HomeChoice HOLDINGS LIMITED

REVIEWED RESULTS FOR THE SIX MONTHS ENDED **30 JUNE 2014**

GROUP HIGHLIGHTS

- Revenue increased by 12,9% to R860,6 million
- Debtor costs as a % of revenue decreased from 19,1% to 17,9%
- EBITDA increased by 15,5% to R239,7 million
- Cash generated before working capital changes increased by 16,1% to R241,9 million

COMMENTARY

TRADING AND FINANCIAL PERFORMANCE

The group delivered a satisfactory performance in the six-month period as revenue grew by 12,9% to R860,6 million (2013: R762,2 million) and EBITDA increased by 15,5% to R239,7 million (2013: R207,5 million). While the consumer environment continues to be challenging, the group experienced reasonable demand from customers for both the retail and financial service offerings. This reflects the focus on product innovation, range extension, marketing and sound operational execution. Good progress has been made in driving online revenue and growing new markets to support the group's growth strategy.

Credit policy has been tightened significantly in the past two years in response to the deterioration in the credit environment. This has led to an improvement in the group's credit performance, with debtor costs as a percentage of revenue reducing from 19,0% to 17,9% in the period. Further details of the group's credit are given below.

Other trading expenses increased by 20,6% to R250,3 million 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.

The focus on driving operating efficiencies, combined with improving credit metrics, has ensured that revenue growth is aligned with growth in operating profit. Operating profit increased 14,0% to R229,7 million with the operating profit margin 30 basis points higher at 26,7%. This has also contributed to operating cash flows before working capital changes increasing by 16,1% to R241,9 million.

Headline earnings increased by 11,6% to R158,4 million (2013: R141,9 million), with headline earnings per share increasing by 11,6% to 157,1 cents (2013: 140,8 cents).

MANAGING RISK THROUGH THE CREDIT CYCLE

The South African credit market has been in a negative cycle for the last two years. This has been driven by significant increases in term and value of loans over the last five years. The credit landscape has shifted considerably with some of the largest consumer credit institutions posting slowing growth and significantly higher debtor costs, with the demise of Abil heightening fears of systemic risk in the market. 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 debtor provisions had a negative impact on the group's performance in the 2013 financial year.

The defensive position, together with further tightening of credit policy in 2013, has borne positive results for the group in the first half of 2014. Group debtor costs only increased by 6,3% to R154,4 million (2013: R145,3 million) compared to the group's revenue growth of 12,9%. Further, the strong focus on cash collections combined with effective credit management is also evident in the reduction in the provision for impairment from 16,2% to 15,5% of gross receivables at 30 June 2014. The group's provisioning policy remains consistent and conservative within the negative credit cycle to ensure that expected bad debts are fully provided for.

The higher Retail bad debt write-off in the first quarter of 2014 materialised as expected, and 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 non-performing loans reducing to 8,5% of the retail book (December 2013: 10,1%). Consequently, the provision for impairment has been reduced to 18,2% of the gross book (December 2013: 18,8%). 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. Non-performing loans have reduced to 3,7% of the loan book (December 2013: 4,0%). Provisioning has consequently been reduced to 11,6% (December 2013: 12,0%).

RETAIL

Revenue increased by 12,3% to R677,7 million (2013: R603,2 million) with retail sales growing by 10,2% to R451,0 million. Both existing and new customers have responded positively to the expansion of the product ranges as well as the introduction of new product categories. Product price inflation has been flat overall, reflecting changes in price architecture and product mix.

The majority of the group's merchandise is imported and US Dollar denominated. Good margin management across the supply chain has limited the impact of Rand weakness on merchandise imports and enabled the group to improve gross profit margin by 60 basis points to 50,1%.

Despite the tight credit policies the retail business gained 81 000 new customers in the first six months and increased the retail customer base to 557 000, providing a solid platform for growth.

Whilst our e-commerce business operations and platforms require improvement, growing demand from customers to shop on the Internet and via mobile phones has driven a 34% increase in online sales. E-commerce currently represents 9,3% of retail sales. The strategic focus of increasing sales outside of South Africa has resulted in revenue increasing 36,5%, with Africa now representing 11,8% of retail sales.

In January 2014 the move to the new purpose-built distribution centre (R150 million investment) 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 focus at the distribution centre is now on reducing costs and driving efficiency improvements.

Inventories were R58 million higher than the 2013 year-end, due to trading seasonality, the launch of new bedding ranges planned for the second half as well as the impact of the strategic decision to hold higher levels of continuity stocks.

The retail business has maintained its operating metrics and delivered growth in operating profit of 12,4% to R131,4 million (2013: R116,9 million).

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. 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). 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.

The maximum loan term is 36 months, which accounts for only 7,1% of the book in June 2014 (December 2013: 5,0%). The average product term in the book increased marginally to 18,9 months by June 2014 (December 2013: 18,2 months), with the average loan value increasing by 7,4% to R7 804.

FinChoice's debtor costs as a percentage of revenue increased to 34,2% compared to 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.

Customer usage of the mobile offering, KwikServe, continued to be strong with 71% of reloans originated via this self-service channel.

Segmental profit, after interest received and interest paid, increased by 16,0% to R73,0 million (2013: R63,0 million).

CAPITAL MANAGEMENT

The group has maintained its strong focus on cash management and is continually working on enhancing the collections process across both the debtors' and loans book to improve yields. Cash generated before working capital changes increased by 16,1% to R241,9 million.

The investment in working capital in the first six months 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. The second phase of the ERP system, which covers warehouse and merchandise modules, remains on track for implementation early in 2015.

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 (31 December 2013: 1 275,8 cents).

OUTLOOK

Consumer spending is likely to remain constrained in the months ahead as economic conditions show little sign of improvement. Although debtor performance has improved significantly, tight credit policies will continue to be applied until the credit environment improves. Management will continue to focus on cash generation and containing expense growth. Despite this environment we will continue to invest to provide a platform for our growth, including extending ranges and driving product innovation to meet changing customer needs.

In line with the group's strategy of growing online sales, the Retail business will develop its e-commerce capability to increase growth from this channel. The Financial Services business will continue to enhance its successful KwikServe offering and focus on expanding its mobi site functionality as customers migrate to smartphones.

The Retail business has experienced good growth outside South Africa and will continue to expand its customer base and extend its presence beyond the five countries in which it currently trades.

As previously advised to shareholders, the listing of the group in the near term remains a strategic priority and the board continues to evaluate an appropriate opportunity to list.

INTERIM DIVIDEND

The directors propose declaring an interim dividend of 61 cents per share (2013: 44 cents), payable during November 2014. This will result in the dividend cover reducing to 2,6 times. Dividend withholding tax, if applicable at the rate of 15%, will result in a net cash dividend of 51,85 cents per share.

The board plans to reduce the group's dividend cover to 2,2 times with effect from the 2014 final dividend.

By order of the board

RE Garratt
Chairman

SM Maltz
Chief Executive Officer

15 August 2014

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)
Retail gross profit margin (%)	***50,1***		*49,5*	*49,1*
Operating costs	**(404 685)**		(352 735)	(751 202)
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

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

STATISTICS

		Jun 2014	Change %	Jun 2013	Dec 2013
Profitability					
Growth in revenue	(%)	**12,9**		21,7	15,9
Retail gross profit margin	(%)	**50,1**		49,5	49,1
Operating profit margin	(%)	**26,7**		26,4	26,4
EBITDA	('000)	**239 655**		207 466	450 174
Growth in EBITDA	(%)	**15,5**		10,9	9,1
EBITDA margin	(%)	**27,8**		27,2	27,1
Solvency and liquidity					
Net asset value per share	(cents)	**1 367,2**		1 153,2	1 275,8
Growth in net asset value	(%)	**7,2**		8,6	20,1
Inventory turn	(times)	**2,6**		3,0	3,7
Net debt/equity ratio	(%)	**18,7**		14,3	14,8
Performance					
Growth in trade receivables – Retail	(%)	**2,8**		7,9	17,6
Growth in loans receivable – Financial Services	(%)	**16,4**		3,1	12,3
Growth in cash generated from operations	(%)	**(11,7)**		24,1	80,9
Cash conversion	(%)	**40,4**		52,9	61,8
Return on equity – annualised	(%)	**23,8**		25,4	26,3
Shareholding					
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
Distributions to shareholders					
Interim dividend proposed/paid	(cents per share)	**61,0**		44,0	44,0
Final dividend paid	(cents per share)	**–**		–	66,0
		61,0		44,0	110,0
Dividend cover	(times)	**2,6**		3,2	2,8

The directors propose declaring an interim dividend of 61 cents per share (2013: 44 cents per share) payable at the end of November 2014. This interim dividend, amounting to R61,5 million (2013: R44,3 million), has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 31 December 2014.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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
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 *	(%)	**8,5**	10,2	10,1
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	Change %	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				
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
Operating costs	**404 685**		352 735	751 202
5. HEADLINE EARNINGS PER SHARE				
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. 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.

7. CONTINGENT LIABILITIES

The group had no contingent liabilities at the reporting date.

8. 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.

9. 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.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments approximate their carrying value.

11. 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.

12. PREPARATION OF INTERIM FINANCIAL STATEMENTS

These interim financial statements were prepared by the group's finance department, acting under the supervision of A Kirsten, CA (SA) and chief financial officer of the group.

13. 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.

14. 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.

15. 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.

GROUP SEGMENTAL ANALYSIS Six months ended 30 June

	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	0,0			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

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS

To the Shareholders of HomeChoice Holdings Limited

We have reviewed the condensed consolidated interim financial statements of Homechoice Holdings Limited in the accompanying interim report, which comprise the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-months then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim 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 interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim 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 interim 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 interim 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 evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Homechoice Holdings Limited for the six months ended 30 June 2014 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

OTHER MATTER

We have not reviewed future financial performance and expectations expressed by the directors included in the commentary in the accompanying interim financial statements and accordingly do not express an opinion thereon.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: MC Hamman
Registered Auditor

Cape Town
15 August 2014

HomeChoice HOLDINGS LIMITED

GROUP PROFILE

HomeChoice Holdings is a credit-based home shopping retailer selling homeware merchandise and financial services products to the rapidly expanding urban middle-income mass market in southern Africa. Operations are segmented into retail and financial services.

ADMINISTRATION

Company registration number
1991/005430/06

Company secretary
Bradley Bastard

Registered office
78 Main Road
Wynberg 7800

Private Bag X150
Claremont 7735

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No. 1 Waterhouse Place
Century City 7441
PO Box 2799
Cape Town 8000

Commercial bank
FirstRand Bank Limited
3rd Floor, Great Westerford
Main Road, Rondebosch 7700

Country of incorporation
South Africa