HomeChoice International PLC
(Incorporated in Malta)
Registration number: C66099
JSE share code: HIL
ISIN: MT0000850108
("HIL" or "the group")

PRELIMINARY REPORT: SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2014

- Revenue up 17,8% to R2,0 billion
- Retail sales up 16,4% to R1,1 billion
- Gross profit margin up from 49,1% to 49,8%
- Debtor costs as a percentage of revenue down from 19,0% to 16,8%
- Operating profit up 19,0% to R522 million
- EBITDA up 20,3% to R542 million
- Headline earnings per share up 15,0% to 352,8 cents
- Total dividend up 46% to 161 cents per share
- Restructuring and formation of offshore holding company
- Successful listing on JSE main board

OVERVIEW
HomeChoice International PLC ("HIL") is an investment holding company incorporated in Malta and was listed in the General Retailers sector on the JSE Limited in December 2014. Through its operating subsidiaries, HomeChoice and FinChoice, the group sells innovative homewares merchandise, personal electronics and loan products to the rapidly expanding mass middle income market in southern Africa. Established 30 years ago, HomeChoice is the largest home shopping retailer in southern Africa and offers products through mail order (catalogue), online channels (Internet and mobile phone) and call centres.

GROUP STRATEGY
Expansion into the rest of Africa presents a major growth opportunity for the business in the medium to long term. A solid platform for expansion across the continent has been created in recent years and HomeChoice currently trades in five countries outside South Africa, contributing 11% of retail sales.

The rationale for the restructuring and formation of a new offshore holding company centres around the group's ambitions in Africa. An international holding company should accelerate expansion into Africa as it enable faster and more efficient allocation of capital. The group plans to open an office in Mauritius during 2015 as a base from which to drive the pan-African expansion strategy.

HIL's strategy to drive long-term shareholder value creation is as follows:

- Offer innovative retail and financial services products to the growing African middle class
- Extend the group's offering into new retail and financial services markets and new digital channels
- Optimise allocation of capital through diversification of currency and country risk to maximise returns.

South Africa is expected to remain the core trading region for both the retail and financial services businesses in the medium term.

TRADING AND FINANCIAL PERFORMANCE
The group delivered a strong trading and financial performance in the continued tough consumer environment, entrenching its position as one of South Africa's leading home shopping retailer.

Revenue increased by 17,8% to R2 billion, driven by merchandise range extension and innovation, growth in online sales and expansion into Africa. Retail revenue grew by 16,9% to R1,6 billion and accounted for 80% of the group's revenue. FinChoice increased revenue by 22,2% to R386 million. Merchandise sales increased by 16,4% to nearly R1,1 billion despite the disruptive impact of the postal strike in the second half of 2014. FinChoice grew loan disbursements by 24,6% to R945 million. The group customer base grew by 11% to 619 000.

The gross profit margin improved by 70 basis points to 49,8% through efficient supply chain management which limited the impact of the volatile and weakening Rand. Over 90% of merchandise is imported and US dollar denominated.

Debtor costs increased by 4,2% to R329,9 million and reduced as a percentage of revenue from 19,0% to 16,8%. This reflects the benefit of the tightening of credit policy during 2012 and 2013 in response to the deterioration in the credit market, resulting in an improved performance on the debtors' and loan books. Debtor costs for the period also benefited from a change in accounting treatment for debt review customers. FinChoice previously wrote off loans of customers entering the debt review process regulated by the National Credit Act, however the recovery rate of these debt review accounts has proven to be better than initially expected, and it has been decided to bring the debt review book back onto the balance sheet with a conservative provision of 80%. This treatment aligns FinChoice with the practices adopted in HomeChoice. Debtor costs, excluding the change in accounting treatment, increased by 8,2% which is 17,5% as a percentage of revenue.

The trade and loans receivable books are adequately provided for at 17,9%, up from 16,2% at the prior year-end. The increase in the provision is primarily due to the change in the treatment of debt review customers in FinChoice.

Other trading expenses increased by 29,5% to R563 million owing to a focus on customer acquisition, the investment in merchandise, e-commerce and collections teams, higher depreciation costs following the investment in building a new distribution centre and one-off expenses relating to the restructuring and listing.

The strong revenue growth and controlled credit performance delivered a 19,0% increase in operating profit to R522 million, with the operating margin increasing to 26,6% (2013: 26,4%).

Headline earnings increased by 14,9% to R355,6 million, with headline earnings per share 15,0% higher at 352,8 cents.

The total dividend was increased by 46% to 161 cents per share. The interim dividend of 61 cents per share was not paid as planned in November 2014 as the new holding company requires audited financial statements before declaring a dividend in terms of Maltese law. The interim dividend will be paid together with the final dividend in May 2015.

Cash generated from operations reduced from R278,0 million to R233,6 million due to the higher growth of the business and the related investment in debtors and loan receivables.

OUTLOOK
The trading environment is not expected to show any marked improvement in the year ahead as the outlook for economic growth in the country is muted. Customers are likely to be under financial strain as pressures on disposable income continue and the unsecured lending market remains constrained.

The group's credit strategy remains unchanged in the stabilising credit environment and current lending practices will be maintained. The devaluation of the Rand will place pressure on margins and pricing in the retail business.

The group will continue to focus on its digital strategy and expanding its customer base in Africa. The retail product range will be extended and expanded into new categories, while HIL will be launching an insurance business.

Capital expenditure of R169 million has been committed for 2015. The group anticipates investing approximately R110 million for the building of a new 1 000 seat call centre and retail showroom and R60 million for information technology to drive operating efficiencies and the group's online strategy.

The above information has not been reviewed and reported on by the company's external auditors.

Gregoire Lartigue
Chief Executive Officer

Paul Burnett
Financial Director

Shirley Maltz
Chief Executive Officer
(South Africa)

Qormi, Malta
20 March 2015

SUMMARISED GROUP STATEMENT OF FINANCIAL POSITION
at 31 December 2014

| | Notes | 2014 R'000 | % change | 2013 R'000 |
|---|---|---|---|---|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 299 387 | 2,3 | 292 785 |
| Intangible assets | | 91 125 | 48,8 | 61 237 |
| Loans to employees | | 1 302 | | 6 362 |
| Investment in associates | | 7 676 | | 6 536 |
| Deferred taxation | | 18 819 | | 18 133 |
| | | 418 309 | 8,6 | 385 053 |
| Current assets | | | | |
| Inventories | 2 | 166 363 | 14,8 | 144 964 |
| Taxation receivable | | 12 232 | | 77 |
| Trade and other receivables | 3 | 1 504 773 | 28,6 | 1 169 921 |
| Trade receivables - Retail | | 865 466 | 26,1 | 686 375 |
| Loans receivable - Financial Services | | 621 804 | 34,6 | 462 080 |
| Other receivables | | 17 503 | (18,5) | 21 466 |
| Cash and cash equivalents | | 63 005 | | 67 981 |
| | | 1 746 373 | 26,3 | 1 382 943 |
| Total assets | | 2 164 682 | 22,4 | 1 767 996 |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to equity holders of the parent | | | | |
| Stated and share capital | | 1 018 | | 30 980 |
| Share premuim | | 2 982 202 | | - |
| Treasury shares | | (2 666) | | (13 733) |
| Reorganisation reserve | | (2 960 639) | | - |
| Other reserves | | 3 030 | | 1 902 |
| Retained earnings | | 1 555 381 | | 1 266 575 |
| Total equity | | 1 578 326 | 22,8 | 1 285 724 |
| Non-current liabilities | | | | |
| Interest-bearing liabilities | | 266 234 | 41,5 | 188 208 |
| Deferred taxation | | 92 721 | | 68 015 |
| Other payables | | 4 340 | | 3 510 |
| | | 363 295 | 39,9 | 259 733 |
| Current liabilities | | | | |
| Interest-bearing liabilities | | 30 203 | 42,8 | 21 148 |
| Taxation payable | | 2 882 | | 8 953 |
| Trade and other payables | | 158 465 | 17,8 | 134 552 |
| Provisions | | 31 078 | | 9 000 |
| Bank overdraft | | 433 | | 48 886 |
| | | 223 061 | 0,2 | 222 539 |
| Total liabilities | | 586 356 | 21,6 | 482 272 |
| Total equity and liabilities | | 2 164 682 | 22,4 | 1 767 996 |

SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

| | Notes | 2014 R'000 | % change | 2013 R'000 |
|---|---|---|---|---|
| Revenue | | 1 958 575 | 17,8 | 1 661 952 |
| Retail sales | | 1 082 473 | 16,4 | 929 730 |
| Finance charges and initiation fees earned | | 745 179 | | 619 848 |
| Finance charges earned | | 537 807 | 18,7 | 452 912 |
| Initiation fees earned | | 207 372 | 24,2 | 166 936 |
| Fees from ancillary services | | 130 923 | 16,5 | 112 374 |
| Cost of retail sales | | (543 108) | 14,9 | (472 771) |
| Debtor costs | 6 | (329 902) | 4,2 | (316 463) |
| Other trading expenses | 6 | (562 879) | 29,5 | (434 739) |
| Other net gains and losses | | (3 787) | | (2 319) |
| Other income | | 2 633 | | 2 661 |
| Operating profit | | 521 532 | 19,0 | 438 321 |
| Interest received | | 1 948 | (5,9) | 2 070 |
| Interest paid | | (21 883) | 189,7 | (7 554) |
| Share of loss of associates | | (2 556) | | (1 818) |
| Profit before taxation | | 499 041 | 15,8 | 431 019 |
| Taxation | | (143 721) | 18,1 | (121 696) |
| Profit and total comprehensive income for the year | | 355 320 | 14,9 | 309 323 |
| Earnings per share (cents) | | | | |
| Basic | 7 | 352,5 | 14,9 | 306,9 |
| Diluted | | 349,0 | 14,2 | 305,6 |
| Additional information | | | | |
| Retail gross profit margin (%) | | 49,8 | | 49,1 |

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

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

| | Stated and share capital R'000 | Share premium R'000 | Treasury shares R'000 | Reorganisation reserve R'000 | Other reserves R'000 | Retained earnings R'000 | Equity attributable to owners of the parent R'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2013 | 30 980 | - | (11 331) | | 1 084 | 1 049 589 | 1 070 322 |
| Changes in equity | | | | | | | |
| Profit and total comprehensive income for the year | - | - | - | | - | 309 323 | 309 323 |
| Conversion to no par value shares | - | - | (2 536) | | - | - | (2 536) |
| Profit and total comprehensive income for the year | - | - | 134 | | - | 2 396 | 2 530 |
| Purchases of treasury shares by share trust | - | - | - | | - | (94 733) | (94 733) |
| Share option scheme | - | - | - | | 818 | - | 818 |
| Total changes | - | - | (2 402) | | 818 | 216 986 | 215 402 |
| Balance at 1 January 2014 | 30 980 | - | (13 733) | | 1 902 | 1 266 575 | 1 285 724 |
| Changes in equity | | | | | | | |
| Profit and total comprehensive income for the year | - | - | - | | - | 355 320 | 355 320 |
| Treasury shares cancelled | (11 067) | - | 11 067 | - | - | - | - |
| Shares issued on incorporation of HomeChoice International PLC | 183 | - | - | - | - | - | 183 |
| Shares repurchased | (183) | - | - | - | - | - | (183) |
| Shares issued in exchange for shareholding in HomeChoice Holdings Limited | 1 014 | 2 979 539 | (2 666) | - | - | - | 2 977 887 |
| Net assets acquired | (19 913) | - | 2 666 | (2 960 639) | - | - | (2 977 886) |
| Shares issued | 4 | 2 663 | - | - | - | - | 2 667 |
| Dividends paid | - | - | - | | - | (66 514) | (66 514) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Share option scheme | - | - | - | - | 1 128 | - | 1 128 |
| Total changes | (29 962) | 2 982 202 | 11 067 | (2 960 639) | 1 128 | 288 806 | 292 602 |
| Balance at 31 December 2014 | 1 018 | 2 982 202 | (2 666) | (2 960 639) | 3 030 | 1 555 381 | 1 578 326 |

## SUMMARISED GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

| | Notes | 2014 R'000 | % change | 2013 R'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Operating cash flows before working capital changes | | 546 177 | 20,9 | 451 910 |
| Movements in working capital | | (312 612) | 79,8 | (173 900) |
| Cash generated from operations | 8 | 233 565 | (16,0) | 278 010 |
| Interest received | | 1 948 | | 2 078 |
| Interest paid | | (21 883) | | (5 883) |
| Taxation paid | | (137 927) | | (115 668) |
| Net cash inflow from operating activities | | 75 703 | (52,2) | 158 537 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | | (18 004) | | (134 700) |
| Proceeds on disposal of property, plant and equipment | | 492 | | 9 |
| Purchase of intangible assets | | (38 906) | | (26 883) |
| Loans repaid by employees | | 6 830 | | 4 115 |
| Loans granted to employees | | (1 302) | | - |
| Investment in associates | | (3 696) | | (4 403) |
| Net cash outflow from investing activities | | (54 586) | (66,3) | (161 862) |
| **Cash flows from financing activities** | | | | |
| Proceeds from the issuance of shares | | 2 667 | | - |
| Proceeds from the sale of treasury shares | | - | | 2 530 |
| Purchase of treasury shares | | - | | (707) |
| Proceeds from interest-bearing liabilities | | 111 671 | | 229 950 |
| Repayments of interest-bearing liabilities | | (24 964) | | (120 357) |
| Financing costs paid | | (500) | | (1 937) |
| Dividends paid | | (66 514) | | (94 733) |
| Net cash inflow from financing activities | | 22 360 | 51,6 | 14 746 |
| Net increase in cash and cash equivalents and bank overdrafts | | 43 477 | | 11 421 |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | | 19 095 | | 7 674 |
| Cash, cash equivalents and bank overdrafts at the end of the year | | 62 572 | 227,7 | 19 095 |

## SUMMARISED GROUP SEGMENTAL ANALYSIS
for the year ended 31 December 2014

| | Retail 2014 R'000 | Retail % change | Retail 2013 R'000 | Financial Services 2014 R'000 | Financial Services % change | Financial Services 2013 R'000 | Property 2014 R'000 | Property % change | Property 2013 R'000 |
|---|---|---|---|---|---|---|---|---|---|
| Segmental revenue | 1 571 846 | | 1 344 840 | 385 988 | | 315 923 | 28 556 | | 18 689 |
| Retail sales | 1 082 473 | 16,4 | 929 730 | - | | - | - | | - |
| Finance charges and initiation fees earned | 430 496 | 19,0 | 361 808 | 314 683 | 22,0 | 258 040 | - | | - |
| Fees from ancillary services | 58 877 | 10,5 | 53 302 | 71 305 | 23,2 | 57 883 | 28 556 | | 18 689 |
| Dividends received | - | | - | - | | - | - | | - |
| Intersegment revenue | - | | - | - | | - | (27 815) | | (17 500) |
| Revenue from external customers | 1 571 846 | 16,9 | 1 344 840 | 385 988 | 22,2 | 315 923 | 741 | (37,7) | 1 189 |
| EBITDA | 337 946 | 16,6 | 289 834 | 189 064 | 29,8 | 145 693 | 27 681 | 56,6 | 17 681 |
| Depreciation and amortisation | (20 889) | | (11 950) | (616) | | (490) | (1 269) | | (1 189) |
| Interest received | - | | - | 209 | | 159 | - | | - |
| Interest paid | - | | - | (28 348) | | (28 993) | - | | - |
| Segmental results* | 317 057 | | 277 884 | 160 309 | | 116 368 | 26 412 | | 16 492 |
| Interest received | 1 595 | | 1 609 | - | | - | 26 | | 17 |
| Interest paid | (5 070) | | (1 721) | - | | - | (14 415) | | (4 284) |
| Profit before taxation | 313 582 | 12,9 | 277 772 | 160 309 | 37,8 | 116 368 | 12 023 | (1,7) | 12 225 |
| Taxation | (89 074) | | (77 376) | (43 614) | | (33 162) | (3 366) | | (3 420) |
| Profit for the year | 224 508 | 12,0 | 200 396 | 116 695 | 40,2 | 83 206 | 8 657 | (1,7) | 8 805 |
| Segmental assets** | 1 244 768 | | 1 038 561 | 671 802 | | 502 783 | 233 779 | | 228 649 |
| Segmental liabilities** | 285 109 | | 305 290 | 31 951 | | 12 127 | 162 629 | | 62 360 |
| Operating cash flows before working capital changes | 339 252 | 16,7 | 290 596 | 189 223 | 29,8 | 145 788 | 27 681 | 56,6 | 17 681 |
| Movements in working capital | (174 643) | | (129 877) | (140 920) | | (47 441) | (313) | | 3 105 |
| Cash generated/(utilised) by operations | 164 609 | 2,4 | 160 719 | 48 303 | (50,9) | 98 347 | 27 368 | 31,7 | 20 786 |
| Gross profit margin (%) | 49,8 | | 49,1 | | | | | | |
| Segmental results margin (%) | 20,2 | | 20,7 | 41,5 | | 36,8 | 92,5 | | 88,2 |
| Capital expenditure | | | | | | | | | |
| Property, plant and equipment | 14 519 | | 55 286 | 825 | | 610 | 5 845 | | 78 804 |
| Intangible assets | 38 463 | | 26 649 | 307 | | 234 | - | | - |
| Items included in segmental results: | | | | | | | | | |
| Interest received - Other and Financial Services | - | | - | 209 | | 159 | - | | - |
| Interest paid - Other and Financial Services | - | | - | (28 348) | | (28 993) | - | | - |
| Share of loss of associates | | | | | | | | | |
| Marketing costs | 148 906 | 18,4 | 125 754 | 17 338 | 32,8 | 13 054 | - | | - |
| Staff costs | 185 315 | 31,2 | 141 211 | 44 567 | 44,8 | 30 781 | - | | - |
| Depreciation and amortisation | 20 889 | 74,2 | 11 992 | 616 | 25,6 | 490 | 1 269 | 6,7 | 1 189 |
| Other costs | 126 339 | 20,6 | 104 733 | 25 892 | 15,1 | 22 495 | 900 | (12,6) | 1 030 |
| Other trading expenses | 481 449 | 25,5 | 383 690 | 88 413 | 32,3 | 66 820 | 2 169 | (2,3) | 2 219 |
| Debtor costs | 220 725 | 4,1 | 212 002 | 109 177 | 4,5 | 104 461 | - | | - |
| Total trading expenses (refer to note 6) | 702 174 | 17,9 | 595 692 | 197 590 | 15,4 | 171 281 | 2 169 | (2,3) | 2 219 |

| | Other 2014 R'000 | Other % change | Other 2013 R'000 | Eliminations 2014 R'000 | Eliminations % change | Eliminations 2013 R'000 | Total 2014 R'000 | Total % change | Total 2013 R'000 |
|---|---|---|---|---|---|---|---|---|---|
| Segmental revenue | - | | 2 905 | - | | - | 1 986 390 | | 1 682 357 |
| Retail sales | - | | - | - | | - | 1 082 473 | 16,4 | 929 730 |
| Finance charges and initiation fees earned | - | | - | - | | - | 745 179 | 20,2 | 619 848 |
| Fees from ancillary services | - | | - | - | | - | 158 738 | 22,2 | 129 874 |
| Dividends received | - | | 2 905 | - | | - | - | | 2 905 |
| Intersegment revenue | - | | (2 905) | - | | - | (27 815) | | (20 405) |
| Revenue from external customers | - | | - | - | | - | 1 958 575 | 17,8 | 1 661 952 |
| EBITDA | 2 032 | (56,3) | 4 651 | (14 973) | 94,8 | (7 685) | 541 750 | 20,3 | 450 174 |
| Depreciation and amortisation | - | | - | - | | - | (22 774) | | (13 629) |
| Interest received | 35 622 | | 29 232 | (35 504) | | (23 222) | 327 | | 6 169 |
| Interest paid | (9 553) | | (1 545) | 28 344 | | 23 222 | (9 557) | | (7 316) |
| Segmental results* | 28 101 | | 32 338 | (22 133) | | (7 685) | 509 746 | | 435 398 |
| Interest received | | | | - | | (5 767) | 1 621 | (139,1) | (4 141) |
| Interest paid | | | | 7 159 | | 5 767 | (12 326) | 5 070,1 | (238) |
| Profit before taxation | 28 101 | (13,1) | 32 338 | (14 974) | 94,8 | (7 685) | 499 041 | 15,8 | 431 019 |
| Taxation | (7 667) | | (8 366) | - | | - | (143 721) | | (122 324) |
| Profit for the year | 20 434 | (14,8) | 23 972 | (14 974) | 94,8 | (7 685) | 355 320 | 15,1 | 308 695 |
| Segmental assets** | 17 833 | | 6 470 | (3 500) | | (8 467) | 2 164 682 | | 1 767 996 |
| Segmental liabilities** | 110 167 | | 110 962 | (3 500) | | (8 467) | 586 356 | | 482 272 |

Operating cash flows before working

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| capital changes | (9 966) | (4 235,3) | 241 | (13) | (99,5) | (2 396) | 546 177 | 20,9 | 451 910 |
| Movements in working capital | 3 261 | | 313 | 3 | | - | (312 612) | | (173 900) |
| Cash generated/(utilised) by operations | (6 705) | (1 310,3) | 554 | (10) | (99,6) | (2 396) | 233 565 | (16,0) | 278 010 |
| | | | | | | | | | |
| Gross profit margin (%) | | | | | | | 49,8 | | 49,1 |
| Segmental results margin (%) | - | | 1 113,2 | - | | - | 26,0 | | 26,2 |
| Capital expenditure | | | | | | | | | |
| Property, plant and equipment | - | | - | - | | - | 21 188 | | 134 700 |
| Intangible assets | 136 | | - | - | | - | 38 906 | | 26 883 |
| Items included in segmental results: | | | | | | | | | |
| Interest received - Other and Financial Services | 35 622 | | 29 232 | (35 504) | | (23 222) | 327 | | 6 169 |
| Interest paid - Other and Financial Services | (9 553) | | (1 545) | 28 344 | | 23 222 | (9 557) | | (7 315) |
| Share of loss of associates | (2 556) | | (1 818) | - | | - | (2 556) | | (1 818) |
| Marketing costs | - | | - | - | | - | 166 244 | 19,8 | 138 808 |
| Staff costs | 1 718 | (7,6) | 1 858 | - | | - | 231 600 | 33,2 | 173 850 |
| Depreciation and amortisation | - | | - | - | | - | 22 774 | 66,6 | 13 671 |
| Other costs | 12 636 | (638,2) | (2 348) | (23 506) | 34,3 | (17 500) | 142 261 | 31,2 | 108 410 |
| Other trading expenses | 14 354 | (3 029,3) | (490) | (23 506) | 34,3 | (17 500) | 562 879 | 29,5 | 434 739 |
| Debtor costs | - | | - | - | | - | 329 902 | 4,2 | 316 463 |
| Total trading expenses (refer to note 6) | 14 354 | (3 029,3) | (490) | (23 506) | 34, | (17 500) | 892 781 | 18,8 | 751 202 |
| | | | | | | | | | |
| Reconciliation of segment results: | | | | | | | | | |
| Segmental results, as reported above | | | | | | | 509 746 | 17,1 | 435 398 |
| Interest received | | | | | | | 1 621 | (139,1) | 4 141 |
| Interest paid | | | | | | | (12 325) | 5 070,1 | (238) |
| Profit before taxation | | | | | | | 499 041 | 15,8 | 431 019 |

* Refer to note 9 for further details on segments and segmental results
** Excluding group loans, including loans to share trust

## NOTES TO THE SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2014

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports. The Listings Requirements require preliminary 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 consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

This summarised report is extracted from audited information, but is not itself audited. The annual financial statements were audited by PricewaterhouseCoopers, who expressed an unmodified opinion thereon. The audited 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 the preliminary report and that the financial information has been correctly extracted from the underlying annual financial statements.

No new standards, amendments or interpretations to existing standards, relevant to the group's operations, became effective for the year ended 31 December 2014.

| | 2014 R'000 | 2013 R'000 |
|---|---|---|
| 2. INVENTORIES | | |
| Merchandise for resale | 124 966 | 118 492 |
| Provision for inventory obsolescence | (11 500) | (10 484) |
| Goods in transit | 52 897 | 36 956 |
| | 166 363 | 144 964 |

Inventory sold at less than cost during the current year amounted to R15,558 million (2013: R12,402 million).

| | 2014 R'000 | % change | 2013 R'000 |
|---|---|---|---|
| 3. Trade and other receivables | | | |
| Trade receivables - Retail | 1 063 645 | 25,8 | 845 730 |
| Provision for impairment | (198 179) | 24,4 | (159 355) |
| | 865 466 | 26,1 | 686 375 |
| Loans receivable - Financial Services | 748 907 | 42,6 | 525 116 |
| Provision for impairment | (127 103) | 101,6 | (63 036) |
| | 621 804 | 34,6 | 462 080 |
| Other receivables | 17 503 | (18,5) | 21 466 |
| Total trade and other receivables | 1 504 773 | 28,6 | 1 169 921 |
| | | | |
| Trade and loan receivables | 1 812 552 | 32,2 | 1 370 846 |
| Provision for impairment | (325 282) | 46,3 | (222 391) |
| Other receivables | 17 503 | (18,5) | 21 466 |
| | | | |
| Movements in the provision for impairment were as follows: | | | |
| Retail | | | |
| Opening balance | (159 355) | 20,3 | (132 478) |
| Movement in provision | (38 824) | 44,5 | (26 877) |
| Debtor costs charged to profit and loss | (220 725) | 4,1 | (212 002) |
| Debts written off during the year, net of recoveries | 181 901 | (1,7) | 185 125 |
| Closing balance | (198 179) | 24,4 | (159 355) |
| | | | |
| Financial Services | | | |
| Opening balance | (63 036) | 19,4 | (52 792) |
| Movement in provision | (64 067) | 525,4 | (10 244) |
| Debtor costs charged to profit and loss | (109 177) | 4,5 | (104 461) |
| Debts written off during the year, net of recoveries | 45 110 | (52,1) | 94 217 |
| Closing balance | (127 103) | 101,6 | (63 036) |
| | | | |
| Retail | | | |
| Debtor costs as a % of revenue | 14,0 | | 15,8 |
| Debtor costs as a % of gross receivables | 20,8 | | 25,1 |
| Non-performing receivables as a % of gross receivables* | 8,7 | | 10,6 |
| Provision for impairment as a % of gross receivables | 18,6 | | 18,8 |
| | | | |
| Financial Services | | | |
| Debtor costs as a % of revenue | 28,3 | | 33,1 |
| Debtor costs as a % of gross receivables | 14,6 | | 19,9 |
| Non-performing receivables as a % of gross receivables* | 3,5 | | 4,0 |
| Provision for impairment as a % of gross receivables | 17,0 | | 12,0 |
| | | | |
| Group | | | |
| Debtor costs as a % of revenue | 16,8 | | 19,0 |
| Debtor costs as a % of gross trade receivables | 18,2 | | 23,1 |
| Provision for impairment as a % of gross receivables | 17,9 | | 16,2 |

* Defined as accounts 120 days or more in arrears as a percentage of the trade and loan receivables book

4. CONTINGENT LIABILITIES
The group had no contingent liabilities at the current or prior reporting dates.

5. 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.

| | 2014 R'000 | % change | 2013 R'000 |
|---|---|---|---|
| 6. Total trading expenses | | | |
| Expenses by nature | | | |
| Debtor costs | | | |
| Trade receivables - Retail | 220 725 | 4,1 | 212 002 |
| Loans receivable - Financial Services | 109 177 | 4,5 | 104 461 |
| Total debtor costs | 329 902 | 4,2 | 316 463 |
| Amortisation of intangible assets | 9 018 | 42,6 | 6 324 |
| Depreciation of property, plant and equipment | 13 756 | 87,2 | 7 347 |
| Restructuring and listing costs | 10 225 | | - |
| Legal fees | 2 924 | | - |
| Consulting fees | 5 729 | | - |
| Audit fees | 606 | | - |
| Listing | 507 | | - |
| Advertising | 116 | | - |
| Other | 343 | | - |
| Operating lease charges for immovable property | 920 | 3 307,4 | 27 |
| Total operating lease charges | 4 247 | (65,8) | 12 415 |
| Less: disclosed under cost of retail sales | (3 327) | (73,1) | (12 388) |
| Marketing costs | 166 244 | 19,8 | 138 809 |
| Staff costs | 231 600 | 33,2 | 173 850 |
| Total staff costs | 268 077 | 31,9 | 203 171 |
| Less: disclosed under cost of retail sales | (19 630) | 5,6 | (18 585) |
| Less: staff costs capitalised to intangibles | (16 847) | 56,9 | (10 736) |
| Other costs | 131 116 | 21,0 | 108 382 |
| Total other trading expenses | 562 879 | 29,5 | 434 739 |
| | 892 781 | 18,8 | 751 202 |

7. 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:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Gross R'000 | Net R'000 | Gross R'000 | Net R'000 |
| Profit for the year | | 355 320 | | 309 323 |
| Adjusted for the after-tax effect of: | | | | |
| (Gains)/losses on disposal of property, plant and equipment and intangible assets | 338 | 243 | (2) | (2) |
| Headline earnings | | 355 563 | | 309 321 |
| Weighted average number of ordinary shares in issue ('000) | | 100 795 | | 100 779 |
| Earnings per share (cents) | | | | |
| Basic | | 352,5 | | 306,9 |
| Headline | | 352,8 | | 306,9 |

| | 2014 R'000 | % change | 2013 R'000 |
|---|---|---|---|
| 8. RECONCILIATION OF CASH GENERATED FROM OPERATIONS | | | |
| Profit before taxation | 499 041 | 15,8 | 431 019 |
| Share of loss of associates | 2 556 | 40,6 | 1 818 |
| (Gains)/losses on disposal of property, plant and equipment and intangible assets | 338 | (11 366,7) | (3) |
| Loans to employees - amortised cost adjustment | (147) | (43,5) | (260) |
| Notional interest on loans to employees | (321) | (49,6) | (637) |
| Depreciation and amortisation | 22 774 | 66,6 | 13 671 |
| Share-based employee service expense | 1 128 | 37,9 | 818 |
| Interest paid | 21 883 | 189,7 | 7 554 |
| Interest received | (1 948) | (5,9) | (2 070) |
| Capitalised bond costs - amortised cost adjustment | 873 | 100,0 | - |
| Operating cash flows before working capital changes | 546 177 | 20,9 | 451 910 |
| Movements in working capital | (312 612) | 79,8 | (173 900) |
| Increase in inventories | (21 399) | (38,4) | (34 723) |
| Increase in trade receivables - Retail | (179 091) | 74,1 | (102 847) |
| Increase in loans receivable - Financial Services | (159 724) | 216,7 | (50 434) |
| Decrease in other receivables | 3 963 | (4,0) | 4 129 |
| Increase in trade and other payables | 21 561 | 8,3 | 19 909 |
| Increase/(decrease) in provisions | 22 078 | (322,2) | (9 934) |
| | 233 565 | (16,0) | 278 010 |

9. GROUP SEGMENTAL ANALYSIS
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 standalone 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.

10. 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. Fair values of debt instruments issued by the group and other borrowings, with maturities consistent with those remaining for the debt instruments being valued.

| | 2014 R'000 | 2013 R'000 |
|---|---|---|
| 11. COMMITMENTS | | |
| Capital commitments for property, plant and equipment and intangible assets: | | |
| Approved by the directors | 83 876 | 68 457 |
| Approved by the directors and contracted for | 84 846 | - |
| | 168 722 | 68 457 |

12. STATED CAPITAL, SHARE CAPITAL AND SHARE PREMIUM

On 28 November 2014 a new entity, HomeChoice International PLC, was placed on top of the existing group, HomeChoice Holdings Limited, by issuing shares to the existing group shareholders. This transaction was not a business combination and has been accounted for as a reorganisation of an existing group that has not changed the substance of the reporting entity. No capital was raised as part of the reorganisation. At the time of the reorganisation the shareholders of HomeChoice Holdings became the new shareholders in HomeChoice International PLC.

At the time of the reorganisation the consolidated financial statements of the new entity, HomeChoice International PLC, were presented using the values from the consolidated financial statements of the previous group holding company. The equity structure - that is, the issued share capital, share premium and treasury shares - reflected that of the new company, with other amounts in equity (such as retained earnings and other reserves) being those from the consolidated financial statements of the previous group holding company. The resulting difference that arose has been recognised as a component of equity, called reorganisation reserve.

Share capital, share premium and treasury shares have been adjusted to include the effects of:
- the issue of 101 379 351 shares to the HomeChoice Holdings shareholders in terms of the reorganisation, issued at a price of R29,40 and a par value of R0,01; and
- the HomeChoice Development Trust held 600 000 shares before and after the reorganisation. The movement in treasury shares represents the adjustments from applying the accounting for capital reorganisations. Treasury shares are reflected at R2,666 million, being 600 000 shares at R4,44 per share.

The effect of the transaction is to reflect the share capital, share premium and treasury shares of the new holding company, HIL, and to eliminate HomeChoice Holdings' share capital and treasury shares and to create a reorganisation reserve with a debit balance of R2 960,6 million.

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 2014 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.

14. PURCHASE OF INTANGIBLES
Included in the reporting period's purchase of intangible assets is the capitalisation of R25,8 million (2013: R9,8 million) of costs relating to the ERP system implementation.

15. COMPARATIVES
To enhance disclosure, certain reclassifications and restatements have been made. These changes have no impact on overall equity, assets or liabilities.

15.1 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 as dividends paid to the shareholders are payments to the providers of capital.

15.2 Change in accounting estimate
FinChoice and FoneChoice have previously adopted a conservative approach and wrote off customers who entered the debt review process regulated by the NCA. The recovery rates on these debt review accounts have proven to be better than initially expected. In addition, to align FinChoice and FoneChoice with the treatment adopted in HomeChoice, it was decided to bring the debt review book back onto the balance sheet with a provision of 80%. This change was accounted for as a change in an accounting estimate and prior year numbers have not been restated. This resulted in a once-off benefit to debtor costs and profits of R10,8 million. It is impracticable to estimate the amount of the impact on future years.

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Sponsor: Rand Merchant Bank, a division of FirstRand Bank Limited
Company secretary: George Said
Directors: S Portelli* (Chairman), G Lartigue*** (Chief Executive Officer), P Burnett*** (Financial Director), A Chorn*, R Garratt**, E Gutierrez-Garcia**, R Hain*, S Maltz***, C Rapa*
* Independent non-executive ** Non-executive *** Executive