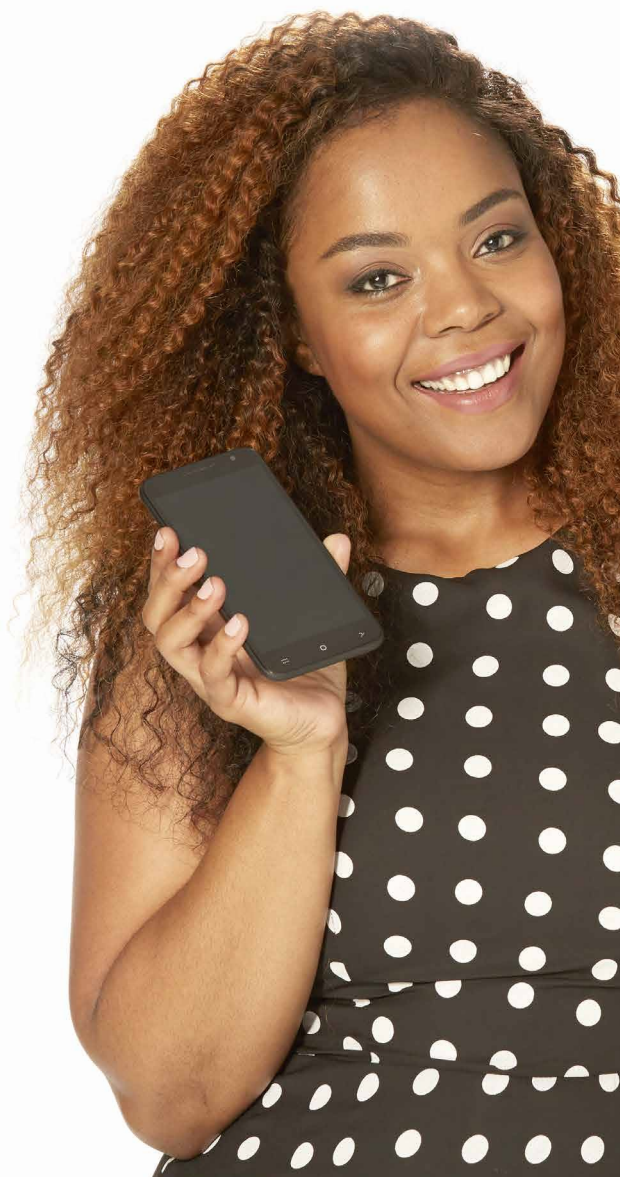




HomeChoice International PLC
summarised group financial statements
for the year ended 31 December 2017 and cash dividend declaration

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Retail
sales

+ 16.8%
to R1.7 billion



Loan
disbursements

+ 17.5%
to R1.5 billion



R1.2 billion

group credit
extended on
digital channels

Financial highlights



Cash generated
from operations

+ 29.5%
to R358.7 million



Final
dividend

+ 25.2%
to 109.0 cents



Headline earnings
per share

+ 22.9%
to 509.4 cents

Commentary

HomeChoice International PLC is an investment holding company listed on the JSE Limited primarily consisting of two trading operations, HomeChoice (Retail) and FinChoice (Financial Services).

The group has operated for more than 30 years in southern Africa and has developed considerable expertise in both retail and credit management targeted at the mass market LSM 4 – 8 consumers. As an omni-channel retailer we provide the customer with the convenience to engage with our group through their preferred channel. Retail engagement is through digital platforms, call centres, sales agents' networks, catalogues and showrooms. Engagement with our Financial Services business is via digital platforms with the call centre providing additional support.

The Retail product offering is mainly driven by homeware textiles and related products with a strongly increasing contribution of branded electronics, home appliances, apparel and footwear. Personal loans and insurance products comprise the Financial Services offering.

		31 Dec 2017	31 Dec 2016	% change
Group				
Revenue	(Rm)	3 003.2	2 664.2	12.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(Rm)	800.6	701.4	14.1
Operating profit	(Rm)	751.9	648.1	16.0
Operating profit margin	(%)	25.0	24.3	
Headline earnings per share (HEPS)	(cents)	509.4	414.6	22.9
Cash generated from operations	(Rm)	358.7	277.0	29.5
Interim dividend paid	(cents)	82.0	71.0	15.5
Final dividend declared/paid	(cents)	109.0	87.0	25.2
Retail				
Revenue	(Rm)	2 337.5	2 082.7	12.2
Retail sales	(Rm)	1 749.2	1 497.6	16.8
Gross profit margin	(%)	51.2	49.3	
EBITDA	(Rm)	474.7	420.2	13.0
EBITDA margin	(%)	20.3	20.2	
Financial Services				
Loan disbursements	(Rm)	1 467.6	1 249.0	17.5
Revenue	(Rm)	665.7	581.5	14.5
EBITDA	(Rm)	313.8	260.7	20.4
EBITDA margin	(%)	47.1	44.8	

“ *The group has delivered a robust financial performance in what continues to be a challenging retail and credit market.* ”

Trading and financial performance

Group revenue increased by 12.7% to R3.0 billion, bolstered by above market growth in Retail sales of 16.8%, as well as a strong contribution from Financial Services.

More than 20 000 new customers per month were acquired during the year, contributing to 7.0% growth of the group's active customer base to 796 000. New customers are primarily acquired by the Retail business, attracted to our curated homewares range. Analytics on the customer base, including payment performances, enable us to drive effective marketing campaigns and to develop risk and response scorecards to manage credit risk. Applying this knowledge, Financial Services products are offered to selected qualifying customers.

The group continues to be negatively impacted by the affordability assessment regulations introduced by the National Credit Regulator (NCR). The requirement for customers to provide documentary proof of income has adversely impacted revenue, increased operating costs and required continual investment in systems.

Group finance charges and initiation fees of R943.1 million were flat with 2016, negatively impacted by the annualisation of the lower interest-earning Retail credit facility product and the reduction of the NCR's maximum prescribed interest rates in May 2016.

The group's strategy to diversify its income streams beyond interest income has gained positive traction in the period. Fees from ancillary services, which comprises insurance and service fees, increased by 37.6% to R311.0 million.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 14.1% to R800.6 million, benefiting from an improvement in gross margins as well as efficiencies in trading expenses which increased by 14.7%. Improvements in collections, credit management and new fraud processes have resulted in group debtor costs increases being well controlled, increasing by 5.3%.

Operating profit increased by 16.0% to R751.9 million, with an improvement in operating margin from 24.3% to 25.0%. Headline earnings increased by 24.2% to R527.5 million, with HEPS up 22.9% to 509.4 cents.

Excellent progress was achieved in digital transformation across the group. Credit extended via digital channels has increased to R1.2 billion, driven by strong digital Retail sales growth of 48.2% and 44.9% growth in digital loan disbursements. Credit extended from digital now accounts for 32.4% (2016: 27.4%) of total group credit.

Commentary (continued)

RETAIL

Retail revenue increased 12.2% to R2.3 billion. Innovations in the core textiles and hard goods ranges combined with further expansion of our branded goods offering, delivered strong customer demand and Retail sales increased by 16.8% to R1.7 billion. With more than 60 external brands now on offer customers have responded positively to the transformation to “a digital department store”. Our credit facility enables customers to purchase brands on affordable credit, delivered direct to her home.

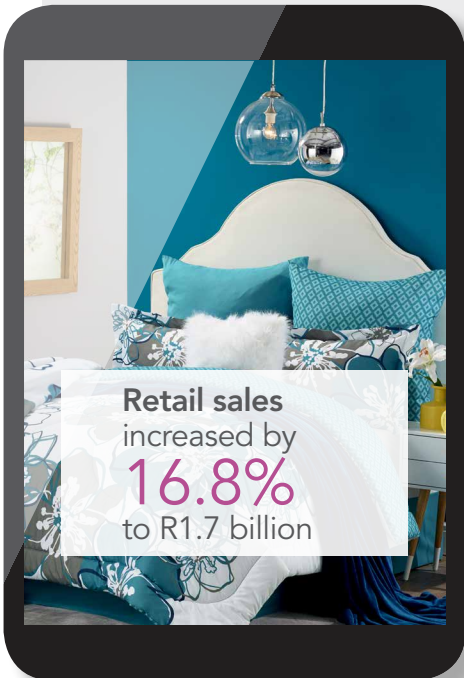
Digital, now the second-largest and fastest-growing sales channel, represents 15.4% of total sales (2016: 12.0%). It is exciting to see our customer engagement on digital channels growing.

The lower interest rate credit facility product, introduced in April 2016 (from the previous instalment credit product) has made credit more affordable to customers, but has resulted in the full-year finance charges and initiation fees earned being on par with those achieved in 2016. Fees from ancillary services were up 38.3% to R129.2 million and is attributable to the increase in service fees.

The favourable exchange rate during the second half, combined with our effective management of margin on branded goods, has improved the gross profit margin by 190 basis points from 49.3% to 51.2%. Inventory has increased by 20.1% to R256.8 million to support customer acquisition campaigns in the first quarter of 2018. Stock turn was in line with the previous year at 2.7 times.

The business continued to invest in people and technology to drive digital transformation and improve customer experience.

Retail EBITDA increased by 13.0% to R474.7 million, a pleasing result in light of the reduced finance charges revenue earned.



FINANCIAL SERVICES

Revenue increased by 14.5% to R665.7 million. Finance charges and initiation fees earned, increased by 7.8% as the 2016 NCR reduction in the interest rate caps have now annualised.

Strong growth in loan disbursements delivered an increase of 17.5% to R1.5 billion. Loans to existing customers increased from 77.3% to 79.1% of total disbursements over the period, as good customers qualify for increases in their credit limits. The customer base has steadily increased by 11.2% to 158 000 (2016: 142 000).

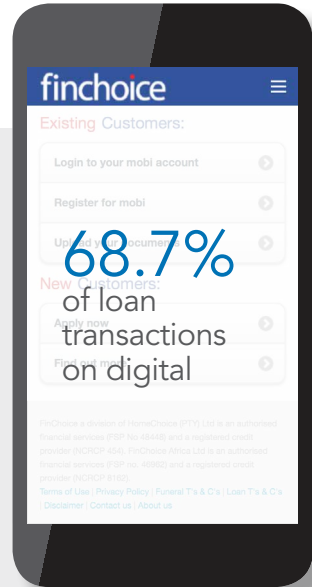
Financial Services is a digitally enabled business, with customers preferring to conclude loan transactions on their mobile phones. Enhanced self-service functionality on the mobi site and a constant focus on improving the customer experience on this digital platform is shifting customer engagement online, with 68.7% (2016: 63.5%) of loan transactions carried out on digital channels. The call centre is increasingly becoming a digital support team.

MobiMoney™, a new credit facility product available exclusively on customers' mobile phones, was launched in the fourth quarter to positive customer response. This innovative digital-only product will be further developed in 2018 to include value-added products and services enabling mobi-wallet functionality.

Customers have responded well to the roll-out of the group's suite of funeral insurance products, providing confidence in our strategy to diversify revenue towards fee-based income from insurance and value-added services.

During 2017 the business development team focused on establishing lending capability in Botswana and Namibia. Pilot loan sales to Botswana commenced in February 2018.

EBITDA grew by 20.4% to R313.8 million following strong improvement in debtors' performance, as well as the growing insurance business.



Commentary (continued)

Credit risk management

Group debtor costs growth of 5.3% is well below revenue growth of 12.7% and reflects prudent credit risk management and improved credit performance in both businesses.

Credit performance for the period is summarised below:

		31 Dec 2017	31 Dec 2016	% change
Group				
Gross trade and loans receivable	(Rm)	3 157.7	2 654.6	19.0
Debtor costs as a % of revenue*	(%)	16.8	17.9	
Retail				
Gross trade and loans receivable	(Rm)	1 806.1	1 507.3	19.8
Debtor costs as a % of revenue	(%)	14.9	15.1	
Provision for impairment as a % of gross receivables	(%)	17.9	18.9	
Non-performing loans (NPLs) (>120 days)	(%)	9.9	10.3**	
NPL cover	(times)	1.8	1.8**	
Financial Services				
Gross trade and loans receivable	(Rm)	1 351.7	1 147.3	17.8
Debtor costs as a % of revenue	(%)	23.2	28.0	
Provision for impairment as a % of gross receivables	(%)	14.0	15.5	
Non-performing loans (NPLs) (>120 days)	(%)	4.2	4.7	
NPL cover	(times)	3.3	3.3	

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

** Restated.

Retail vintages have shown improvement benefiting from the implementation of new scorecards, use of additional credit bureau data and investment in fraud prevention tools. Upskilling and training of the collections teams, combined with improvements in internal and external collections processes, have reduced debtor costs as a percentage of revenue to 14.9% (2016: 15.1%). Retail non-performing loans have improved from 10.3% to 9.9%. The improved credit performance has resulted in the provision for impairment of trade receivables being reduced to 17.9% (2016: 18.9%) whilst still maintaining a conservative NPL cover at 1.8 times.

Credit performance of Financial Services was strong, with debtor costs as a percentage of revenue at 23.2% (2016: 28.0%). More stringent credit-vetting criteria, term shortening, an increase in the reloan proportion of business and enhanced collections strategies have translated into better roll rates and payment profiles. As a result, bad debts written off during the year (net of recoveries) were up by only 0.6% despite the 17.8% increase in the gross debtors' book. Non-performing loans have improved from 4.7% to 4.2% and the provision for impaired loans has been reduced to 14.0% (2016: 15.5%) of the book, while maintaining the NPL cover at 3.3 times. The Financial Services' business continues to benefit from lending primarily targeted Retail customers who have demonstrated ongoing good payment behaviour.

Cash and capital management

Cash generated from operations increased by 29.5% to R358.7 million, driven by good cash collections, a reduction in loan terms and actively managing cash requirements in working capital. The cash conversion rate (cash generated from operations expressed as a percentage of EBITDA) increased from 39.5% to 44.8%.

The group has renegotiated its funding facilities and has entered into an R800 million long-term funding facility, replacing a R350 million facility and R160 million shareholder loan. As at 31 December 2017 the group had drawn down R550 million. The net debt to equity ratio has decreased from 28.7% at December 2016 to 28.1%, comfortably below the board's upper limit of 40.0%.

The final dividend has been increased by 25.2% to 109.0 cents per share, bringing the total dividend for the year to 191.0 cents per share (2016: 158.0 cents) with the dividend cover remaining at 2.6 times earnings.

Capital expenditure at R56.3 million reflects continued investment in the group's technology systems and an initial investment in a Gauteng distribution centre to be opened in 2018.

The financial position of the group remains strong, with net asset value increasing by 16.1% to 2 291 cents per share from December 2016.

Equity capital raising

As the group continues to grow, further capital investments will be made in areas of strategic importance, including new product development, systems and platforms to enhance customer experience and analytics capabilities, and warehousing and logistics infrastructure. In addition to the R800 million long-term funding facility already in place, the board is considering undertaking an equity capital raise to fund capital expansion projects.

In light of the company's concentrated shareholder register, any equity capital raise would also be intended to introduce new investors into the company which is expected to have the additional benefits of increasing the company's free float and improving liquidity in its shares. The board has engaged with the company's major shareholders, GFM Limited and ADP II Holdings 3 Limited, who are supportive of this initiative and, subject to favourable market conditions, have agreed to sell a portion of their own shareholdings as part of any equity capital raising, in order to further promote improved free float and liquidity in the company's shares.

Appointment of alternate director

The board is pleased to announce the appointment of Adefolarin Ogunsanya as an alternate non-executive director to Eduardo Gutierrez-Garcia with effect from 7 March 2018. We look forward to the contribution that he will bring to the board.

Outlook

Recent political developments have provided improved consumer and business confidence, as well as cautious optimism for growth within the South African economy.

We are continuing to see good demand across the group. The group is well positioned to take advantage of any improvement in economic conditions over the next year.

The group will continue to maintain tight credit policies, with cash collections and cost control remaining management priorities, while taking advantage of trading opportunities when they arise.

Driving digital engagement with customers continues to be a key strategic focus as the group looks to expand digital penetration in its target customer market, particularly via the mobile phone. The Financial Services business will continue to pursue the diversification of income earned from insurance and value-added products and services.

S Portelli

Chairman

G Lartigue

Chief executive officer

S Maltz

Chief executive officer (South Africa)

Qormi, Malta, 7 March 2018

Dividend declaration

Notice is hereby given that the board of directors has declared a final gross cash dividend of 109.0 cents (87.2000 cents net of dividend withholding tax) per ordinary share for the year ended 31 December 2017. The dividend has been declared from income reserves. HIL is registered in the Republic of Malta and the dividend is a foreign dividend. A dividend withholding tax of 20% will be applicable to all South African shareholders who are not exempt.

The issued share capital at the declaration date is 104 762 901 ordinary shares.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 3 April 2018
Shares commence trading "ex" dividend	Wednesday, 4 April 2018
Record date	Friday, 6 April 2018
Payment date	Monday, 9 April 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 April 2018 and Friday, 6 April 2018, both days inclusive.

G Said

Company secretary

Qormi, Malta, 7 March 2018



Summarised group statement of financial position

	Notes	2017 Rm	% change	2016 Rm
Assets				
Non-current assets				
Property, plant and equipment		428.6	0.6	425.9
Intangible assets		85.6	(4.6)	89.7
Investment in associates and other		43.7		24.3
Deferred taxation		0.4		38.2
		558.3	(3.4)	578.1
Current assets				
Inventories	2	256.8	20.1	213.8
Taxation receivable		4.2		4.7
Trade and other receivables	3	2 660.2	20.1	2 214.7
Trade receivables – Retail		1 482.4	21.3	1 221.7
Loans receivable – Financial Services		1 162.8	19.9	969.5
Other receivables		15.0	(36.2)	23.5
Cash and cash equivalents		130.3		187.2
		3 051.5	16.5	2 620.4
Total assets		3 609.8	12.9	3 198.5
Equity and liabilities				
Equity attributable to equity holders of the parent				
Stated and share capital		1.0		1.0
Share premium		3 002.7		2 998.4
Reorganisation reserve		(2 960.6)		(2 960.6)
		43.1		38.8
Treasury shares		(2.7)		(2.7)
Other reserves		13.9		6.4
Retained earnings		2 332.2		1 987.6
Total equity		2 386.5	17.6	2 030.1
Non-current liabilities				
Interest-bearing liabilities		616.0	6.4	579.1
Deferred taxation		124.6		134.8
Other payables		5.6		4.9
		746.2	3.8	718.8
Current liabilities				
Interest-bearing liabilities		165.6	>100.0	31.5
Taxation payable		8.4		11.8
Trade and other payables		241.2	12.4	214.5
Provisions		38.0		31.7
Derivative financial instruments		5.1		–
Bank overdraft		18.8		–
Shareholder loan		–		160.1
		477.1	6.1	449.6
Total liabilities		1 223.3	4.7	1 168.4
Total equity and liabilities		3 609.8	12.9	3 198.5

Summarised group statement of comprehensive income

	Notes	2017 Rm	% change	2016 Rm
Revenue		3 003.2	12.7	2 664.2
Retail sales		1 749.1	16.8	1 497.6
Finance charges and initiation fees earned		943.1		940.6
Finance charges earned		647.2	(3.7)	672.1
Initiation fees earned		295.9	10.2	268.5
Fees from ancillary services		311.0	37.6	226.0
Cost of retail sales		(853.6)	12.4	(759.3)
Other operating costs		(1 409.7)		(1 267.8)
Debtor costs	6	(503.6)	5.3	(478.1)
Other trading expenses	6	(906.1)	14.7	(789.7)
Other net gains and losses		0.8		7.5
Other income		11.2		3.5
Operating profit		751.9	16.0	648.1
Interest received		6.5	91.2	3.4
Interest paid		(82.8)	27.8	(64.8)
Share of loss of associates		(8.8)		(1.6)
Profit before taxation		666.8	14.0	585.1
Taxation		(147.1)	(8.2)	(160.3)
Profit and total comprehensive income for the year		519.7	22.3	424.8
Earnings per share (cents)				
Basic	7	501.9	21.0	414.8
Diluted		496.7	21.0	410.5
Additional information				
Retail gross profit margin (%)		51.2		49.3

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

	Stated and share capital Rm	Share premium Rm	Treasury shares Rm	Reorgan- isation reserve Rm	Other reserves Rm	Retained earnings Rm	Equity attributable to owners of the parent Rm
Balance at 1 January 2016	1.0	2 987.6	(2.7)	(2 960.6)	4.5	1 721.6	1 751.4
Changes in equity							
Profit and total comprehensive income for the year	-	-	-	-	-	424.8	424.8
Shares issued	-	10.8	-	-	-	-	10.8
Dividends paid	-	-	-	-	-	(158.8)	(158.8)
Share incentive schemes	-	-	-	-	1.9	-	1.9
Total changes	-	10.8	-	-	1.9	266.0	278.7
Balance at 1 January 2017	1.0	2 998.4	(2.7)	(2 960.6)	6.4	1 987.6	2 030.1
Changes in equity							
Profit and total comprehensive income for the year	-	-	-	-	-	519.7	519.7
Shares issued	-	4.3	-	-	-	-	4.3
Dividends paid	-	-	-	-	-	(175.1)	(175.1)
Share incentive schemes	-	-	-	-	7.5	-	7.5
Total changes	-	4.3	-	-	7.5	344.6	356.4
Balance at 31 December 2017	1.0	3 002.7	(2.7)	(2 960.6)	13.9	2 332.2	2 386.5

Summarised group statement of cash flows

	Notes	2017 Rm	% change	2016 Rm
Cash flows from operating activities				
Operating cash flows before working capital changes		813.5	16.4	698.8
Movements in working capital		(454.8)	7.8	(421.8)
Cash generated from operations	8	358.7	29.5	277.0
Interest received		6.5		3.4
Interest paid		(78.0)		(60.5)
Taxation paid		(122.4)		(140.6)
Net cash inflow from operating activities		164.8	>100.0	79.3
Cash flows from investing activities				
Purchase of property, plant and equipment		(28.3)		(26.3)
Proceeds on disposal of property, plant and equipment		0.3		0.4
Purchase of intangible assets		(28.0)		(20.1)
Loans repaid by employees		-		0.2
Investment in associates and other		(19.8)		(6.8)
Net cash outflow from investing activities		(75.8)	44.1	(52.6)
Cash flows from financing activities				
Proceeds from the issuance of shares		4.3		10.8
Proceeds from interest-bearing liabilities		714.5		369.6
Repayments of interest-bearing liabilities		(699.5)		(140.4)
Finance-raising costs paid		(8.9)		(7.2)
Dividends paid		(175.1)		(158.8)
Net cash (outflow)/inflow from financing activities		(164.7)	<100.0	74.0
Net (decrease)/increase in cash and cash equivalents and bank overdrafts				
		(75.7)		100.7
Cash, cash equivalents and bank overdrafts at the beginning of the year		187.2		86.5
Cash, cash equivalents and bank overdrafts at the end of the year		111.5	(40.4)	187.2

Group segmental analysis

2017

	Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intragroup Rm
Segmental revenue	3 058.7	2 337.5	665.7	55.5	-	-
Retail sales	1 749.2	1 749.2	-	-	-	-
Finance charges and initiation fees earned	943.1	459.1	484.0	-	-	-
Fees from ancillary services	366.4	129.2	181.7	55.5	-	-
Intersegment revenue	(55.5)	-	-	(55.5)	-	-
Revenue from external customers	3 003.2	2 337.5	665.7	-	-	-
Total trading expenses (refer to note 6)	1 409.7	1 062.5	360.6	24.0	7.1	(44.5)
EBITDA	800.6	474.7	313.8	32.9	(20.8)	-
Depreciation and amortisation	(57.5)	(53.5)	(2.7)	(1.3)	-	-
Interest received	3.6	-	2.9	-	61.3	(60.6)
Interest paid	(54.2)	-	(57.2)	-	(57.6)	60.6
Segmental operating profit*	692.5	421.2	256.8	31.6	(17.1)	-
Interest received	2.9	2.9	-	-	-	-
Interest paid	(28.6)	(4.0)	-	(24.6)	-	-
Profit before taxation	666.8	420.1	256.8	7.0	(17.1)	-
Taxation	(147.1)	(101.0)	(46.4)	1.0	(0.7)	-
Profit after taxation	519.7	319.1	210.4	8.0	(17.8)	-
Segmental assets	3 609.8	2 154.5	1 387.3	341.1	1 014.7	(1 287.8)
Segmental liabilities	1 223.3	505.6	1 065.9	283.0	658.1	(1 289.3)
Operating cash flows before working capital changes	813.5	478.1	309.4	32.9	(6.9)	-
Movements in working capital	(454.8)	(270.4)	(179.6)	(3.5)	(1.2)	(0.1)
Cash generated/(utilised) by operations	358.7	207.7	129.8	29.4	(8.1)	(0.1)
Capital expenditure						
Property, plant and equipment	28.3	25.9	0.4	2.0	-	-
Intangible assets	28.0	20.2	7.8	-	-	-
Change in Retail sales (%)	16.8	16.8				
Change in EBITDA (%)	14.1	13.0	20.4	5.1	94.4	
Change in debtor costs (%)	5.3	10.9	(5.4)			
Change in other trading expenses (%)	14.7	11.7	27.3	7.7	(26.2)	
Gross profit margin (%)	51.2	51.2				
Segmental results margin (%)	22.6	18.0	38.6	57.0		

* Refer to note 9 for further details on segments and segmental results.

2016

Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intragroup Rm
2 716.5	2 082.7	581.5	52.3	-	-
1 497.6	1 497.6	-	-	-	-
940.6	491.7	448.9	-	-	-
278.3	93.4	132.6	52.3	-	-
(52.3)	-	-	(52.3)	-	-
2 664.2	2 082.7	581.5	-	-	-
1 267.8	953.5	325.1	22.3	9.6	(42.7)
701.4	420.2	260.7	31.3	(10.7)	(0.1)
(54.8)	(49.5)	(3.6)	(1.3)	(0.4)	-
1.5	-	0.6	-	36.1	(35.2)
(31.5)	-	(31.7)	-	(34.2)	34.4
616.5	370.7	226.0	30.0	(9.3)	(0.9)
1.9	1.9	-	-	-	-
(33.3)	(7.5)	-	(25.8)	-	-
585.1	365.1	226.0	4.2	(9.3)	(0.9)
(160.3)	(97.5)	(54.1)	(4.2)	(4.5)	-
424.8	267.6	171.9	-	(13.8)	(0.9)
3 198.5	1 761.9	1 095.5	340.1	589.8	(588.8)
1 168.4	572.3	389.7	279.5	514.7	(587.8)
698.8	421.5	255.8	31.3	(9.2)	(0.6)
(421.8)	(265.1)	(161.4)	2.5	1.7	0.5
277.0	156.4	94.4	33.8	(7.5)	(0.1)
26.3	21.8	0.8	4.4	0.1	(0.8)
20.1	15.0	0.3	-	4.9	(0.1)
25.1	25.1				
11.0	11.3	11.7	3.5	(10.7)	
20.3	23.9	14.0			
18.4	11.2	57.9	>100.0	(39.4)	
49.3	49.3				
22.7	17.8	38.9	57.4		

Notes to the summarised group financial statements

1. Basis of presentation and accounting policies

The group annual financial statements for the year ended 31 December 2017 and these summarised consolidated financial statements have been prepared by the group's finance department, acting under the supervision of P Burnett, CA (SA), finance director of the group.

The summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) Listings Requirements for abridged reports. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting. The accounting policies applied in the preparation of the group annual financial statements from which the summarised consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous group annual financial statements, except for the amendment to IAS 7.

No new standards, amendments or interpretations to existing standards, relevant to the group's operations, became effective for the year ended 31 December 2017 other than the amendment to IAS 7, Cash flow statements. The impact of this amendment does not have a material impact on the group.

2. Inventories

	2017 Rm	2016 Rm
Merchandise for resale	212.5	198.3
Provision for inventory obsolescence	(18.0)	(22.3)
Goods in transit	62.3	37.8
	256.8	213.8

Inventory sold at less than cost during the current year amounted to R39.4 million (2016: R14.3 million).

3. Trade and other receivables

	2017 Rm	% change	2016 Rm
Trade receivables – Retail	1 806.1	19.8	1 507.3
Provision for impairment	(323.7)	13.3	(285.6)
	1 482.4	21.3	1 221.7
Loans receivable – Financial Services	1 351.7	17.8	1 147.3
Provision for impairment	(188.9)	6.3	(177.8)
	1 162.8	19.9	969.5
Other receivables	15.0	(36.2)	23.5
Total trade and other receivables	2 660.2	20.1	2 214.7
Trade and loan receivables	3 157.8	19.0	2 654.6
Provision for impairment	(512.6)	10.6	(463.4)
Other receivables	15.0	(36.2)	23.5

3. Trade and other receivables (continued)

	2017 Rm	% change	2016 Rm
Movements in the provision for impairment were as follows:			
Retail			
Opening balance	(285.6)	26.0	(226.6)
Movement in provision	(38.1)	(35.4)	(59.0)
Debtor costs charged to profit and loss	(349.3)	10.9	(315.0)
Debts written off during the year, net of recoveries	311.2	21.6	256.0
Closing balance	(323.7)	13.3	(285.6)
Financial Services			
Opening balance	(177.8)	13.2	(157.0)
Movement in provision	(11.1)	(46.6)	(20.8)
Debtor costs charged to profit and loss	(154.3)	(5.4)	(163.1)
Debts written off during the year, net of recoveries	143.2	0.6	142.3
Closing balance	(188.9)	6.3	(177.8)
Retail			
Debtor costs as a % of revenue	(%)	14.9	15.1
Debtor costs as a % of gross receivables	(%)	19.3	20.9
Provision for impairment as a % of gross receivables	(%)	17.9	18.9
Financial Services			
Debtor costs as a % of revenue	(%)	23.2	28.0
Debtor costs as a % of gross receivables	(%)	11.4	14.2
Provision for impairment as a % of gross receivables	(%)	14.0	15.5
Group			
Debtor costs as a % of revenue	(%)	16.8	17.9
Debtor costs as a % of gross trade receivables	(%)	15.9	18.0
Provision for impairment as a % of gross receivables	(%)	16.2	17.5

4. Contingent liabilities

The group is currently involved in a dispute with SARS with regards to the quantum of a deduction that has been claimed in prior years. The group's position is supported by tax specialists and they have concluded that the likelihood of an outflow of economic benefits to settle the obligation is not probable. The contingent tax liability, which includes interest and penalties, is estimated to be less than R10.0 million at the reporting date.

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.

Notes to the summarised group financial statements

(continued)

6. Total trading expenses

	2017 Rm	% change	2016 Rm
Expenses by nature			
Debtor costs			
Trade receivables – Retail	349.3	10.9	315.0
Loans receivable – Financial Services	154.3	(5.4)	163.1
Total debtor costs	503.6	5.3	478.1
Amortisation of intangible assets	32.1	(1.2)	32.5
Depreciation of property, plant and equipment	25.4	13.4	22.4
Operating lease charges for immovable property	1.4	7.7	1.3
Total operating lease charges	8.2	>100.0	4.0
Less: disclosed under cost of Retail sales	(6.8)	>100.0	(2.7)
Marketing costs	220.0	16.5	188.9
Staff costs: short-term employee benefits	394.9	18.9	332.0
Total staff costs	441.2	20.6	365.9
Less: disclosed under cost of Retail sales	(27.2)	25.3	(21.7)
Less: staff costs capitalised to intangibles	(19.1)	56.6	(12.2)
Other costs	232.3	9.3	212.6
Total other trading expenses	906.1	14.7	789.7
	1 409.7	11.2	1 267.8

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:

	2017 Rm	2016 Rm
Profit for the year	519.7	424.8
Adjusted for the after-tax effect of:		
Gain on disposal of property, plant and equipment and intangible assets	(0.1)	(0.2)
Impairment of property, plant and equipment	–	0.1
Impairment of investment in associate and other	3.5	–
Share of impairment of property, plant and equipment of associate	4.4	–
Headline earnings	527.5	424.7
Weighted average number of ordinary shares in issue ('000)	103.6	102.4
Earnings per share (cents)		
Basic	501.9	414.8
Headline	509.4	414.6
Basic – diluted	496.7	410.5
Headline – diluted	504.1	410.3

8. Reconciliation of cash generated from operations

	2017 Rm	% change	2016 Rm
Profit before taxation	666.8	14.0	585.1
Share of loss of associate	8.8	>100.0	1.6
Profit from insurance cells	(13.3)	>100.0	(5.8)
Gain on disposal of property, plant and equipment and intangible assets	(0.1)	(66.7)	(0.3)
Impairment of property, plant and equipment	–	>(100.0)	0.1
Impairment of investment in associate	4.9	>100.0	–
Depreciation and amortisation	57.5	4.9	54.8
Share-based employee share expense	7.5	>100.0	1.9
Exchange losses on foreign exchange contracts	5.1	>100.0	–
Interest paid	76.6	24.8	61.4
Interest received	(6.5)	91.2	(3.4)
Capitalised bond costs – amortised cost adjustment	6.2	82.4	3.4
Operating cash flows before working capital changes	813.5	16.4	698.8
Movements in working capital	(454.8)	7.8	(421.8)
Increase in inventories	(43.0)	(0.9)	(43.4)
Increase in trade receivables – Retail	(260.7)	8.8	(239.7)
Increase in loans receivable – Financial Services	(193.3)	8.0	(179.0)
Decrease/(increase) in other receivables	8.5	>(100.0)	(8.8)
Increase in trade and other payables	27.4	(7.7)	29.7
Increase in provisions	6.3	(67.5)	19.4
	358.7	29.5	277.0

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 within the group, are included in the Property segment. The Other segment relates mainly to the holding company's stand-alone results, as well as those of its associates.

The chief operating decision-maker monitors the results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They assess the performance of Retail and Property segments based upon a measure of operating profit and Financial Services and Other segments based on a measure of operating profit after interest received and interest paid.

Notes to the summarised group financial statements

(continued)

10. Fair value of financial instruments

The carrying amounts reported in the statement of financial position approximate fair values. Trade and other receivables are measured at amortised cost using the effective interest rate method less any allowance for impairment.

11. Commitments

Leases are contracted for periods not exceeding five years and contain escalation clauses of between 8% and 9% and renewal options. The lease expenditure charged to profit and loss during the year is disclosed in note 6.

At 31 December the future minimum operating lease commitments amounted to the following:

	2017 Rm	2016 Rm
Properties		
Payable within one year	7.7	3.5
Payable between two and five years	31.3	18.0
	39.0	21.5
Suspensive sale agreements		
Payable within one year	15.5	15.2
Payable between two and five years	13.9	25.7
	29.4	40.9
Future finance charges on suspensive sale agreements	(2.8)	(5.1)
	26.6	35.8
The present value of suspensive sale agreement payments is as follows:		
Payable within one year	13.6	12.7
Payable between two and five years	13.0	23.1
	26.6	35.8
Capital commitments for property, plant and equipment and intangible assets:		
Approved by the directors	13.5	47.2
	13.5	47.2

12. 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 2017 took place during the period and related party balances are existing at the reporting date. Related party transactions include key management personnel compensation and intragroup transactions which have been eliminated on consolidation.

The group entered into a loan agreement with GFM Limited in May 2015. The loan carried interest at the South African prime interest rate and was fully repaid during the current period.

13. Audit opinion

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

7 March 2018

Administration

Country of incorporation

Republic of Malta

Date of incorporation

22 July 2014

Company registration number

C66099

Registered office

93 Mill Street
Qormi
QRM3012
Republic of Malta

Company secretary

George Said

Auditors

PricewaterhouseCoopers
Republic of Malta

Corporate bank

Deutsche Bank International Limited
Channel Islands

JSE listing details

Share code: HIL
ISIN: MT0000850108

Sponsor

Rand Merchant Bank, a division of
FirstRand Bank Limited

Transfer secretaries

Computershare Investor Services
Proprietary Limited

Directorate

Non-executive directors

S Portelli* (Chairman), A Chorn*, R Garratt, E Gutierrez-Garcia,
R Hain*, C Rapa*, A Ogunsanya (alternate)

* Independent

Executive directors

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

The logo for Hil PLC, featuring the word "Hil" in a large, white, sans-serif font with a dot over the 'i', and "PLC" in a smaller, white, sans-serif font to the right, all set against a dark grey background.