

1.2 Changes in accounting policies

1.2.1 IFRS 16, Leases – Impact of adoption

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

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

1.2.1.1 Adjustments recognised on adoption of IFRS 16

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

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

1.2 Changes in accounting policies (continued)

1.2.1.1 Adjustments recognised on adoption of IFRS 16 (continued)

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

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

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

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

1.2.1.2 Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

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

1.2.1.3 Residual value guarantees

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

2. Inventories

	2019 Rm	% change	2018 Rm
Merchandise for resale	**310**	8.4	286
Provision for inventory obsolescence	**(18)**	20.0	(15)
Goods in transit	**57**	72.7	33
	349	14.8	304

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

3. Trade and other receivables

	2019 Rm	% change	2018 Rm
Trade receivables – Retail	**1 947**	4.4	1 865
Provision for impairment	**(366)**	1.9	(359)
	1 581	5.0	1 506
Loans receivable – Financial Services	**1 837**	14.9	1 599
Provision for impairment	**(254)**	0.8	(252)
	1 583	17.5	1 347
Other receivables	**24**	(52.0)	50
Total trade and other receivables	**3 188**	9.8	2 903
Total trade and loan receivables	**3 784**	9.2	3 464
Provision for impairment	**(620)**	1.5	(611)
Other receivables	**24**	(52.0)	50

3. Trade and other receivables (continued)

		2019 Rm	% change	2018 Rm
Movements in the provision for impairment were as follows:				
Retail				
Opening balance		**(359)**		(320)
Change on initial application of IFRS 9		**–**		(64)
Restated opening balance		**(359)**	(6.5)	(384)
Movement in provision		**(36)**	(>100.0)	25
Credit impairment costs charged to profit and loss		**(432)**	16.1	(372)
Debts written off during the year, net of recoveries		**396**	(0.3)	397
Sale of debt review book		**29**		–
Closing balance		**(366)**	1.9	(359)
Financial Services				
Opening balance		**(252)**		(189)
Change on initial application of IFRS 9		**–**		(38)
Restated opening balance		**(252)**	11.0	(227)
Movement in provision		**(97)**	>100.0	(25)
Credit impairment costs charged to profit and loss		**(285)**	54.1	(185)
Debts written off during the year, net of recoveries		**188**	17.5	160
Sale of debt review book		**95**		–
Closing balance		**(254)**	0.8	(252)
Retail				
Credit impairment costs as a % of revenue	(%)	**16.5**		14.9
Credit impairment costs as a % of gross receivables	(%)	**22.2**		19.9
Provision for impairment as a % of gross receivables	(%)	**18.8**		19.3
Financial Services				
Credit impairment costs as a % of revenue	(%)	**32.7**		24.7
Credit impairment costs as a % of gross receivables	(%)	**15.5**		11.6
Provision for impairment as a % of gross receivables	(%)	**13.8**		15.8
Group				
Credit impairment costs as a % of revenue	(%)	**20.6**		17.1
Credit impairment costs as a % of gross trade receivables	(%)	**18.9**		16.1
Provision for impairment as a % of gross receivables	(%)	**16.4**		17.6

3. Trade and other receivables (continued)

		2019 Rm	% change	2018 Rm
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	(%)	**10.2**		9.6
Financial Services	(%)	**4.3**		4.1

Credit-impaired trade receivables and loan receivables at the end of the current reporting period was R524 million and R188 million respectively.

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 R972 million (2018: R806 million) that contractually fall due in excess of one year. These amounts are reflected as current as they form part of the normal operating cycle.

4. Fees from ancillary services

	2019 Rm	% change	2018 Rm
Service fees	**262**	14.9	228
Insurance fees	**154**	22.2	126
Other	**24**	41.2	17
	440	18.6	371

5. Total trading expenses

	2019 Rm	% change	2018 Rm
Expenses by nature			
Credit impairment losses			
Trade receivables – Retail	**432**	16.1	372
Loans receivable – Financial Services	**285**	54.1	185
Total credit impairment losses	**717**	28.7	557
Amortisation of intangible assets	**19**	(24.0)	25
Depreciation of property, plant and equipment	**54**	58.8	34
Operating lease charges for immovable property	**–**	(100.0)	3
Total operating lease charges	**–**	(100.0)	8
Less: disclosed under cost of Retail sales	**–**	(100.0)	(5)
Marketing costs	**243**	(3.6)	252
Staff costs	**434**	5.6	411
Total staff costs	**509**	4.9	485
Less: disclosed under cost of Retail sales	**(35)**	(7.9)	(38)
Less: staff costs capitalised to intangibles	**(40)**	11.1	(36)
Other costs	**318**	18.7	268
Total other trading expenses	**1 068**	7.6	993
	1 785	15.2	1 550

6. Basic and headline earnings per share

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

	2019 Rm	% change	2018 Rm
Profit for the year	**455**	(13.8)	528
Adjusted for the after-tax effect of:			
Impairment of investment in associate	**–**		1
Share of impairment of property, plant and equipment of associate	**–**		–
Headline earnings	**455**	(14.0)	529
Weighted average number of ordinary shares in issue ('000)	**104 363 945**		104 190 997
Earnings per share (cents)			
Basic	**436.0**	(14.0)	506.8
Headline	**436.0**	(14.1)	507.7
Basic – diluted	**428.7**	(14.2)	499.8
Headline – diluted	**428.7**	(14.4)	500.8

7. Reconciliation of cash generated from operations

	2019 Rm	% change	2018 Rm
Profit before taxation	**582**	(13.9)	676
Deduct finance income earned	**(1 093)**	7.6	(1 016)
Add back finance income received	**1 055**	7.3	983
Share of loss of associate	**–**	(100.0)	1
Profit from insurance cells	**(11)**	(15.4)	(13)
Depreciation and amortisation	**73**	23.7	59
Share-based employee share expense	**15**	>100.0	5
Exchange profits on foreign exchange contracts	**–**	(100.0)	(5)
Interest paid	**101**	13.5	89
Interest received	**(4)**	33.3	(3)
Operating cash flows before working capital changes	**718**	(7.5)	776
Movements in working capital	**(281)**	(7.0)	(302)
Increase in inventories	**(45)**	(4.3)	(47)
Increase in trade receivables – Retail	**(47)**	23.7	(38)
Increase in loans receivable – Financial Services	**(226)**	30.6	(173)
Decrease/(increase) in other receivables	**26**	(>100.0)	(35)
Increase in trade and other payables	**14**	(46.2)	26
Decrease in provisions	**(3)**	(91.4)	(35)
	437	(7.8)	474

8. Group segmental information

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

Retail consists 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 stand-alone results, as well as those of its associates.

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.

9. Related party transactions and balances

Related party transactions similar to those disclosed in the group's annual financial statements for the prior year took place during the year and related party balances are existing at the reporting date. Related party transactions include key management personnel compensation and intragroup transactions which have been eliminated on consolidation.

10. Capital commitments for property, plant and equipment and intangible assets:

	2019 Rm	2018 Rm
Approved by the directors	**6**	3

11. Fair value of financial instruments

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

12. Contingent liabilities

The group had no contingent liabilities at the reporting date.

13. Events after the reporting date

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

14. Audit opinion

This summarised report is extracted from audited information, but is not itself audited. The group annual financial statements were audited by PricewaterhouseCoopers, who expressed an unmodified opinion thereon. The audited group annual financial statements and the auditor's report thereon are available for inspection at the company's registered office. The directors take full responsibility for the preparation of these summarised group financial statements and that the financial information has been correctly extracted from the underlying group annual financial statements.

12 March 2020

ADMINISTRATION

Country of incorporation
Republic of Malta

Date of incorporation
22 July 2014

Company registration number
C66099

Registered office
93 Mill Street
Qormi
QRM3012
Republic of Malta

Company secretary
George Said

Auditors
PricewaterhouseCoopers
Republic of Malta

Corporate bank
Butterfield Bank (Jersey) Limited

JSE listing details
Share code: HIL
ISIN: MT0000850108

Sponsor
Rand Merchant Bank, a division of
FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services
Proprietary Limited

DIRECTORATE

Non-executive directors
S Portelli (Chairman), A Chorn, E Gutierrez-Garcia*, R Hain,
P Joubert, C Rapa, A Ogunsanya* (alternate)
* Non-independent

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

HiL PLC