Unaudited interim **results**

for the six months ended 30 June 2019, cash dividend declaration and changes to board composition

HOMECHOICE INTERNATIONAL PLC

CONTINUED GROWTH IN A DIFFICULT TRADING ENVIRONMENT

Revenue
+8.6%
to **R1.7 billion**

Retail sales
+7.0%

Loan disbursements
+34.2%

EBITDA
-6.7%
to **R379 million**

Acquired
160 000
new customers

Headline earnings per share
-7.9%
to **229.9 cents**

Interim dividend
87.0 cents
down **8.4%**

Investments in technology and customer experience continue

Cash conversion
66.0%
from **59.1%**

R1 billion
digital credit extended, **40.8%**

COMMENTARY

Introduction

HomeChoice International plc is an investment holding company listed on the JSE Limited. The group is a leading participant in the retail homeware and financial services sectors to the urban middle-income mass market in southern Africa. It has serviced this market for more than 30 years and has built up a loyal, primarily female, customer base of more than 915 000 active customers. The group operates through two trading operations, Retail and Financial Services.

		6 months ended 30 June 2019*	6 months ended 30 June 2018**	% change (June to June)	12 months ended 31 Dec 2018 (audited)**
Group					
Revenue	(Rm)	**1 655**	1 524	8.6	3 247
EBITDA	(Rm)	**379**	406	(6.7)	821
EBITDA margin	(%)	**22.9**	26.6		25.2
Operating profit	(Rm)	**345**	374	(7.8)	763
Operating profit margin	(%)	**20.8**	24.5		23.5
Earnings per share (EPS)	(cents)	**229.9**	249.6	(7.9)	506.8
Headline EPS (HEPS)	(cents)	**229.9**	249.6	(7.9)	507.7
Cash generated from operations	(Rm)	**250**	240	4.2	474
Cash conversion	(%)	**66.0**	59.1		57.7
Interim dividend declared/paid	(cents)	**87.0**	95.0	(8.4)	
Retail					
Revenue	(Rm)	**1 231**	1 167	5.5	2 501
Retail sales	(Rm)	**916**	856	7.0	1 860
Gross profit margin	(%)	**47.1**	51.9		49.6
EBITDA	(Rm)	**213**	230	(7.4)	453
EBITDA margin	(%)	**17.3**	19.7		18.1
Financial Services					
Loan disbursements	(Rm)	**1 145**	853	34.2	1 784
Revenue	(Rm)	**424**	357	18.8	746
EBITDA	(Rm)	**192**	168	14.3	357
EBITDA margin	(%)	**45.3**	47.1		47.9

* *IFRS 16, Leases, adopted effective 1 January 2019.*
** *IAS 17, Leases, applied in 2018 financial year.*

The Retail business is an omni-channel retailer with considerable expertise in both merchandise and credit management to the mass market. Retail's multi-channel offering with a digital focus includes contact centres, sales agents' networks, showrooms and the recently launched ChoiceCollect containers. Retail's product offering comprises a curated range of quality homewares and textiles under the trusted HomeChoice brand, as well as an increasing contribution from electronics, home appliances and footwear, featuring some 140 well-known external brands. Affordable and accessible credit offerings enable our customers to create the home they love.

Financial Services is a FinTech business offering a range of personal lending, value-added services and insurance products on digital platforms. Providing convenient solutions to the increasingly mobi-savvy target market puts our customers in control of their own financial well-being.

We have maintained momentum on delivering our strategic initiatives despite the challenging market conditions.

Trading performance

In a challenging market, group revenue increased by 8.6% to R1.7 billion. This was boosted by strong loan disbursements growth of 34.2% to R1.2 billion in Financial Services and volume-driven Retail sales growth of 7.0% to R0.9 billion.

Finance charges and initiation fees earned increased by only 7.7% to R532 million. The softer finance income growth is due to lower Retail sales in 2018H2 and a reduced level of Financial Services loan disbursements in 2018Q4.

The group continues to accelerate its growth away from interest-bearing income products to diversify revenue. Fees from ancillary services grew by 19.0%, primarily from the strong customer response to insurance fees which grew by 16.6%.

The 2018 South African Post Office (SAPO) strike negatively impacted Retail sales in 2018H2, giving rise to higher opening stock holdings at the beginning of the period. The group took a decision to aggressively promote and clear the surplus stock, resulting in higher markdowns and a reduction in the margin for the six-month period. Gross profit margin decreased by 480 bps from 51.9% to 47.1%.

A large portion of the group's distressed debtors, being managed in a debt review process were sold during the period. These proceeds were reinvested into higher income-generating Financial Services loans, to existing customers whose demand was curtailed in 2018Q4.

Debtor costs increased by 25.4%, primarily as a function of the quantum of provision required on the 34.2% increase in loan disbursements and the impact of the sale of the debt review book.

Debtor costs on the core book increased by 8.0%, reflecting the good quality of the book.

Comparable trading expenses were well controlled up 4.6%, despite the continued investment in digital transformation, technology and additional showrooms. A 2.2% reduction in marketing expenses was enabled by an increase in more efficient digital advertising. In addition, better targeted marketing campaigns, as response propensity models developed by our data science and analytics teams become more entrenched in the business operations.

Operating profit decreased by 7.8% to R345 million, impacted by the lower gross profit margin and higher debtor costs. The effective tax rate has reduced to 20.3% as the contribution from the Financial Services Mauritian operations has increased.

Headline earnings decreased by 7.7% to R240 million and HEPS decreased by 7.9% to 229.9 cents.

An interim dividend of 87.0 cents per share has been declared by the board, 8.4% down on the comparable period. A dividend cover of 2.6 times has been maintained.

The group uses digital credit extended as a metric to measure progress achieved on the digital transformation journey. In the six months to June 2019 R1 billion of the group's credit was transacted on digital platforms, comprising 40.8% (2018: 39.1%) of the total credit extended. It is pleasing that our digital platforms continue to grow at a faster rate than the other channels.

The group has adopted IFRS 16, Leases, with effect from 1 January 2019. The impact on the group is not material and is explained in more detail below.

RETAIL

good volume growth in tough retail market

Retail revenue increased by 5.5% to R1.2 billion, with increases in customers and volumes delivering a sales growth of 7.0%. EBITDA decreased by 7.4% to R213 million driven by a lower gross profit margin negatively impacted by the decision to aggressively mark down excess opening stock.

With 840 000 (2018: 775 000) customers, the strength of the HomeChoice brand continues to appeal to the mass market. Retail acquired 150 000 new customers during the period, a 17.1% growth over 2018H1. An increasing proportion of new customers are acquired through digital channels. New customers are typically brought onto the book with lower credit limits and shorter terms. As they become more familiar with the credit process, their limits and terms are increased in line with their credit risk score. An increasing proportion of new customers remain in a buying position after six months. We have maintained the existing to new customer mix in the granting of credit for the period.

Customers responded positively to ongoing product innovation. With more than 140 external brands on offer, mainly in the appliances, electronics and footwear categories, customers are appreciating the ability to buy well-known external brands utilising their HomeChoice credit account. Sales from external brands now contribute 17.0% (2018: 13.3%).

Gross profit margin declined by 480 bps to 47.1% (2018: 51.9%). The higher clearance activity and non-comparable warehouse expenses for the Johannesburg distribution centre (opened 2018Q1) negatively impacted the margin. Further, 2018H1 gross profit benefited from favourable exchange rates. Stock holdings at June 2019 have returned to normal levels.

In mitigation of the poor service delivery experience during the SAPO strike in 2018, several initiatives were implemented to reduce the reliance on SAPO for the delivery of catalogues and parcels. SAPO parcel deliveries have been reduced to 17% of total deliveries (December 2018: 23%) with no increase to fulfilment expenses and pleasing improvements in delivery times for existing customers. Our convenient click-and-collect option has doubled over the comparable period, now >9% of deliveries. Trials of alternative methods for the delivery of catalogues and customer contactability options have been conducted. The new e-commerce engine should further reduce reliance on SAPO as our digital catalogue is made more widely available.

Digital sales have remained steady at 16% of total sales. The focus has been on the implementation of our new Oracle e-commerce engine, with limited upgrades and enhancements made to the existing digital site, resulting in slower digital sales growth. We have taken a cautious approach to the complex implementation of the new Oracle e-commerce engine. The site has been running in "beta testing" and was taken live in August 2019. Its implementation will significantly improve the customers' digital experience and accelerate digital sales growth rates.

Retail showrooms continue to receive good customer response and are trading in line with our expectations. Seven showrooms are now operational and a further two will open in the second half of the year. The showrooms enable customers to see and experience the brand, in addition to providing a click-and-collect customer experience offering. The roll-out of ChoiceCollect containers in township areas brings the HomeChoice brand closer to our customers' homes, offering a facility to place orders and collect parcels. We now have five containers with further roll-outs in the second half.

digital strategy continues to drive strong growth

Financial Services revenue increased by 18.8% to R424 million, comprising a 17.1% increase in finance income and a 23.0% growth in ancillary and insurance fees. This strong growth has translated into an EBITDA increase of 14.3% to R192 million.

Loan disbursements increased by 34.2% to R1.2 billion. The strong growth in the first half was funded by the proceeds from the sale of the group's distressed debt review book. Disbursements to existing customers increased to 86.9% from 85.0% as we targeted good-paying existing customers who had previously been curtailed in 2018Q4. The average loan term has increased from 19.7 months to 20.0 months and the average loan balance reduced from R9 474 to R9 222.

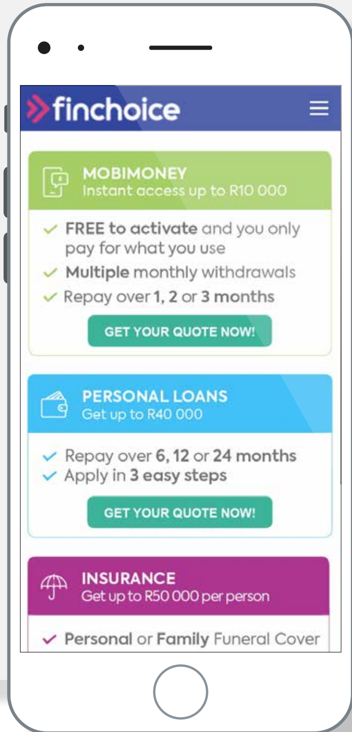
As a FinTech business, we continue to drive digital engagement. 86% of the active customer base are registered on our self-service platforms. The growth in our digital-only FinChoice MobiMoney™ facility product and our value-added services (airtime, data, electricity) complement our digital platform strategy. Digital transactions increased by 19.8%, improving the digital mix from 81.4% to 83.0% at June 2019.

Financial Services has historically only leveraged the Retail customer base to attract new customers. Increasingly, FinChoice has carried out controlled acquisitions of external customers, primarily sourced from digital sites. New customers increased by 51.5% over the comparable period, with 30 000 new customers acquired in the six-month period (2018: 19 800); 11 300 (37%) from external sources. The credit exposure from the external customers is conservatively managed, representing only 2% of overall disbursements. Lower credit limits and shorter term loans are applied to these external customers to control the risk exposure.

Our personal insurance business has shown good growth, supported by digital channels and a dedicated contact centre. Stand-alone insurance premiums increased by 58% over the comparable period. Parent funeral insurance was introduced during the period and we expect to see greater uptake of this product variant in the second half. The stand-alone insurance book has 54 000 policies in force.

Trading expenses have increased by 7.6%, with investments focused on digital and technology initiatives.

The FinChoice brand was refreshed and launched to customers during the period. The new-look styling is designed to complement our FinTech platform strategy and to resonate with our 183 000 primarily female customer base.



Stable credit risk

The group continues to grow a quality credit book, with gross trade and loan receivables increasing by 5.5% to R3.5 billion, primarily due to the strong loan disbursements during the period under review. Group debtor costs on the core book have increased by 8.0%. The impact of non-comparable items, explained in more detail alongside, has the impact of increasing total debtor costs by 25.4%.

Credit performance for the period is summarised below:

		6 months ended 30 June 2019	6 months ended 30 June 2018	% change (June to June)	12 months ended 31 Dec 2018
Group					
Gross trade and loans receivable	(Rm)	**3 529**	3 345	5.5	3 464
Debtor costs* as a % of revenue	(%)	**19.7**	17.1		17.1
Retail					
Number of active accounts		**614 834**	603 649	1.9	600 789
Active accounts able to purchase	(%)	**70.8**	68.8		68.0
Gross trade and loans receivable	(Rm)	**1 816**	1 845	(1.6)	1 865
Debtor costs as a % of revenue	(%)	**16.2**	14.7		14.9
Provision for impairment as a % of gross receivables	(%)	**18.4**	20.6		19.3
NPLs**	(%)	**9.5**	9.8		9.6
NPL cover	(times)	**1.9**	2.1		2.0
Financial Services					
Number of active accounts		**195 738**	153 781	27.3	185 177
Active accounts able to reloan	(%)	**76.9**	75.8		72.1
Gross trade and loans receivable	(Rm)	**1 713**	1 500	14.2	1 599
Debtor costs as a % of revenue	(%)	**30.0**	24.9		24.7
Provision for impairment as a % of gross receivables	(%)	**12.0**	16.0		15.8
NPLs**	(%)	**3.8**	4.2		4.1
NPL cover	(times)	**3.2**	3.8		3.8

* *Debtor costs include bad debts written off net of recoveries, as well as movements in provisions.*
** *Non-performing loans (>120 days).*

Stable credit risk

R220 million of distressed debtors' accounts, managed in line with the National Credit Act's debt review process, was sold during the period. Given the nature of the debt review book, more conservative provisions were held on this book and the shift in the book mix post the sale had the impact of reducing the overall provision percentages.

Retail's core book debtor costs have increased by 5.0%, benefiting from the implementation of the fraud prevention tool, the automation of the decision engine process and improvements in cash collections through digital payments and an increase in debit orders. Overall, Retail debtor costs have increased by a further 11.4% attributable to a lower income reversal in 2019 vs 2018 on fewer accounts classified under IFRS 9 stage 3 in 2019, and the growth in the debt review accounts post-sale which hold a more conservative provision percentage. The provision for impairment of trade receivables has decreased to 18.4% (December 2018: 19.3%) with an improvement in the NPL percentage to 9.5%.

The core book debtor costs in Financial Services have increased by 16.4%, well below the disbursement growth of 34.2%. The remaining increase of 26.3% is due to the increase in the quantum of the provision required on the higher loan disbursements and the growth of the debt review book (post-sale) which holds a more conservative provision percentage. The sale of the debt review book and the continued stable performance of the core loan book has decreased the provision required for impaired loans to 12.0% (December 2018: 15.8%). Consequently, the NPLs have reduced from 4.2% to 3.8% of the total book.

Continued investment in strategy while improving cash conversion

Cash generated from operations increased by 4.2% to R250 million, with the cash conversion rate improving to 66.0% from 59.1%.

The 34.2% increase in loan disbursements was mainly funded from the proceeds of the debt review sale.

We have seen good growth in cash generated from operations from a focus on collections and the implementation of digital payments and an increase in debit orders for the Retail business.

Capital expenditure of R53 million (2018: R66 million) was invested in showrooms, technology and equipment to drive productivity and capacity efficiencies in the distribution centres.

Application of new accounting standards

As required by International Financial Reporting Standards (IFRS), the group has adopted IFRS 16, Leases, effective 1 January 2019. The group leases various offices, warehouses and retail showrooms.

IFRS 16 is the new standard for leases and will result in almost all leases being recognised on the balance sheet. Rental charges are removed from the profit and loss and replaced with depreciation relating to the right-of-use assets and accounting interest relating to the liability. In adopting IFRS 16 the group has applied the simplified transition approach, recognising the cumulative effect of applying this standard as an adjustment to the opening balance of retained earnings at 1 January 2019.

As a result of adopting IFRS 16, R55 million is shown as right-of-use assets and R62 million as lease liabilities.

Changes to board composition

At the annual general meeting, held on 10 May 2019, Pierre Joubert was appointed as an independent non-executive director. He is based in Mauritius and brings a wealth of financial services experience to the board's deliberations. He is also a member of the audit and risk committee.

Outlook

The economic outlook for South Africa remains muted with high unemployment and a slow recovery in key economic indicators.

Our vision is to provide for our customers' lifestyle through digitally focused and innovative retail and financial services products and to position the group as a leading digital player in the mass market.

Technology is a key enabler in our journey to become a leading digital retailer. We will continue to invest in product innovation, digitalisation and enhancing the customer experience to deliver an engaging and consistent retail and financial services offering.

We are committed to continue to drive our strategic initiatives and with a loyal and expanding customer base, strong brands and continuous innovation, we believe we are well positioned to drive growth.

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

S Portelli	**G Lartigue**	**S Maltz**
Chairman	Chief Executive Officer	Chief Executive Officer (South Africa)

Qormi, Malta, 27 August 2019

Dividend declaration

Notice is hereby given that the board of directors has declared a final gross cash dividend of 87.0000 cents (69.6000 cents net of dividend withholding tax) per ordinary share for the six months ended 30 June 2019. The dividend has been declared from income reserves. HIL is registered in the Republic of Malta and the dividend is a foreign 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 105 376 146 ordinary shares.

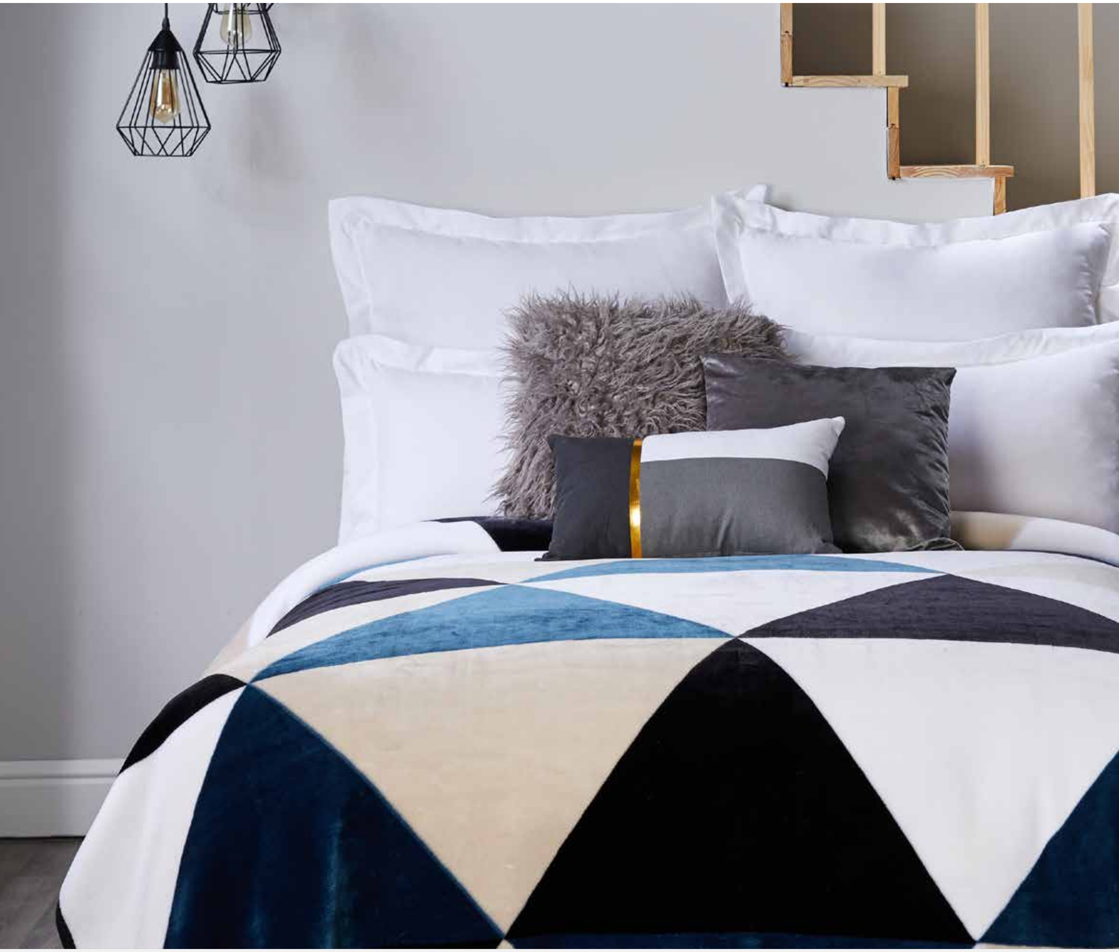
The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Tuesday, 17 September 2019
Shares commence trading "ex" dividend	Wednesday, 18 September 2019
Record date	Friday, 20 September 2019
Payment date	Monday, 23 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 September 2019 and Friday, 20 September 2019, both days inclusive.

G Said
Company Secretary

Qormi, Malta, 27 August 2019



UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

GROUP STATEMENT OF **FINANCIAL POSITION**

	Notes	**Unaudited Jun 2019 Rm**	Unaudited Jun 2018 Rm	Audited Dec 2018 Rm
Assets				
Non-current assets				
Property, plant and equipment		**466**	456	464
Right-of-use asset		**55**	–	–
Intangible assets		**140**	93	116
Investment in associates		**–**	1	–
Financial assets at fair value through profit and loss		**28**	36	24
Deferred taxation		**1**	–	1
		690	586	605
Current assets				
Inventories		**305**	274	304
Taxation receivable		**2**	1	–
Trade and other receivables	4	**3 023**	2 772	2 903
Trade receivables – Retail		**1 482**	1 465	1 506
Loans receivable – Financial Services		**1 507**	1 260	1 347
Other receivables		**34**	47	50
Cash and cash equivalents		**121**	80	108
Derivative financial instruments		**–**	1	–
		3 451	3 128	3 315
Total assets		**4 141**	3 714	3 920
Equity and liabilities				
Equity attributable to equity holders of the parent				
Stated and share capital		**1**	1	1
Share premium		**3 010**	3 003	3 005
Reorganisation reserve		**(2 961)**	(2 961)	(2 961)
		50	43	45
Treasury shares		**(3)**	(3)	(3)
Other reserves		**24**	21	18
Retained earnings		**2 758**	2 453	2 624
Total equity		**2 829**	2 514	2 684
Non-current liabilities				
Interest-bearing liabilities		**794**	627	756
Lease liabilities		**48**	–	–
Deferred taxation		**64**	92	66
Other payables		**4**	4	6
		910	723	828
Current liabilities				
Interest-bearing liabilities		**91**	157	92
Lease liabilities		**14**	–	–
Taxation payable		**35**	31	46
Trade and other payables		**262**	282	267
Provisions		**–**	3	3
Bank overdraft		**–**	4	–
		402	477	408
Total liabilities		**1 312**	1 200	1 236
Total equity and liabilities		**4 141**	3 714	3 920

GROUP STATEMENT OF **COMPREHENSIVE INCOME**

	Notes	**Unaudited six months ended Jun 2019 Rm**	% change	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
Revenue		**1 655**	8.6	1 524	3 247
Retail sales		**916**	7.0	856	1 860
Finance income		**532**	7.7	494	1 016
Fees from ancillary services	7	**207**	19.0	174	371
Cost of Retail sales		**(485)**	17.7	(412)	(938)
Other operating costs		**(830)**	11.9	(742)	(1 550)
Credit impairment losses	8	**(326)**	25.4	(260)	(557)
Other trading expenses	8	**(504)**	4.6	(482)	(993)
Other net gains and losses		**1**	(50.0)	2	(5)
Other income		**4**	100.0	2	9
Operating profit		**345**	(7.8)	374	763
Interest received		**1**	(50.0)	2	3
Interest paid		**(45)**	4.7	(43)	(89)
Share of loss of associates		**–**		–	(1)
Profit before taxation		**301**	(9.6)	333	676
Taxation		**(61)**	(16.4)	(73)	(148)
Profit and total comprehensive income for the period		**240**	(7.7)	260	528
Earnings per share (cents)					
Basic	9.1	**229.9**	(7.9)	249.6	506.8
Diluted	9.2	**226.9**	(7.7)	245.8	499.8

GROUP STATEMENT OF **CHANGES IN EQUITY**

	Unaudited six months ended Jun 2019 Rm	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
Equity at the beginning of the period	**2 684**	2 373	2 373
Change on initial application of IFRS 16	**(3)**	–	–
Change on initial application of IFRS 9	**–**	(11)	(11)
Total comprehensive income for the period	**240**	260	528
Dividends paid	**(103)**	(114)	(213)
Shares issued	**5**	–	2
Share incentive scheme	**6**	6	5
Equity at the end of the period	**2 829**	2 514	2 684

GROUP STATEMENT OF **CASH FLOWS**

	Notes	**Unaudited six months ended Jun 2019 Rm**	% change	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
Cash flows from operating activities					
Operating cash flows before working capital changes		**381**	(5.0)	401	809
Movement in working capital		**(131)**	(18.6)	(161)	(335)
Cash generated from operations	10	**250**	4.2	240	474
Interest received		**1**	(50.0)	2	3
Interest paid		**(45)**	2.3	(44)	(85)
Taxation paid		**(76)**	10.1	(69)	(156)
Net cash inflow from operating activities		**130**	0.8	129	236
Cash flows from investing activities					
Purchase of property, plant and equipment		**(20)**		(44)	(70)
Proceeds from disposal of property, plant and equipment		**–**		–	1
Purchase of intangible assets		**(33)**		(22)	(56)
Investment in associates		**–**		13	14
Financial assets at fair value through profit and loss		**–**		–	19
Net cash outflow from investing activities		**(53)**	–	(53)	(92)
Cash flows from financing activities					
Proceeds from issuance of shares		**5**		–	2
Proceeds from interest-bearing liabilities		**170**		55	271
Repayments of interest-bearing liabilities		**(136)**		(52)	(207)
Dividends paid		**(103)**		(114)	(213)
Net cash outflow from financing activities		**(64)**	(42.3)	(111)	(147)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**13**		(35)	(3)
Cash, cash equivalents and bank overdrafts at the beginning of the period		**108**		111	111
Cash, cash equivalents and bank overdrafts at the end of the period		**121**	59.2	76	108

GROUP
SEGMENTAL ANALYSIS

	2019					
	Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intra-group Rm
Six months ended 30 June – Unaudited						
Segmental revenue	**1 686**	**1 231**	**424**	**31**	**–**	**–**
Retail sales	**916**	**916**	**–**	**–**	**–**	**–**
Finance income	**532**	**231**	**301**	**–**	**–**	**–**
Fees from ancillary services	**238**	**84**	**123**	**31**	**–**	**–**
Intersegment revenue	**(31)**	**–**	**–**	**(31)**	**–**	**–**
Revenue from external customers	**1 655**	**1 231**	**424**	**–**	**–**	**–**
Total trading expenses (refer to note 8)	**830**	**593**	**239**	**11**	**15**	**(28)**
EBITDA	**379**	**213**	**192**	**18**	**(15)**	**(29)**
Depreciation and amortisation	**(34)**	**(56)**	**(5)**	**(1)**	**–**	**28**
Interest received	**1**		**1**		**38**	**(38)**
Interest paid	**(24)**		**(30)**		**(32)**	**38**
Segmental operating profit**	**322**	**157**	**158**	**17**	**(9)**	**(1)**
Interest received	**–**	**–**		**–**		**–**
Interest paid	**(21)**	**(11)**		**(10)**		**–**
Profit before taxation	**301**	**146**	**158**	**7**	**(9)**	**(1)**
Taxation	**(61)**	**(34)**	**(26)**	**(2)**	**1**	**–**
Profit after taxation	**240**	**112**	**132**	**5**	**(8)**	**(1)**
Segmental assets	**4 141**	**2 236**	**1 631**	**344**	**1 200**	**(1 270)**
Segmental liabilities	**1 312**	**928**	**799**	**262**	**619**	**(1 296)**
Operating cash flows before working capital changes	**381**	**189**	**151**	**18**	**23**	**–**
Movements in working capital	**(131)**	**23**	**(147)**	**1**	**(8)**	**–**
Cash generated/(utilised) by operations	**250**	**212**	**4**	**19**	**15**	**–**
Gross profit margin (%)	**47.1**	**47.1**				
Segmental results margin (%)	**19.1**	**12.8**	**37.3**	**54.8**		

** *Refer to note 11 for further details on segments and segmental results*

	2018					
	Total Rm	Retail Rm	Financial Services Rm	Property Rm	Other Rm	Intra-group Rm
	1 553	1 167	357	29	–	–
	856	856	–	–	–	–
	494	237	257	–	–	–
	203	74	100	29	–	–
	(29)	–	–	(29)	–	–
	1 524	1 167	357	–	–	–
	742	551	192	14	8	(23)
	406	230	168	16	(8)	–
	(32)	(29)	(2)	(1)	–	–
	2		1		34	(33)
	(29)		(31)		(31)	33
	347	201	136	15	(5)	–
	–	–		–		–
	(14)	(3)		(11)		–
	333	198	136	4	(5)	–
	(73)	(45)	(25)	(2)	(1)	–
	260	153	111	2	(6)	–
	3 714	2 244	1 916	340	1 264	(2 050)
	1 200	930	1 242	280	798	(2 050)
	401	225	168	16	(8)	–
	(161)	(53)	(107)	1	(2)	–
	240	172	61	17	(10)	–
	51.9	51.9				
	22.3	17.2	38.1	51.7		

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of presentation and accounting policies

Basis of presentation

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Maltese Companies Act.

2. Accounting policies

The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements except for the adoption of the following new standards and interpretations by the group on 1 January 2019:

- IFRS 16, Leases

The impact of the adoption of this standard is disclosed in note 3 below.

3. Changes in accounting policies

3.1 IFRS 16, Leases – Impact of adoption

This note explains the impact of the adoption of IFRS 16, Leases on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

3.1.1 Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16 the group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17, Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10.25%.

The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

	Notes	**2019 Rm**
Operating lease commitments disclosed as at 31 December 2018		**67**
Discounted using the lessee's incremental borrowing rate at the date of initial application		**(12)**
Lease liability recognised as at 1 January 2019		**55**

3. Changes in accounting policies (continued)

3.1.1 Adjustments recognised on adoption of IFRS 16 (continued)

The associated right-of-use assets for property leases were measured as if the standard had been applied since the lease commencement dates, but discounted using the incremental borrowing rate at the date of initial application of 10.25%.

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increase by R50 million
- deferred tax assets – increase by R2 million
- lease liabilities – increase by R55 million

The net impact on retained earnings on 1 January 2019 was a decrease of R3 million.

3.1.2 Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4, Determining Whether an Arrangement Contains a Lease.

3.2 Significant accounting judgements, estimates and assumptions

3.2.1 Extension and termination options

Extension and termination options are included in leases across the group. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Critical judgements in determining the lease term
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

3.2.2 Residual value guarantees

The group does not provide residual value guarantees in relation to leases.

4. Trade and other receivables

	Unaudited six months ended Jun 2019 Rm	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
Trade receivables – Retail	**1 816**	1 845	1 865
Provision for impairment	**(334)**	(380)	(359)
	1 482	1 465	1 506
Loans receivable – Financial Services	**1 713**	1 500	1 599
Provision for impairment	**(206)**	(240)	(252)
	1 507	1 260	1 347
Other receivables	**34**	47	50
Total trade and other receivables	**3 023**	2 772	2 903
Trade and loan receivables	**3 529**	3 345	3 464
Provision for impairment	**(540)**	(620)	(611)
Other receivables	**34**	47	50
Movements in the provision for impairment were as follows:			
Retail			
Opening balance	**(359)**	(320)	(320)
Change on initial application of IFRS 9	**–**	(64)	(64)
Restated opening balance	**(359)**	(384)	(384)
Movement in provision (excluding disposals)	**(4)**	4	25
Debtor costs charged to profit and loss	**(199)**	(171)	(372)
Debts written off during the year, net of recoveries	**195**	175	397
Sale of debt review book	**29**	–	–
Closing balance	**(334)**	(380)	(359)
Financial Services			
Opening balance	**(252)**	(189)	(189)
Change on initial application of IFRS 9	**–**	(38)	(38)
Restated opening balance	**(252)**	(227)	(227)
Movement in provision (excluding disposals)	**(49)**	(13)	(25)
Debtor costs charged to profit and loss	**(127)**	(89)	(185)
Debts written off during the year, net of recoveries	**78**	76	160
Sale of debt review book	**95**	–	–
Closing balance	**(206)**	(240)	(252)

4. Trade and other receivables (continued)

		Unaudited six months ended Jun 2019 Rm	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
Retail				
Total debtor costs as a % of revenue	(%)	**16.2**	14.7	14.9
Total debtor costs as a % of gross receivables (annualised)	(%)	**21.9**	18.5	19.9
Provision for impairment as a % of gross receivables	(%)	**18.4**	20.6	19.3
Financial Services				
Total debtor costs as a % of revenue	(%)	**30.0**	24.9	24.7
Total debtor costs as a % of gross receivables (annualised)	(%)	**14.8**	11.9	11.6
Provision for impairment as a % of gross receivables	(%)	**12.0**	16.0	15.8
Group				
Total debtor costs as a % of revenue	(%)	**19.7**	17.1	17.1
Total debtor costs as a % of gross receivables (annualised)	(%)	**18.5**	15.5	16.1
Provision for impairment as a % of gross receivables	(%)	**15.3**	18.5	17.6
Non-performing trade and loan receivables (being accounts 120 days or more in arrears, as a percentage of the trade and loan receivable books) were as follows at the reporting dates:				
Retail	(%)	**9.5**	9.8	9.6
Financial Services	(%)	**3.8**	4.2	4.1

Credit-impaired trade receivables and loan receivables at the end of the current reporting period was R475 million and R140 million respectively.

Trade and loan receivables have repayment terms of between one and 36 months and attract interest based on rates as determined by the National Credit Act.

Included in trade and loan receivables are amounts approximating R870 million (2018: R806 million) that contractually fall due in excess of one year. These amounts are reflected as current as they form part of the normal operating cycle.

5. Contingent liabilities

The group had no contingent liabilities at the reporting date.

6. Events after the reporting date

No event, material to the understanding of this interim report, has occurred between the end of the interim period and the date of approval of these interim results.

	Unaudited six months ended Jun 2019 Rm	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
7. Fees from ancillary services			
Service fees	**123**	109	228
Insurance fees	**70**	60	126
Other	**14**	5	17
	207	174	371
8. Total trading expenses			
Expenses by nature			
Credit impairment losses			
Trade receivables – Retail	**199**	171	372
Loans receivable – Financial Services	**127**	89	185
Total credit impairment losses	**326**	260	557
Amortisation of intangible assets	**9**	15	25
Depreciation of property, plant and equipment	**25**	17	34
Operating lease charges for immovable property	**–**	1	3
Total operating lease charges	**–**	3	8
Less: Disclosed under cost of Retail sales	**–**	(2)	(5)
Marketing costs	**110**	128	252
Staff costs	**212**	196	411
Total staff costs	**247**	231	485
Less: disclosed under cost of Retail sales	**(17)**	(20)	(38)
Less: staff costs capitalised to intangibles	**(18)**	(15)	(36)
Other costs	**148**	125	268
Total other trading expenses	**504**	482	993
	830	742	1 550

9. Earnings per share

9.1 Basic and headline earnings per share

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

	Unaudited six months ended Jun 2019 Rm	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
Profit for the period	**240**	260	528
Adjusted for the after-tax effect of:			
Impairment of investment in associate and other	**–**	–	1
Headline earnings for the period	**240**	260	529
Weighted average number of ordinary shares in issue (million)	**104.4**	104.2	104.2
Earnings per share (cents)			
Basic	**229.9**	249.6	506.8
Headline	**229.9**	249.6	507.7

9.2 Diluted and diluted headline earnings per share

The calculation of diluted and diluted headline earnings per share is based upon profit for the year attributable to owners of the parent divided by the fully diluted weighted average number of ordinary shares in issue as follows:

Weighted average number of ordinary shares in issue	**104.4**	104.2	104.2
Number of shares issuable under the share option scheme for no consideration	**1.4**	1.6	1.4
Diluted weighted average number of ordinary shares in issue (million)	**105.8**	105.8	105.6
Earnings per share (cents)			
Diluted	**226.9**	245.8	499.8
Diluted headline	**226.9**	245.8	500.8

10. Reconciliation of cash generated from operations

	Unaudited six months ended Jun 2019 Rm	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
Profit before taxation	**301**	333	676
Share of loss of associates	**–**	–	1
Profit from insurance cells	**(4)**	(5)	(13)
Depreciation and amortisation	**34**	32	59
Share-based employee service expense	**6**	6	5
Exchange profits on foreign exchange contracts	**–**	(6)	(5)
Interest paid	**45**	43	89
Interest received	**(1)**	(2)	(3)
Operating cash flows before working capital changes	**381**	401	809
Movements in working capital	**(131)**	(161)	(335)
Increase in inventories	**(1)**	(17)	(47)
Increase in trade receivables – Retail	**(7)**	(22)	(63)
Sale of debt review book – Retail	**31**	–	–
Increase in loans receivable – Financial Services	**(229)**	(94)	(181)
Sale of debt review book – Financial Services	**69**	–	–
Decrease/(increase) in other receivables	**16**	(32)	(35)
(Decrease)/increase in trade and other payables	**(7)**	39	26
Decrease in provisions	**(3)**	(35)	(35)
	250	240	474

Included within operating cash flows is finance income from customers of R532 million (2018: R494 million) which approximates the cash flow amount for the year.

11. 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 company, which owns 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.

12. 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.

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

	Unaudited six months ended Jun 2019 Rm	Unaudited six months ended Jun 2018 Rm	Audited year ended Dec 2018 Rm
Approved by the directors	**19**	6	3

14. 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 2018 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.

15. Seasonality

Due to its seasonal nature the Retail business has a history of generating higher revenues during the second half of the year.

16. Preparation and review of interim financial statements

These interim financial statements were prepared by the group's finance department, acting under the supervision of P Burnett, CA(SA), finance director of the group.

The interim results have not been reviewed or audited by our auditors, PricewaterhouseCoopers Inc.

17. Significant accounting judgements, estimates and assumptions

Other than as disclosed under note 3 above, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

Statistics	Notes	Jun 2019	Jun 2018	Dec 2018
Growth in revenue	(%)	**8.6**	16.1	8.5
Retail gross profit margin	(%)	**47.1**	51.9	49.6
Operating profit margin	(%)	**20.8**	24.5	23.5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(Rm)	**379**	406	821
Growth in EBITDA	(%)	**(6.7)**	14.7	3.5
EBITDA margin	(%)	**22.9**	26.6	25.2
Solvency and liquidity				
Net asset value per share	(cents)	**2 699**	2 417	2 573
Growth in net asset value	(%)	**11.7**	5.9	12.9
Inventory turn	(times)	**3.2**	3.1	3.3
Net debt/equity ratio	(%)	**29.2**	28.2	27.6
Performance				
Growth in trade receivables – Retail	(%)	**1.2**	0.1	2.9
Growth in loans receivable – Financial Services	(%)	**19.6**	8.3	15.8
Growth in cash generated from operations	(%)	**4.2**	37.9	32.0
Cash conversion	(%)	**66.0**	59.1	57.7
Return on equity – annualised	(%)	**17.4**	21.2	20.9
Shareholding				
Number of shares				
– In issue, net of treasury shares	(m)	**104.8**	104.2	104.2
– Weighted shares in issue, net of treasury shares	(m)	**104.4**	104.2	104.2
– Diluted weighted average	(m)	**105.8**	105.8	105.6
Earnings per share				
– basic	(cents)	**229.9**	249.6	506.8
– diluted	(cents)	**226.9**	245.8	499.8
– headline (HEPS)	(cents)	**229.9**	249.6	507.7
– diluted HEPS	(cents)	**226.9**	245.8	500.8

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
Butterfield Bank (Jersey) Limited

JSE listing details
Share code: HIL
ISIN: MT0000850108

Sponsor
Rand Merchant Bank, a division of
FirstRand Bank Limited

Transfer secretaries
Computershare Investor Services
Proprietary Limited

DIRECTORATE

Non-executive directors
S Portelli (Chairman), A Chorn, R Garratt*, E Gutierrez-Garcia*,
R Hain, P Joubert, C Rapa, A Ogunsanya* (alternate)
* Non-independent

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

HiL PLC