

interim results

30 June 2011

Group highlights

Revenue up to R499m

42%

*excluding the loss on disposal of the group's majority interest in a subsidiary in 2010

Operating profit* up by Headline earnings per share up

Net asset value up

Cash generated before working capital changes up

to R154m

Interim distribution to shareholders up

COMMENTARY

Trading and financial performance
Continued good customer demand for both the group's retail and loan products has delivered pleasing results for the six month period. Group revenue increased by 28.1% to R498.9 million and operating profit increased by 75.1% to R151.7 million, resulting in a group operating margin of 30.4% (2010 2.2.2%). However, eliminating the effect of the disposal of the group's majority interest in a subsidiary during 2010, group operating profit increased by 42.0%. Earnings per shari increased by 70.5% to 104.2c, while headline earnings per share increased by 34.2% to 104.2c, while headline earnings per share increased by 34.2% to 104.2c.

HomeChoice revenue increased by 22.8% to R405.2 million and retail sales by 24.0% to R265.1 million, while FinChoice financial services revenue increased by 60.5% to R85.1 million. Our retail gross profit margin of 51.7% remains above our 50.0% target, with continuing gains from a relatively strong Rand/Dollar exchange rate.

Group finance charges earned increased by 30.9% to R128.6m. While HomeChoice only increased finance charges by 13.8%, due to the general decline in interest rates, FinChoice increased by 58.7% in line with its continued strong growth in loans disbursed.

Group fees from ancillary services, which includes initiation, service and delivery fees, increased by 37.2% to R99.1m. These growth rates are higher than the growth in group revenue, largely due to the increased contribution from FinChoice.

Trading expenses have increased by 21.5% to R221.0m and have reduced as a percentage of revenue from 46.7% to 44.3%. This is attributable to improved credit performance, as discusse below, and economies of scale, given the growth in revenue.

Financial Position

Financial Position Group cash and cash equivalents increased by R4.0m to R43.0m over the period. Cash generated by operations, before working capital changes, increased by 38.5% to R153.9m. The group has continued to fund its growth in working capital internally. Cash generated by operations declined from R9.6m to R2.8m, with the reduction largely attributable to a R22.0m higher tax outflow. The provisional tax payment for FinChoice was significantly higher than the prior period.

Net cash inflow from investing activities increased by R34.6m due to the sale of a cash investment, whilst net cash outflow from financing activities increased by R10.6m due to the increased distribution to members by way of a reduction in share premium.

Inventories have increased by 22.4% to R85.5m from December 2010, to support the growth in demand and to cater for anticipated higher sales in the second half of the year due to the seasor nature of the retail business. Management expect that inventory holdings will be at lower levels by year-end.

The group's financial position strengthened with net asset value per share increasing 29.5% to 731.7c.

Credit Risk

The group has maintained its stricter credit granting criteria. Risk levels in the trade and loans books have marginally improved during the year, as anticipated by management.

Cash receipts from the debtors' book were slightly better than forecast. HomeChoice debtor costs of 11.4% of revenue have been stable compared to the same period last year, whilst FinChoice debtor costs have remained unchanged at 29.4% of revenue.

The provision for impairment of trade receivables as a percentage of gross receivables ha eased from 18.1% at the end of 2010 to 17.7%, while the provision for impairments of loans receivable has remained stable at 10.9%.

Group receivables increased by 19.5% from R543.7m to R649.6m over the period. HomeChoice trade receivables have increased by 15.2% to R374.8m, whilst FinChoice loans receivable have increased by 25.2% to R259.0m of revenue.

Customer demand for both our merchandise and financial services products remained good

during the first 6 weeks after 30 June 2011. Credit granting criteria will be maintained, and it is anticipated that credit risk levels will continue to reflect current trends..

Management expect that the group will continue to deliver growth in operating profit for the remainder of the year, however, the rate of increase over the prior year will decline in the next six months, due to a strong performance in the second half of 2010.

Interim Distribution

interim Distribution

A final distribution of 30 cents per share in respect of the 2010 financial year was paid to shareholders during May 2011 as a reduction in share premium. The directors have resolved to propose to members to approve a special resolution to further reduce the share premium of the company by 35 cents per ordinary share. It is anticipated that this distribution will be paid during November 2011.

vould like to thank my fellow directors, all staff, suppliers and service providers for their contribution to our performance. Our continued business success is due to the hard work, focus and contribution of all of them.

TRADE AND OTHER RECEIVABLES

Ry order of the board



Chairman

Equity Non-attributable controlling Total to owners of interest equity

22 August 2011



Figures in Rand thousand		Unaudited 6 months ended 30 June'11	Restated* Unaudited 6 months ended 30 June '10	Audited 12 months ended 31 Dec 10
Assets				
Non-Current Assets				
Property, plant and equipment		118 485	119 385	119 856
Intangible assets		10 428	8 8 1 7	8 901
Loans to employees		12 922	12 825	13 177
Deferred tax		10 844	6 463	8 948
		152 679	147 490	150 891
Current Assets				
Available-for-sale investments			40 765	41 445
Inventories		85 471	52 972	69 846
Receiver of revenue		2 760	915	1 075
Trade and other receivables		649 604	467 721	543 739
Trade receivables		374 757	294 366	325 390
Loans receivable		258 974	162 822	206 873
Other receivables	L	15 873	10 533	11 476
Cash and cash equivalents		45 178	44 541	45 630
		783 013	606 914	701 735
Total assets		935 692	754 404	852 626
Equity Attributable to Equity Holders of Parent Share capital		1 039	1 039	1 039
Share premium		66 296	118 230	97 456
Treasury shares		(8 137)	(9 230)	(8 938)
Other reserves		336	3 142	4 113
Distributable reserve		680 950	459 007	575 546
Non-controlling interest		740 484	572 188	669 216
Total Equity		740 484	572 188	669 216
Non-Current Liabilities				
Interest-bearing liabilities		48 214	54 728	51 340
Deferred tax		39 998	29 240	35 201
Other payables		3 035	3 340	3 420
		91 247	87 308	89 961
Current Liabilities				
Current portion of interest-bearing liabilites		6 161	5 760	6 279
Receiver of revenue		2 038	9 875	1 936
Trade and other payables		81 856	70 808	61 228
Provisions		11 744	6 600	17 400
Bank overdraft		2 162	1 865	6 606
		103 961	94 908	93 449
Total Liabilities		195 208	182 216	183 410
		935 692	754 404	852 626

GROUP STATEMENT OF FINANCIAL POSITION

Figures in Rand thousand	Unaudited 6 months ended 30 June 11		Audited 12 months ended 31 Dec '10
Revenue	498 888	389 465	869 442
Retail sales	270 776	217 423	493 008
Cost of sales	(130 776)	(101 288)	(226 080)
Gross profit	140 000	116 135	266 928
Finance charges earned	128 595	98 228	215 221
Fees from ancillary services	99 123	72 264	158 153
Other net gains and losses	4 604	(19 621)	(16 281
Trading expenses	(221 023)	(181 917)	(377 386
Trading profit	151 299	85 089	246 635
Dividends received	394	1 550	3 060
Operating profit	151 693	86 639	249 695
Interest received	1 480	2 975	3 530
Interest paid	(2 377)	(4 135)	(6 865
Equity loss on associate	(614)		(1 449
Profit before taxation	150 182	85 479	244 91
Taxation	(44 778)	(29 495)	(72 577
Profit for the period	105 404	55 984	172 334
Other comprehensive income: Available-for-sale financial assets: (Losses)/gains arising on available-for-sale assets	(1 635)	1 423	2 099
Less: reclassification of gains included in profit or loss	(2 183)	(455)	(455
Taxation related to components of other comprehensive income		258	258
Other comprehensive income for the period net of taxation	(3 818)	1 226	1 902
Total comprehensive income	101 586	57 210	174 236
Profit attibutable to:			
Owners of the parent	105 404	61 456	177 806
Non-controlling interest		(5 472)	(5 472
	105 404	55 984	172 334
Total comprehensive income attributable to:			
Owners of the parent	101 586	62 682	179 708
Non-controlling interest		(5 472)	(5 472
·	101 586	57 210	174 236

GROUP STATEMENT OF COMPREHENSIVE INCOME

Good customer demand for both the group's retail and loan products has delivered pleasing results for the six month period

SUPPLEMENTARY INFORMATION

GROUP STATEMENT OF CASH F	LOWS		
Figures in Rand thousand	Unaudited 6 months ended 30 June '11	Restated* Unaudited 6 months ended 30 June '10	Audited 12 months ended 31 Dec '10
Cash flows from operating activities			
Operating cash flows before working capital changes	153 919	111 135	277 349
Movements in working capital (excluding the effects of disposal of subsidiary)	(110 641)	(83 952)	(175 421)
Cash generated from operations	43 278	27 183	101 928
Interest income	1 480	2 975	3 530
Interest paid	(2 377)	(4 1 3 5)	(6 865)
Dividends received	394	1 550	3 060
Taxation paid	(40 011)	(17 979)	(65 497)
Net cash inflow from operating activities	2 764	9 594	36 156
Cash flows from investing activities			
Purchase of property, plant and equipment	(2 157)	(1 743)	(5 642)
Proceeds on disposal of property, plant and equipment	300	1 061	1 232
Purchase of intangible assets	(3 609)	(2 738)	(3 920)
Proceeds from sale of available-for-sale investments	39 811	5 845	5 845
Loans repaid by employees	485	(41)	328
Investment in associate			(2 812)
Disposal of subsidiary		(2 146)	(146)
Net cash inflow/(outflow) from investing activities	34 830	238	(5 115)
Cash flow from financing activities			
Reduction of share premium	(30 359)	(20 297)	(40 546)
Purchases of treasury shares			(904)
Loan from non-controlling interest holder			452
Repayments of interest-bearing liabilities	(3 243)	(2 750)	(6 910)
Net cash outflow from financing activities	(33 602)	(23 047)	(47 908)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	3 992	(13 215)	(16 876)
Cash, cash equivalents and bank overdrafts at beginning of period	39 024	55 891	55 891
Cash, cash equivalents and bank overdrafts at end of period	43 016	42 676	39 024

	to owners of the parent	interest	equity
Balance at 1 January 2010	527 025	(4 498)	522 527
Total comprehensive income for the period			
ended 30 June 2010	62 682	(5 472)	57 210
Reduction of share premium	(20 298)	-	(20 298)
Sale of share in subsidiary		9 970	9 970
Purchases of treasury shares by share trust	(6 868)	-	(6 868)
Sale of treasury shares by share trust	10 857	-	10 857
Tax on treasury shares sold by the share trust	(1 210)		(1 210
Total changes	45 163	4 498	49 661
Balance at 1 July 2010	572 188		572 188
Total comprehensive income for the period			
ended 31 December 2010	117 026		117 026
Reduction of share premium	(20 248)		(20 248)
Purchases of treasury shares by share trust	(234)		(234
Share option scheme	295	-	295
Adjustment to tax on treasury shares sold by the share trust	189		189
Total changes	97 028	-	97 028
Balance at 1 January 2011	669 216		669 216
Total comprehensive income for the period ended 30 June 2011	101 586		102 945
Reduction of share premium	(30 359)		(30 359
Share option scheme	41		41
Total changes	71 268		72 627
Total Changes	740 484		741 843

GROUP STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months ended 30 June '11	Restated* Unaudited 6 months ended 30 June 10	Audited 12 months ended 31 Dec '10
Trade receivables – HomeChoice	455 227	360 600	397 452
Provision for impairment on trade receivables	(80 470)	(66 234)	(72 062)
	374 757	294 366	325 390
Loans receivable – FinChoice	290 530	182 813	232 054
Provision for impairment on loans receivable	(31 556)	(19 991)	(25 181)
	258 974	162 822	206 873
Trade receivables – Other	10 913	3 703	7 570
Provision for impairment on other receivables	(1 194)	(488)	(1 210)
	9 719	3 215	6 360
Other receivables	6 154	7 318	5 116
Total trade and other receivables	649 604	467 721	543 739
	Unaudited 6 months ended 30 June '11	ended	Audited 12 months ended 31 Dec '10
HomeChoice	6 months ended 30 June	Unaudited 6 months ended	12 months ended
HomeChoice Debtor costs	6 months ended 30 June	Unaudited 6 months ended	12 months ended
	6 months ended 30 June '11	Unaudited 6 months ended 30 June 10	12 months ended 31 Dec '10
Debtor costs	6 months ended 30 June 111 46 191	Unaudited 6 months ended 30 June '10	12 months ended 31 Dec '10 72 744
Debtor costs Debtor costs as a % of revenue	6 months ended 30 June '11 46 191 11.4%	Unaudited 6 months ended 30 June 10 37 703 11.4%	12 months ended 31 Dec '10 72 744 9.9%
Debtor costs Debtor costs as a % of revenue Provision for impairment as a % of gross receivables FinChoice	6 months ended 30 June '11 46 191 11.4%	Unaudited 6 months ended 30 June 10 37 703 11.4%	12 months ended 31 Dec '10 72 744 9.9%
Debtor costs Debtor costs as a % of revenue Provision for impairment as a % of gross receivables FinChoice Debtor costs	6 months ended 30 June '11 46 191 11.4% 17.7%	Unaudited 6 months ended 30 June 10 37 703 11.4% 18.4%	12 months ended 31 Dec '10 72 744 9.9% 18.1%
Debtor costs Debtor costs as a % of revenue Provision for impairment as a % of gross receivables	6 months ended 30 June '11 46 191 11.4% 17.7%	Unaudited 6 months ended 30 June 10 37 703 11.4% 18.4%	12 months ended 31 Dec '10 72 744 9.9% 18.1%
Debtor costs Debtor costs as a % of revenue Provision for impairment as a % of gross receivables FinChoice Debtor costs Debtor costs as a % of revenue	6 months ended 30 June 111 46 191 11.4% 17.7% 24 986 29.4%	Unaudited 6 months ended 30 June 10 37 703 11.4% 18.4% 15 595 29.4%	12 months ended 31 Dec '10 72 744 9.9% 18.1% 35 563 29.3%
Debtor costs Debtor costs as a % of revenue Provision for impairment as a % of gross receivables FinChoice Debtor costs Debtor costs as a % of revenue Provision for impairment as a % of gross receivables	6 months ended 30 June 111 46 191 11.4% 17.7% 24 986 29.4%	Unaudited 6 months ended 30 June 10 37 703 11.4% 18.4% 15 595 29.4%	12 months ended 31 Dec '10 72 744 9.9% 18.1% 35 563 29.3%
Debtor costs Debtor costs as a % of revenue Provision for impairment as a % of gross receivables FinChoice Debtor costs as before evenue Provision for impairment as a % of gross receivables Other	6 months ended 30 June 46 191 11.4% 17.7% 24 986 29.4% 10.9%	Unaudited 6 months ended 30 June '10 37 703 11.4% 18.4% 15.595 29.4% 10.9%	12 months ended 31 Dec '10 72 744 9.9% 18.1% 35 563 29.3% 10.9%

GROUP NOTES TO THE INTERIM FINANCIAL STATEMENTS

the concernsed consolicated interim limitical information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which were prepared in accordance with International Financial Reporting Standards. The group's accounting policies are consistent with those disclosed in the 2010 annual report.

2. Comparative statements Certain comparative figures for the period last year have been restated as follows:

The impairment and subsequent loss on disposal was incorrectly disclosed in the June 2010 interim report as R10.7 million and R2.8 million respectively. R2.6 million of the impairment

	Reclassification	Disposal
Statement of comprehensive income		
Decrease in other net gains and losses	-	(6 702)
Impairment of subsidiary asset on disposal - restated	-	(19 708)
Impairment of subsidiary asset on disposal - previously reported	-	10 683
Group loss on disposal - restated	-	(455)
Group loss on disposal - previously reported		2 778
Attributable to non-controlling interest holder		2 234
Impairment of subsidiary asset on disposal - restated	-	4 878
Impairment of subsidiary asset on disposal - previously reported	-	(2 644)
Decrease in total comprehensive income for the period	-	(4 468)
Statement of financial position		
Increase in bank overdraft	(1 865)	
Increase in cash and cash equivalents	1 865	
Decrease in investment in associate		(3 105)

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Due to the seasonal nature of the retail business, higher revenues are usually expected in the second half of the year.

4. Events after the reporting period No event material to the understanding of these financial statements has occurred between the end of the reporting period and the date of approval.

Increase in trade and other pavable:

5. Related party transactions
Related party transactions similar to those disclosed in the Group's annual financia statements for the period ended 31 December 2010 took place during the period.

	6 months ended	Restated* Unaudited 6 months ended 30 June'10	Audited 12 months ended 31 Dec'10
Operating margin %	30.4	22.2	28.7
Operating profit/average shareholder's funds (%)	21.5	15.8	41.9
Operating profit/average total assets (%)	17.0	11.8	31.9
Taxed profit/revenue (%)	21.1	14.4	19.8
Effective taxation rate	29.8	34.5	29.6
Earnings per share - owners of the parent	104.2	61.1	176.2
Headline earnings per share - owners of the parent	102.1	76.1	190.9
Distributions to shareholders per ordinary share (cents)			
Interim distribution proposed/paid	35.0	20.0	20.0
Final distribution paid			30.0
Total	35.0	20.0	50.0
Distribution to shareholder cover (times)	3.0	3.1	3.5
Return on equity (annualised)	29.9	20.5	28.9
Interest paid cover (times)	63.8	21.0	36.4
Current ratio (:1)	7.5	6.4	7.5
Acid test ratio (:1)	6.7	5.8	6.8
Debt-equity ratio (:1)	0.07	0.11	0.0
NAV per share including intangibles (total shares)	731.7	565.2	661.3
NAV per share excluding intangibles (total shares)	721.4	556.5	652.5
Weighted average number of shares (000)	101 199	100 554	100 896
Number of shares in issue (000)	103 869	103 869	103 869
Number of shares in issue, net of treasury shares (000)	101 199	101 239	101 199
Depreciation – property, plant and equipment and	F 322	4.000	0.151
intangible asets (R'000)	5 220	4 008	9 459
Capital expenditure (R'000)	5 766	4 447	9 56
Capital commitments (R'000) - authorised	844	1 300	
- authorised	844	1 300	

	Ret	tail	Financia	services	Prop	erty	Otl	ner	Elimin	ations	Tot	al
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Unaudited 6 months ended 30 June	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Segmental revenue	405 184	329 872	85 121	53 026	8 601	8 658	8 583	7 434			507 489	389 990
Intersegment					(8 601)	(8 658)		(867)			(8 601)	(9 525)
Revenue from external customers	405 184	329 872	85 121	53 026		-	8 583	6 567			498 888	389 465
Segmental operating profit/(loss)	97 660	81 502	43 458	25 922	7 341	1 649	3 287	(6 255)			151 746	102 818
Intersegment	6 444	6 6 1 9	2 441	2 039	(8 601)	(8 658)	(337)	(16 179)			(53)	(16 179)
Operating profit/(loss) from external parties	104 104	88 121	45 899	27 961	(1 260)	(7 009)	2 950	(22 434)			151 693	86 639
Operating profit margin %	24,1%	24,7%	51,1%	48,9%							30,4%	22,2%
Profit/(loss) before taxation	98 148	81 861	32 407	17 874	5 071	(1 144)	14 656	3 067	(100)	(16 179)	150 182	85 479
Segment assets (excluding group loans)	493 028	379 774	293 834	184 088	107 390	107 054	44 273	85 604	(2 833)	(2 116)	935 692	754 404
Segment liabilities (excluding group loans)	130 444	116 536	7 335	7 250	57 660	59 017	2 262	1 524	(2 493)	(2 111)	195 208	182 216
Group loans receivable/(payable)	140 075	87 423	(225 740)	(155 294)	(39 748)	(45 794)	125 413	113 665	-			
Operating cash flows before working capital changes	101 934	84 467	44 122	26 438	7 913	8 586	3	(11 884)	(53)	3 528	153 919	111 135
Movements in working capital	(56 315)	(32 570)	(54 020)	(50 785)	(205)	(755)	(546)	636	445	(478)	(110 641)	(83 952)
Cash generated/(utilised) by operations	45 619	51 897	(9 898)	(24 347)	7 708	7 831	(543)	(11 248)	392	3 050	43 278	27 183
Depreciation and amortisation	3 988	2 869	659	516	573	573		50			5 220	4 008
Additions to property, plant and equipment	1 872	1 709	285								2 157	1 709
Additions to intangible assets	3 609	2 738									3 609	2 738



Our continued business success is due to our employees' hard work, focus and contribution,



GROUP SEGMENTAL ANALYSIS

HomeChoice Holdings Limited is a leading direct marketer in consumer finance, offering Holdings Limited and financial services to the rapidly expanding middle income market through its main subsidiaries, HomeChoice and Finchoice.

HomeChoice, our retail business, is South Africa's leading direct marketing retailer and offers an exclusive range of household goods to the urban mass market on cash or

HomeChoice

finchoice

Revenue up

23% to R405m

20% to R98m

Operating profit up

52%

Gross profit margin at

Cash generated up

21%

Trading expenses as a percentage of revenue reduced from 47.6% to 45.7%, and operating profit increased 19.8% to R97.7m, at an operating margin of 24.1% compared to 24.7% for the same period last year.

Operating profit up Loans disbursed up **68%** to R43m

64% to R233m

61% to R85m

Financial Services segment FinChoice continues to show strong controlled growth in personal loans to creditwort HomeChoice customers. Loan disbursements increased by 63.6% to R233.2m, growing revenue by 60.5% to R85.1m.

Retail segment

HomeChoice has produced pleasing revenue growth of 22.8% to R405.2m. The strong levels of demand achieved in 2010 are being maintained through continued focus on our merchandise offering and retail sales are up 24.0% to R265.1m.

Our customers have responded well to strong innovation in our bedding category, our core retail offering. Furthermore we continue to see good demand in our housewares and

Trading expenses as a percentage of revenue reduced from 54.4% to 48.9%, demonstrating the scalability of the business off a relatively stable cost base. Operating profit increased 67.6% to R43.4m at an operating margin of 51.1% compared to 48.9% for the same period last year.