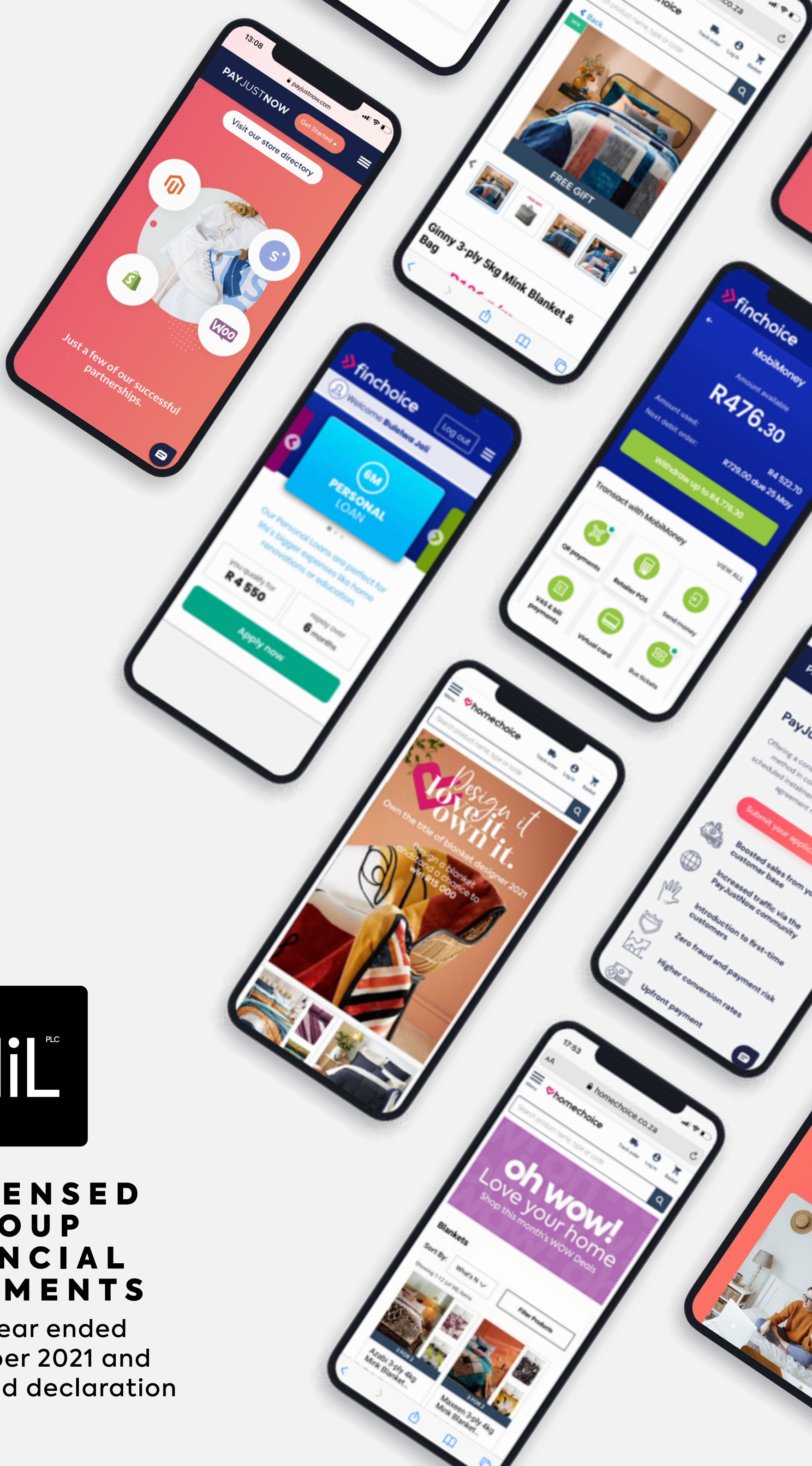

HiL PLC

CONDENSED GROUP FINANCIAL STATEMENTS

for the year ended
31 December 2021 and
cash dividend declaration

WHO WE ARE

A growing diversified consumer services group providing financial services and retail to the mobile-savvy, mass market in South Africa.

Weaver Fintech offers quick, seamless and secure personal lending, digital payment solutions, value-added services and insurance products using innovative mobile-first platforms.

Our omni-channel retailer, HomeChoice, delivers innovative, quality own-brands and sought-after external brands across homeware categories.
A rapidly accelerating online channel provides a convenient shopping experience on customers' mobile phones.

Revenue
up 4.8% to
R3.4 billion

Loan disbursements
up 73.8% to
R3.3 billion

Retail sales
down 4.8% to
R1.7 billion

Trading profit*
up 43.0% to
R386 million

HEPS
up 24.0% to
203.5 cents

Final dividend
20.0 cents

* *Operating profit before once-off software impairment and staff restucturing costs.*

COMMENTARY

Financial results

		2021*	2020	% change
Group				
Revenue	(Rm)	**3 432**	3 275	4.8
Trading profit**	(Rm)	**386**	270	43.0
Operating profit	(Rm)	**263**	270	(2.6)
Operating profit margin	(%)	**7.7**	8.2	
Earnings per share (EPS)	(cents)	**159.8**	160.4	(0.4)
Headline EPS	(cents)	**203.5**	164.2	24.0
Final dividend declared/paid	(cents)	**20.0**	–	>100.0
Total dividend declared/paid	(cents)	**67.0**	–	>100.0
Weaver Fintech*				
Loan disbursements	(Rm)	**3 336**	1 919	73.8
Buy Now, Pay Later gross merchant value	(Rm)	**194**	–	
Revenue	(Rm)	**1 104**	835	32.2
Trading profit**	(Rm)	**279**	165	69.1
Operating profit	(Rm)	**270**	165	63.6
Operating profit margin	(%)	**24.5**	19.8	
Retail				
Revenue	(Rm)	**2 326**	2 440	(4.7)
Retail sales	(Rm)	**1 706**	1 792	(4.8)
Gross profit margin	(%)	**45.1**	44.9	
Trading profit**	(Rm)	**71**	60	18.3
Operating (loss)/profit	(Rm)	**(43)**	60	<(100)
Operating (loss)/profit margin	(%)	**(1.8)**	2.5	

* *The acquisition of PayJustNow is accounted for as a subsidiary and shown in the Weaver Fintech segment. Results are included for a ten-month period effective 1 March 2021.*

** *Trading profit – operating profit before once-off software impairment and staff restructuring costs.*

Trading performance

The group delivered a robust performance for the twelve months to December 2021, with trading profit** increasing by 43.0% to R386 million. Weaver Fintech produced an outstanding 69.1% trading profit growth for the year, continuing to gain market share in the South African unsecured credit market.

Revenue grew by 4.8% to R3.4 billion on the back of a strong 73.8% growth in FinChoice loan disbursements to R3.3 billion tempered by a disappointing 4.8% decline in retail sales.

Finance income grew by 14.2% to R1.2 billion as the Weaver Fintech gross debtors' book grew to R2.5 billion and was partially off-set as the 300 bps decrease in repo rate was annualised. Fees and other income increased by 21.6%, driven by continued growth of Weaver Fintech's insurance income of 29.6% and the merchant fee income earned by PayJustNow (PJN). Fee and other income contribution has increased to 16.6% in FY2021 from 13.6% in FY2020, as the group makes a sustainable shift to diversifying fintech income.

A 45.1% (2020: 44.9%) gross margin percentage was achieved with high supply chain costs and increases in petrol prices dampening the benefits achieved from range rationalisation and lower markdowns.

Group debtor costs increased at a slower rate of 11.6% compared to the book growth of 16.7%. Conservative provisions were maintained with a reduction in Weaver Fintech's provision from 16.1% to 14.9% and an increase for the Retail book.

Trading profit grew by 43.0% to R386 million. Comparable other trading costs have been held at R1.2 billion, a 1.4% increase on FY2020. Once-off costs of R123 million have been incurred mainly in the Retail segment relating to impairments of information technology (IT) legacy software and staff restructuring costs. As a result operating profit decreased by 2.6% to R263 million. Headline earnings per share increased by 24.0% to 203.5 cents. The group has maintained the dividend cover at 2.4 times and has declared a final dividend of 20.0 cents per share.

Weaver Fintech, the recently rebranded group's financial services business, has been set up to spearhead a stable of consumer fintech businesses using the strength of its digital platforms.

An 85% stake in the fastest-growing Buy Now, Pay Later (BNPL) business in southern Africa, start-up PayJustNow, was acquired in the year under review.

PayJustNow offers customers a seamless, risk-free, interest-free digital payment process while merchants experience increased brand awareness and upliftment in sales and conversion rates.

Mixed performance impacts debtor costs, conservative provisions held

The group's gross credit book showed positive growth, up 13.1% to R4.5 billion. The Weaver Fintech book increased by 38.8% to R2.5 billion on the back of the excellent growth in loan disbursements and the acquisition of PJN. PJN has a high-yielding book with low levels of default. Group debtor costs, at 28.4% (2020: 26.7%) of revenue, increased due to higher provisions in Retail.

The Weaver Fintech and Retail credit books are separately managed and operate on independent platforms. Credit performance for the period is summarised below:

		2021	Restated 2020*	Reported 2020	% change on restated
Group					
Gross trade and loans receivable	(Rm)	**4 495**	3 975	3 685	13.1
Debtor costs as a % of revenue**	(%)	**28.4**	26.7	26.7	
Weaver Fintech					
Number of FinChoice active accounts		**289 388**		239 956	
FinChoice active accounts able to reloan	(%)	**81.4**		74.3	
Gross trade and loans receivable	(Rm)	**2 470**	1 780	1 762	38.8
Debtor costs as a % of revenue**	(%)	**37.3**	38.1	38.1	
Provision for impairment	(Rm)	**368**	287	269	28.4
Provision for impairment as a % of gross receivables	(%)	**14.9**	16.1	15.3	
Stages 2 and 3 loans cover	(%)	**65.3**	72.7	71.4	
Retail					
Number of active accounts		**456 932**		564 359	
Active accounts able to purchase	(%)	**63.0**		64.8	
Gross trade and loans receivable	(Rm)	**2 025**	2 195	1 923	(7.8)
Debtor costs as a % of revenue**	(%)	**24.2**	22.8	22.8	
Provision for impairment	(Rm)	**661**	678	406	(2.6)
Provision for impairment as a % of gross receivables	(%)	**32.6**	30.9	21.1	
Stages 2 and 3 loans cover	(%)	**67.2**	66.4	56.4	

* *Changes were made to the reporting of partially written off accounts from disclosing on a net basis to reflecting them as gross and provision elements. This has had the effect of increasing the gross and provision value of trade and loan receivables and consequently the provision % has increased. This adjustment has mainly impacted Retail.*

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

Strong credit performance from Weaver Fintech

Weaver Fintech debtor costs increased by 29.6% to R412 million, comparing favourably with the FinChoice loan disbursement growth of 73.8% and increase of 38.8% on the gross credit book.

While the provision % has reduced from 16.1% (restated) to 14.9% based on the good quality of the book, the provision movement aligns to the size of the credit book. Well-controlled credit strategies have resulted in vintages being tightly managed.

Stages 2 and 3 trade receivables cover is conservatively held at 65.3% (2020 restated: 72.7%). All Weaver Fintech customers are collected digitally.

Collections challenges in Retail

Retail debtor costs have increased marginally by 1.3% to R563 million on lower revenue and a lower gross book of R2.0 billion (2020 restated: R2.2 billion).

The quality of the credit book has deteriorated despite an upfront focus on tighter credit strategies to manage credit risk within the risk appetite. A suboptimal implementation of DebiCheck (the system enabling customers to authorise debit order mandates directly with their bank) and collections strategies not aligned with digital payments has impacted the quality of the book. Corrective action has been taken with improvements starting to be realised. Consequently, the credit provision has increased to 32.6% (2020 restated: 30.9%).

Stages 2 and 3 trade receivables cover is conservatively held at 67.2% (2020 restated: 66.4%).

Product progression in Weaver Fintech stable drives growth

Weaver Fintech has had an exceptional year, delivering significant trading profit growth up 69.1% on a credible performance in FY2020. The results have been supported by strong growth in customer acquisition, combined with effective credit limit management of existing customers, the successful roll-out of the new DebiCheck collections system, and a focus on streamlining and optimising the customer digital journey. Debtor costs increased by 29.6%. Trading costs increased by 22.9% with the inclusion of PJN expenses, and higher marketing and technology costs to support the growth in FinChoice loan disbursements, digital efficiency drive and cost-to-income ratio.

FinChoice loan disbursements increased by 73.8% to R3.3 billion, continuing to take advantage of a more buoyant demand for consumer credit facilities. The market share of the FinChoice unsecured lending book increased by 12 bps to 1.17%. The growth has been driven mainly by repeat business, with 81% of disbursements made to proven existing customers, and a healthy growth of new customers. Three million visits to the PJN website provides merchant brand awareness to potential customers. Newly acquired start-up PJN generated R194 million of gross merchant value (GMV).

The Weaver Fintech customer database is up 106% to 450 000 customers as at December 2021. The acquisition of PJN added 180 000 new customers to the base and FinChoice successfully onboarded 85 000 new customers, a 55% growth on 2020.

62 000 or 73% of FinChoice's new customers were digitally acquired from sources external to the group. The business leverages data-driven application programming interface (API) technology to acquire external customers digitally with personalised offers. In line with the "low and grow" credit strategy, external customers are offered shorter-term loan products with initial low levels of credit provided to them. 70% of new FinChoice customers are acquired end-to-end digitally. PJN customers are all acquired digitally with 1 165 merchants offering the BNPL payment product to their customers at over 2 500 active online and in-store points of presence.

The FinChoice MobiMoney™ credit-backed wallet continues to be the cornerstone product for the business. MobiMoney wallet customers increased by 48 000 to 170 000, up 40% on 2020. With 170 000 active accounts now in force, 82% of our active customers have a MobiMoney wallet account. An average of 55 000 transactions occur monthly through the digital wallet, up 34% from 2020. The new FinChoice app is in pilot stage with select customers and will be scaled to the full base in the first half of 2022. The app functionality will support additional quick response (QR) payment methods for wallet customers and provide greater levels of customer convenience and engagement.

Our stand-alone insurance products have shown consistent growth, with a 42% increase in gross written premiums. We now have 93 000 customers, a 30% increase over 2020, and a 45% penetration of the FinChoice customer base. 50 000 new policies were written and, pleasingly, 20% through digital channels, up from 11% in 2020. We are happy with the ongoing success of the digital acquisition of insurance policies and look to build on this with new product offerings.

Retail – implementing the turnaround plan

Retail performance is influenced by the implementation of the turnaround plan, with 2021 a year to stabilise, reset and start implementation. Trading profit increased by 18.3% despite a 4.7% reduction in revenue, evident of the effectiveness of the turnaround plan in delivering a reduction in expenses.

Retail sales declined by 4.8% to R1.7 billion, reflecting the tightening of credit and a lower level of customer acquisition. Sales were negatively impacted by the knock-on effects of the July civil unrest and the Western Cape taxi violence which led to high levels of absenteeism in our contact centre and collections teams. Digital growth has outperformed sales in other channels and now represents 27.6% contribution (2020: 25.4%). Digital customer engagement continues to be strong – with 59 000 customers making use of the HomeChoice app.

Successful shifts in the merchandise strategy have delivered a gross profit margin improvement to 45.1% from 44.9% in 2020. Headwinds in stubbornly high global supply chain costs, coupled with the increase in local fuel costs not passed onto customers, muted the gains already achieved.

The strategic decision to reduce credit risk drove a 30.7% reduction to 167 000 new customers acquired in the year. Higher attrition and a write-off of poor-performing accounts has reduced the active customer base to 707 000, a 13% decline from 2020. Pleasingly, existing customers' spend increased by 9% and now accounts for 81% of sales, exceeding pre-Covid contributions of 77%. In addition, the effective reactivation of dormant customers drove increased spend.

Debtor costs were in line with those of 2020 and other trading expenses were well controlled, reducing by 6.7%. Challenges were encountered with our implementation of DebiCheck, the system enabling customers to authorise debit order mandates directly with their bank. As a result the customer payment experience was negatively impacted and our cash collections were lower than expected. High levels of customer frustration were experienced. Processes have been rectified, with substantial improvements in the collections in February 2022. Further enhancements will be made with all new mandates experiencing a much-improved customer experience and uplift in the collection process.

A key component of Retail's turnaround plan is to "right-size" and reset the cost base to be more relevant to a digital-first retailer. Good successes have been achieved, with a 6.7% reduction in costs from R835 million to R779 million. Marketing spend was 13.3% down and staffing and technology costs decreased by 4.6%.

Part of the turnaround plan was a detailed review of the IT used in the business. This review identified some legacy systems that are no longer fit for purpose and do not generate future value for the group and as a result impairments of R61 million have been actioned. An IT roadmap has been developed with clear prioritisation and robust return on investment metrics to ensure that future technology investments deliver the required benefits to the group. Staff restructuring costs and the impairments resulted in once-off costs of R114 million during the year.

The Retail business is implementing a comprehensive turnaround plan to reset the cost base, improve customer retention and marketing, migrate off legacy IT systems and further accelerate digital transformation. Margin deterioration has been corrected and the business is getting the right focus to restore its profitability and provide its loyal customers with quality innovative products and an excellent customer experience.

Well capitalised to fund growth opportunity

R30 million of net cash was utilised in operations with the strong growth in loan disbursements off-set with lower retail sales. Collections from customers amounted to R5.8 billion, 22% higher than the comparable period.

Group capital expenditure was actively managed to below 2020 levels. At R49 million capex was 58.8% lower than 2020, with a R70 million reduction in Retail's original plan. Capex investments by Weaver Fintech amounted to R12 million, focused on additional technology and systems to streamline customer experience journeys.

Cash on hand at the end of December 2021 amounts to R203 million. The group has successfully concluded an additional R750 million of available banking facilities, with ample undrawn funding of R1.1 billion available to fund the expected growth in Weaver Fintech.

Change in directorate

As advised on the SENS service of the JSE, Rob Hain, an independent non-executive director, resigned from the board effective 14 January 2022. The board extends its gratitude to Rob for his valued contribution to the group over the last seven years.

Outlook

The group is well positioned for future growth, with a clear, diversified digital consumer growth strategy.

Together with data-rich customer insights, strategic product progression to drive customer acquisition, a digital mindset that delivers cost-efficiencies and top-line growth, and an obsessive focus on customers, the group is fully funded to support the growth ambitions of the board.

HomeChoice Retail will strengthen its focus on implementing the turnaround plan with successful inroads already achieved in 2021.

Weaver Fintech will take advantage of market share opportunities to progress product offerings across payments, lending and insurance and to broaden the offers to merchants.

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

S Maltz
Executive Chair

G Lartigue
Chief Executive Officer

Mauritius, 15 March 2022

Dividend declaration

Notice is hereby given that the board of directors has declared a final gross cash dividend of 20.000 cents (16.000 cents net of dividend withholding tax) per ordinary share for the twelve months ended 31 December 2021. The dividend has been declared from income reserves. HIL is registered in Mauritius and the dividend is classified as a foreign dividend. Withholding tax of 20% will be applicable to all South African shareholders who are not exempt.

The issue share capital at the declaration date is 106 730 376 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 19 April 2022
Shares commence trading "ex" dividend	Wednesday, 20 April 2022
Record date	Friday, 22 April 2022
Payment date	Monday, 25 April 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 20 April 2022 and Friday, 22 April 2022, both days inclusive.

Sanlam Trustees International (Mauritius)
Company Secretary

Mauritius, 15 March 2022

CONDENSED GROUP FINANCIAL STATEMENTS

Independent auditor's review report on condensed consolidated financial statements

To the shareholders of HomeChoice International plc

We have reviewed the condensed consolidated financial statements of HomeChoice International plc, set out on pages 12 to 27 of the provisional report, which comprise the condensed group statement of financial position as at 31 December 2021 and the related condensed group statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the condensed consolidated financial statements, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of HomeChoice International plc for the year ended 31 December 2021 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in note 1 to the financial statements.

PricewaterhouseCoopers
Olivier Rey
Licensed by FRC

Mauritius, 15 March 2022

Condensed group statement of financial position

	Notes	2021 Rm	% change	2020 Rm
Assets				
Non-current assets				
Property, plant and equipment		**448**	(5.9)	476
Intangible assets		**192**	(8.6)	210
Right-of-use assets		**49**	(18.3)	60
Other investments		**55**	61.8	34
Deferred taxation		**85**	88.9	45
		829	0.5	825
Current assets				
Inventories	2	**264**	(16.2)	315
Taxation receivable		**3**	(76.9)	13
Trade and other receivables	3	**3 528**	16.7	3 024
Trade receivables – Retail		**1 364**	(10.1)	1 517
Loans receivable – Weaver Fintech		**2 102**	40.8	1 493
Other receivables		**62**	>100.0	14
Cash and cash equivalents		**203**	(51.1)	415
		3 998	6.1	3 767
Total assets		**4 827**	5.1	4 592
Equity and liabilities				
Capital and reserves				
Stated and share capital		**1**	–	1
Share premium		**3 039**	0.8	3 014
Reorganisation reserve		**(2 961)**	–	(2 961)
Treasury shares		**(47)**	42.4	(33)
Other reserves		**64**	36.2	47
Retained earnings		**3 168**	3.9	3 048
Equity attributable to equity holders of the parent		**3 264**	4.7	3 116
Non-controlling interest		**(1)**	100.0	–
Total equity		**3 263**	4.7	3 116
Non-current liabilities				
Interest-bearing liabilities		**1 060**	13.6	933
Lease liabilities		**23**	(52.1)	48
Deferred taxation		**44**	(36.2)	69
Other payables		**4**	–	4
		1 131	7.3	1 054
Current liabilities				
Interest-bearing liabilities		**44**	12.8	39
Lease liabilities		**33**	50.0	22
Taxation payable		**18**	50.0	12
Trade and other payables		**338**	(3.1)	349
		433	2.6	422
Total liabilities		**1 564**	6.0	1 476
Total equity and liabilities		**4 827**	5.1	4 592

Condensed group statement of profit or loss and other comprehensive income

	Notes	2021 Rm	% change	2020 Rm
Revenue		**3 432**	4.8	3 275
Retail sales	4	**1 706**	(4.8)	1 792
Finance income		**1 185**	14.2	1 038
Fees from ancillary services	5	**541**	21.6	445
Cost of Retail sales		**(936)**	(5.2)	(987)
Other operating costs		**(2 208)**	9.3	(2 020)
Credit impairment losses	6	**(975)**	11.6	(874)
Other trading expenses	7	**(1 233)**	7.6	(1 146)
Other net gains and losses	8	**(43)**	>100.0	(8)
Other income		**18**	80.0	10
Operating profit		**263**	(2.6)	270
Interest income		**6**	20.0	5
Interest expense		**(93)**	–	(93)
Profit before taxation		**176**	(3.3)	182
Taxation		**(9)**	(40.0)	(15)
Profit and total comprehensive income for the period		**167**	–	167
Profit and total comprehensive income for the period attributable to:				
Owners of the parent		**170**	1.8	167
Non-controlling interest		**(3)**		–
		167	–	167
Earnings per share (cents)				
Basic	9	**159.8**	(0.4)	160.4
Diluted		**155.7**	(1.9)	158.6
Headline earnings per share (cents)				
Basic	9	**203.5**	24.0	164.2
Diluted		**198.3**	22.1	162.4

Condensed 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	Non-controlling interest Rm	Total Rm
Balance at 1 January 2020 – audited	1	3 010	(18)	(2 961)	33	2 881	–	2 946
Changes in equity								
Profit and total comprehensive income for the period	–	–	–	–	–	167	–	167
Shares issued	–	4	–	–	–	–	–	4
Share incentive schemes	–	–	–	–	15	–	–	15
Shares purchased	–	–	(16)	–	–	–	–	(16)
Forfeitable shares vested	–	–	1	–	(1)	–	–	–
Total changes	–	4	(15)	–	14	167	–	170
Balance at 1 January 2021 – audited	**1**	**3 014**	**(33)**	**(2 961)**	**47**	**3 048**	**–**	**3 116**
Changes in equity								
Acquisition of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**2**	**2**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**170**	**(3)**	**167**
Shares issued	**–**	**25**	**–**	**–**	**–**	**–**	**–**	**25**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(50)**	**–**	**(50)**
Shares purchased	**–**	**–**	**(14)**	**–**	**–**	**–**	**–**	**(14)**
Share incentive schemes	**–**	**–**	**–**	**–**	**17**	**–**	**–**	**17**
Total changes	**–**	**25**	**(14)**	**–**	**17**	**120**	**(1)**	**147**
Balance at 31 December 2021	**1**	**3 039**	**(47)**	**(2 961)**	**64**	**3 168**	**(1)**	**3 263**

Condensed group statement of cash flows

	Notes	2021 Rm	2020 Rm
Cash flows from operating activities			
Operating cash flows before working capital changes		**392**	315
Movements in working capital		**(422)**	315
Cash (used in)/generated from operations	10	**(30)**	630
Interest received		**6**	5
Interest paid		**(92)**	(93)
Taxation paid		**(58)**	(56)
Net cash (outflow)/inflow from operating activities		**(174)**	486
Cash flows from investing activities			
Additions of property, plant and equipment		**(18)**	(46)
Additions of intangible assets		**(31)**	(71)
Acquisition of subsidiary, less cash acquired	11	**(23)**	–
Other investments		**(5)**	–
Net cash outflow from investing activities		**(77)**	(117)
Cash flows from financing activities			
Proceeds from the issuance of shares		**–**	4
Purchase of shares to settle forfeiture share scheme obligations		**(14)**	(16)
Proceeds from interest-bearing liabilities		**355**	781
Repayments of interest-bearing liabilities		**(224)**	(737)
Principal elements of lease payments		**(28)**	(18)
Dividends paid		**(50)**	–
Net cash inflow from financing activities		**39**	14
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(212)**	383
Cash and cash equivalents and bank overdrafts at the beginning of the period		**415**	32
Cash and cash equivalents and bank overdrafts at the end of the period		**203**	415

Group segmental information

		2021					
		Total Rm	Retail Rm	Weaver Fintech Rm	Property Rm	Other Rm	Intra-group Rm
Segmental revenue		**3 432**	**2 326**	**1 104**	**39**	**–**	**(37)**
Retail sales		**1 706**	**1 706**	**–**	**–**	**–**	**–**
Finance income		**1 185**	**429**	**756**	**–**	**–**	**–**
Fees from ancillary services		**541**	**191**	**348**	**39**	**–**	**(37)**
EBITDA		**433**	**135**	**360**	**13**	**(34)**	**(41)**
Depreciation and amortisation		**(104)**	**(116)**	**(17)**	**–**	**(1)**	**30**
Impairment of assets		**(66)**	**(62)**	**(4)**	**–**	**–**	**–**
Interest income		**1**	**–**	**–**	**–**	**66**	**(65)**
Interest expense		**(72)**	**–**	**(69)**	**–**	**(68)**	**65**
Segmental operating profit/(loss)*		**192**	**(43)**	**270**	**13**	**(37)**	**(11)**
Interest income		**5**	**5**	**–**	**–**	**–**	**–**
Interest expense		**(21)**	**(25)**	**–**	**(10)**	**–**	**14**
Profit/(loss) before taxation		**176**	**(63)**	**270**	**3**	**(37)**	**3**
Taxation		**(9)**	**22**	**(32)**	**(1)**	**3**	**(1)**
Profit/(loss) after taxation		**167**	**(41)**	**238**	**2**	**(34)**	**2**
Segmental assets		**4 827**	**2 275**	**2 415**	**347**	**1 596**	**(1 806)**
Segmental liabilities		**1 546**	**1 155**	**1 363**	**260**	**611**	**(1 825)**
Gross profit margin	(%)	**45.1**	**45.1**				
Segmental results margin	(%)	**5.6**	**(1.8)**	**24.5**	**33.3**		
Capital expenditure							
Property, plant and equipment		**18**	**16**	**2**	**–**	**–**	**–**
Intangible assets**		**49**	**21**	**28**	**–**	**–**	**–**

* *Refer to note 12 for further details on segments and segmental results.*

** *Capital expenditure on intangible assets is R31 million excluding R18 million assets aquired in the PJN business combination (refer to note 11).*

2020					
Total Rm	Retail Rm	Weaver Fintech Rm	Property Rm	Other Rm	Intra-group Rm
3 275	2 440	835	48	–	(48)
1 792	1 792	–	–	–	–
1 038	468	570	–	–	–
445	180	265	48	–	(48)
356	145	235	22	(30)	(16)
(86)	(85)	(8)	–	–	7
–	–	–	–	–	–
2	–	8	–	65	(71)
(67)	–	(70)	–	(68)	71
205	60	165	22	(33)	(9)
3	3	–	–	–	–
(26)	(21)	–	(12)	–	7
182	42	165	10	(33)	(2)
(15)	7	(26)	(3)	7	–
167	49	139	7	(26)	(2)
4 592	2 621	1 850	353	1 515	(1 747)
1 476	1 376	917	269	678	(1 764)
44.9	44.9				
6.3	2.5	19.8	45.8		
46	42	2	2	–	–
71	50	21	–	–	–

Notes to the condensed group financial statements

1. Basis of presentation and accounting policies

The group annual financial statements for the year ended 31 December 2021 and these condensed 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 condensed group financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by *IAS 34, Interim Financial Reporting*.

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

2. Inventories

	2021 Rm	% change	2020 Rm
Merchandise for resale	**243**	(17.2)	293
Provision for inventory obsolescence	**(28)**	(3.1)	(29)
Goods in transit	**49**	(3.0)	51
	264	(16.2)	315

The total amount of inventories expensed to cost of Retail sales during the year ended 31 December 2021 was R768 million (2020: R828 million). Inventory sold at less than cost during the year ended 2021 amounted to R51 million (2020: R24 million) and inventory write-downs recognised as an expense during the year ended 2021 amounted to R1 million (2020: R11 million).

3. Trade and other receivables

		2021 Rm	% change	2020 Rm
Group				
Trade and loan receivables		**4 495**	13.1	3 975
Provision for impairment		**(1 029)**	6.6	(965)
Other receivables		**62**	>100.0	14
		3 528	16.7	3 024
Provision for impairment as a % of gross receivables	(%)	**22.9**	(5.8)	24.3
Credit impairment costs as a % of revenue	(%)	**28.4**	6.4	26.7
Credit impairment costs as a % of gross receivables	(%)	**21.7**	(1.4)	22.0
Retail				
Gross carrying amount		**2 025**	(7.8)	2 195
Performing (stage 1)		**1 041**	(11.4)	1 174
Underperforming (stage 2)		**381**	7.9	353
Non-performing (stage 3)		**603**	(9.7)	668
Provision for impairment		**(661)**	(2.6)	(678)
Performing		**(119)**	(2.5)	(122)
Underperforming		**(162)**	37.3	(118)
Non-performing		**(380)**	(13.2)	(438)
Net carrying amount		**1 364**	(10.1)	1 517
Performing		**922**	(12.4)	1 052
Underperforming		**219**	(6.8)	235
Non-performing		**223**	(3.0)	230
Provision for impairment as a % of gross receivables	(%)	**32.6**		30.9
Performing	(%)	**11.4**		10.7
Underperforming	(%)	**42.4**		34.3
Non-performing	(%)	**63.0**		64.5
Credit impairment costs as a % of revenue	(%)	**24.2**		22.8
Credit impairment costs as a % of gross receivables	(%)	**27.8**		25.3
Stages 2 and 3 loans cover	(%)	**67.2**		66.4

3. Trade and other receivables (continued)

		2021 Rm	% change	2020 Rm
Weaver Fintech				
Gross carrying amount		**2 470**	38.8	1 780
Performing (stage 1)		**1 905**	37.6	1 385
Underperforming (stage 2)		**197**	8.6	181
Non-performing (stage 3)		**368**	72.1	214
Provision for impairment		**(368)**	28.4	(287)
Performing		**(69)**	3.5	(67)
Underperforming		**(55)**	(0.1)	(55)
Non-performing		**(244)**	47.5	(165)
Net carrying amount		**2 102**	40.8	1 493
Performing		**1 836**	39.3	1 318
Underperforming		**142**	12.3	126
Non-performing		**124**	>100.0	49
Provision for impairment as a % of gross receivables	(%)	**14.9**		16.1
Performing	(%)	**3.6**		4.8
Underperforming	(%)	**27.8**		30.4
Non-performing	(%)	**66.4**		77.1
Credit impairment costs as a % of revenue	(%)	**37.3**		38.1
Credit impairment costs as a % of gross receivables	(%)	**16.7**		17.9
Stages 2 and 3 loans cover	(%)	**65.3**		72.7

Trade and loan receivables have repayment terms of between 1 and 36 months and attract interest based on rates as determined by the National Credit Act. Included in trade and loan receivables are amounts approximating R785 million (2020: R683 million) that contractually fall due in excess of one year. These amounts are reflected as current as they form part of the normal operating cycle.

Included in the trade and loan receivables prior-year balance is a refund liability for expected returns of R10 million. The refund liability has been reclassified to trade and other payables for the year ended 31 December 2021.

3. Trade and other receivables (continued)

In the prior year certain amounts relating to the provision for impairment in respect of late-stage delinquency and partially written off accounts were erroneously presented on a net basis against the gross trade and loan receivable amounts. The 2020 numbers have been restated to ensure consistency between the current and comparative figures. The impact of the restatement is as follows:

	Gross receivable		Net receivable		Provision as a % of gross receiveable	
	Reported 2020 Rm	Restated 2020 Rm	Reported 2020 Rm	Restated 2020 Rm	Reported 2020 %	Restated 2020 %
Retail						
Performing	1 203	1 174	1 125	1 052	6.5	10.4
Underperforming	359	353	230	235	35.9	33.5
Non-performing	361	668	162	230	55.1	65.5
	1 923	2 195	1 517	1 517	21.1	30.9
Weaver Fintech						
Performing	1 385	1 385	1 309	1 318	5.5	4.8
Underperforming	181	181	115	126	36.5	30.4
Non-performing	196	214	69	49	64.8	77.1
	1 762	1 780	1 493	1 493	15.3	16.1

4. Retail sales

	2021 Rm	% change	2020 Rm
Disaggregation of Retail sales by product type is as follows:			
Homeware	**1 137**	(7.6)	1 231
Appliances and electronics	**406**	(7.1)	437
Fashion and footwear	**56**	9.8	51
Furniture	**107**	46.6	73
	1 706	(4.8)	1 792
Disaggregation of Retail sales by channel is as follows:			
Contact centre	**991**	(11.3)	1 117
Digital	**472**	2.2	462
Showroom and ChoiceCollect	**213**	32.3	161
Sales agents	**30**	(42.3)	52
	1 706	(4.8)	1 792

Retail sales are settled at a point in time.

5. Fees from ancillary services

	2021 Rm	% change	2020 Rm
Retail	**193**	7.3	180
Service fees	**87**	(48.8)	170
Insurance fees	**94**	>100.0	7
Other	**12**	>100.0	3
Weaver Fintech	**348**	31.3	265
Service fees	**119**	19.0	100
Insurance fees	**210**	29.6	162
Buy Now, Pay Later fees	**15**	100.0	–
Other	**4**	31.7	3
	541	21.6	445

6. Credit impairment losses

	2021 Rm	% change	2020 Rm
Trade receivables – Retail	**563**	1.3	556
Loans receivable – Weaver Fintech	**412**	29.6	318
Total credit impairment losses	**975**	11.6	874

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

7. Other trading expenses

	2021 Rm	% change	2020 Rm
Expenses by nature			
Auditor's remuneration	**7**	16.7	6
Audit-related services	**6**	20.0	5
Other non-audit services	**1**	–	1
Amortisation of intangible assets	**39**	56.0	25
Depreciation of property, plant and equipment	**65**	6.6	61
Marketing costs	**245**	(3.2)	253
Policyholder claims and benefits paid	**73**	16.5	63
Customer operations and support	**90**	9.3	82
IT costs	**66**	42.6	46
Facility expenses	**42**	0.8	41
Staff costs: short-term employee benefits	**493**	10.0	448
Total staff costs	**560**	7.1	523
Less: disclosed under cost of Retail sales	**(35)**	2.9	(34)
Less: staff costs capitalised to intangibles	**(32)**	(22.0)	(41)
Other costs	**113**	(5.7)	120
Total other costs	**254**	4.6	243
Less: disclosed under cost of Retail sales	**(141)**	14.6	(123)
Total other trading expenses	**1 233**	7.6	1 146

Policyholder claims and benefits, customer operations and support, IT costs and facility expenses were previously included in other costs and have been separately disclosed for the year ended 31 December 2021.

8. Other net gains and losses

	2021 Rm	% change	2020 Rm
Impairment of assets	**(66)**	>100.0	(5)
Fair value gain	**6**	100.0	–
Foreign exchange gain/(loss)	**17**	<(100.0)	(3)
	(43)	>100.0	(8)

9. Basic and headline earnings per share

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

	2021 Rm	% change	2020 Rm
Profit for the period	**167**	–	167
Adjusted for the effect of:			
Compensation from third parties for damage to property, plant and equipment	**(4)**	<(100.0)	–
Impairment of property, plant and equipment	**5**	>100.0	–
Impairment of intangible assets	**61**	>100.0	5
Taxation effect	**(16)**	>100.0	(1)
Headline earnings for the period	**213**	24.4	171
Weighted average number of ordinary shares in issue ('000)	**104 505**		104 128
Weighted average number of diluted shares in issue ('000)	**107 283**		105 291
Earnings per share (cents)			
Basic	**159.8**	(0.4)	160.4
Headline	**203.5**	24.0	164.2
Basic – diluted	**155.7**	(1.9)	158.6
Headline – diluted	**198.3**	22.1	162.4

10. Reconciliation of cash generated from operations

	2021 Rm	% change	2020 Rm
Profit before taxation	**176**	(3.3)	182
Deduct finance income earned	**(1 185)**	14.2	(1 038)
Add back finance income received	**1 143**	15.8	987
Profit from insurance cells	**(10)**	–	(10)
Depreciation and amortisation	**104**	20.9	86
Impairment of assets	**66**	>100.0	5
Share-based employee share expense	**17**	13.3	15
Fair value gain	**(6)**	<(100.0)	–
Interest expense	**93**	–	93
Interest income	**(6)**	20.0	(5)
Operating cash flows before working capital changes	**392**	24.5	315
Movements in working capital	**(422)**	<(100.0)	315
Decrease in inventories	**51**	50.0	34
Decrease in trade receivables – Retail	**185**	83.2	101
(Increase)/decrease in loans receivable – Weaver Fintech	**(594)**	<(100.0)	104
(Increase)/decrease in other receivables	**(48)**	<(100.0)	10
(Decrease)/increase in trade and other payables	**(16)**	<(100.0)	66
	(30)	<(100.0)	630

11. Acquisition of subsidiary, less cash acquired

HomeChoice International plc acquired an 85% interest in the issued share capital of a financial services company, PayJustNow Proprietary Limited (PJN), for a consideration of R45 million on 1 March 2021. The acquisition of the interest in PJN is in line with the group's fintech strategy to curate an ecosytem of consumer-serving fintech businesses that empower customers with digital convenience and generate shared group value.

	2021 Rm
The fair value of assets and liabilities assumed at date of acquisition	
Assets	
Intangible assets	**18**
Trade and other receivables	**5**
Cash and cash equivalents	**7**
	30
Liabilities	
Interest-bearing liabilities	**(2)**
Intercompany loans payable	**(10)**
Trade and other payables	**(4)**
	(16)
Total assets and liabilities acquired	**14**
Recognition of non-controlling interest	**(2)**
Goodwill attributable to the acquisition	**33**
Total consideration	**45**
Cash on hand at date of acquisition	**(7)**
Intercompany loans acquired	**10**
Issuance of shares	**(25)**
Net cash outflow on acquisition of subsidiaries	**23**

The goodwill is attributable to the future profitablility of PJN. It will not be deductible for tax purposes.

PJN's contribution to group revenue and profit is not material for the period ended 31 December 2021.

12. Group segmental analysis

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

Retail consists of the group's HomeChoice operations. Weaver Fintech consists of personal loans, insurance products and value-added services (sold digitally under the FinChoice brand) and Buy Now, Pay Later payments solutions (sold digitally under the PayJustNow brand). The group's property company, which owns commercial properties utilised within the group, are included in the Property segment. The Other segment relates mainly to the results of the holding companies, as well as those of the HomeChoice Development Trust.

The chief operating decision-maker monitors the results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They assess the performance of Retail and Property segments based upon a measure of operating profit and Weaver Fintech and Other segments based on a measure of operating profit after interest income and interest expense. This is consistent with how retailers and financial services businesses monitor financial performance.

13. Related party transactions and balances

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

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

	2021 Rm	% change	2020 Rm
Approved by the directors	**1**	(94.4)	18

15. Contingent liabilities

The group had no contingent liabilities at the reporting date.

16. Financial impact of Covid-19 and going concern

The group assessed the going concern assumption at 31 December 2021 as a result of the current economic, trading and operational conditions on the group consolidated financial statements, as well as the financial statements of each statutory entity. The directors are comfortable, based on the forecast evaluation and current financial position, that the group will continue to operate as a going concern for the 12 months after 31 December 2021.

17. Events after the reporting date

The corporate income tax rate will reduce from 28% to 27% and it will come into effect for years of assessment ending on or after 31 March 2023 and will affect the group from the 2023 financial year. This is considered a non-adjusting post-balance sheet event. The group has taken note of South Africa's Finance Minister's announcement on 23 February 2022 relating to the future limitation on the utilisation of assessed losses to 80% of taxable income. It has been indicated in the 2022 budget speech that the amendment will come into effect for years of assessment ending on or after 31 March 2023.

Other than the matters noted above, no event material to the understanding of these condensed group financial statements has occurred between the year ended 31 December 2021 and the date of approval.

18. Review conclusion

These condensed group financial statements for the year ended 31 December 2021 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion.

The directors take full responsibility for the preparation of these condensed group financial statements.

Administration

Country of incorporation
Republic of Mauritius

Date of incorporation
9 April 2020

Company registration number
C171926

Registered office
c/o Sanlam Trustees International Limited
Labourdonnais Village
Mapou
Riviere du Rempart
31803
Mauritius

Company secretary
Sanlam Trustees International (Mauritius)

Auditors
PricewaterhouseCoopers
Republic of Mauritius

Corporate bank
The Mauritius Commercial Bank Limited

JSE listing details
Share code: HIL
ISIN: MT0000850108

Sponsor
Rand Merchant Bank, a division of FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited

Directorate

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

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

* Non-independent

HiL PLC