INTEGRATED ANNUAL REPORT 2014

HomeChoice International PLC

HiL PLC

CONTENTS

Formed HomeChoice International PLC and listed on the JSE

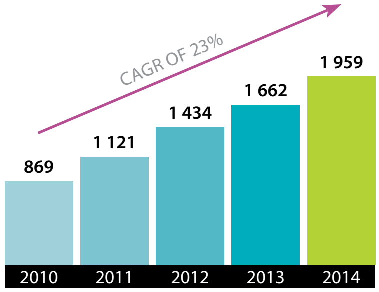
High levels of innovation reflecting in strong revenue growth despite SAPO strike

Gross profit margin improves despite Rand volatility

Efficiencies gained through successful move to new 200 000 m^3 distribution centre

Credit metrics improve despite tough consumer economy

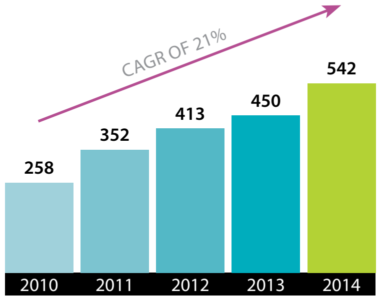
REVENUE
R'million



increased to R2,0 billion

+ 18%

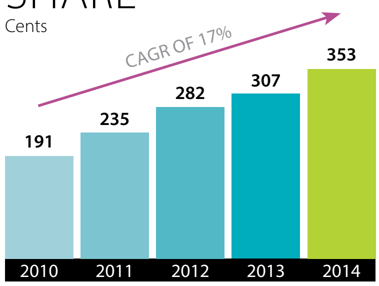
EBITDA
R'million



increased to R542 million

+ 20%

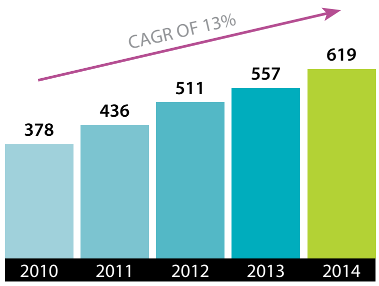
HEADLINE EARNINGS PER SHARE
Cents



increased to 353 cents

+ 15%

GROUP CUSTOMER BASE
Customer '000



increased to 619 000

+ 11%

INTRODUCING HOMECHOICE INTERNATIONAL PLC'S **FIRST INTEGRATED REPORT**

The directors of HomeChoice International PLC (HIL) have pleasure in presenting the integrated annual report for the 2014 financial year, the first since the listing of the company on the JSE Limited on 4 December 2014.

As the group was only restructured and listed late in the financial year, this integrated report reflects the transition from the former holding company, HomeChoice Holdings, to HIL. The Group Chief Executive Officers' Report is therefore jointly presented to highlight the transition.

We are committed to providing shareholders with accurate, balanced and transparent reporting, and to continually enhance financial disclosure to meet best practice standards in the listed company environment.

Throughout this report we aim to demonstrate how our leading position in home shopping retailing and financial services in Southern Africa can contribute to value creation in the short, medium and longer term.

Report scope and content

This report covers the performance and activities of HIL and its subsidiaries (the group) for the period 1 January 2014 to 31 December 2014.

While the holding company is based in Malta, the group currently operates principally in South Africa where it derives the majority of its revenue and profit, with 11% of retail sales generated from the neighbouring countries of Botswana, Lesotho, Namibia, Swaziland and Zambia.

Materiality has been applied in determining the content and disclosure in this report, ensuring the report is both concise and relevant to our shareholders. Material issues are considered to be those that could affect the group's ability to create value over time and are likely to have a material impact on the current and projected revenue and profitability of the business.

Management aims to adopt the guidelines outlined in the International Integrated Reporting Council's Framework as appropriate in future years. The Framework includes reporting in terms of the six capitals of value creation, being financial, intellectual, human, manufactured, social and relationship, and natural capital. While management has chosen not to apply the terminology of the capitals in this report, the performance and activities relative to these capitals are covered throughout the integrated report.

Assurance

The group's external auditor, PricewaterhouseCoopers, has provided assurance on the annual financial statements and expressed an unqualified audit opinion. The financial statements have been prepared under the supervision of Paul Burnett CA(SA), the newly appointed financial director of HIL. The content of the integrated report has been reviewed by the directors and management but has not been externally assured.

Forward-looking statements

The integrated annual report contains forward-looking statements relating to the operations, financial position and anticipated performance of the group. These are not statements of fact but rather statements by the group based on current estimates and expectations of future performance. No assurance can be given that forward-looking statements will prove to be correct and shareholders are cautioned not to place undue reliance on these statements. These forward-looking statements have not been reviewed or reported on by the group's external auditor.

Approval of the report

The audit and risk committee, which has oversight responsibility for integrated reporting, confirms the report fairly represents the integrated performance of the group and recommended the report for approval by the board of directors. The board approved the 2014 integrated annual report for release to shareholders on 16 March 2015.

Stanley Portelli
Independent non-executive chairman

Gregoire Lartigue
Chief executive officer

GROUP OVERVIEW

INTRODUCING
HOMECHOICE INTERNATIONAL

HomeChoice International PLC (HIL) is an investment holding company incorporated in Malta and listed on the JSE Limited. Through its operating subsidiaries, HomeChoice and FinChoice, the group sells innovative homewares merchandise, personal electronics and loan products to the rapidly expanding middle-income market in southern Africa.

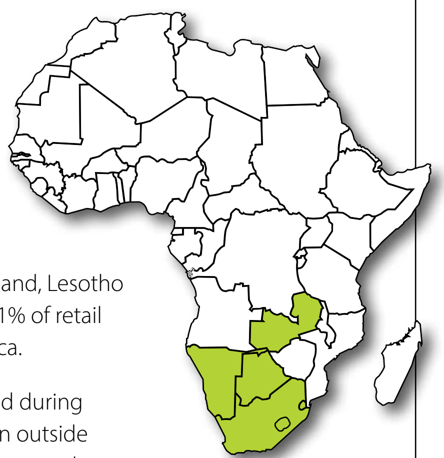
Established in Cape Town in 1985, the group is the largest home shopping retailer in southern Africa, offering products through mail order (catalogue), electronic channels (Internet and mobile phone) and call centres.

In 2014 the business distributed 6,9 million catalogues, engaged in 17,9 million telephone calls with customers, attracted 5,0 million website and 1,6 million mobi visitors, dispatched 730 000 parcels and granted 370 000 personal loans.

Credit is an enabler of sales and in the past year over 90% of retail sales were on credit.

Growth in Africa

Expansion into the rest of Africa presents a major growth opportunity for the business in the medium to long term. The group currently operates in Botswana, Namibia, Swaziland, Lesotho and Zambia, generating 11% of retail sales outside of South Africa.



The group was restructured during 2014 to facilitate expansion outside South Africa, a further step towards achieving its ambitions of becoming a pan-African retailer. HIL was established as an offshore holding company and was listed in the General Retailers sector on the JSE Limited in December 2014 with a market capitalisation of R3 billion.

Growth in digital channels

Greater access to the Internet and mobile smartphones is supporting online retail sales in southern Africa. The group is at the forefront of this trend with growing volumes of customers using electronic sales channels.

The group's history is detailed at www.homechoiceinternational.com

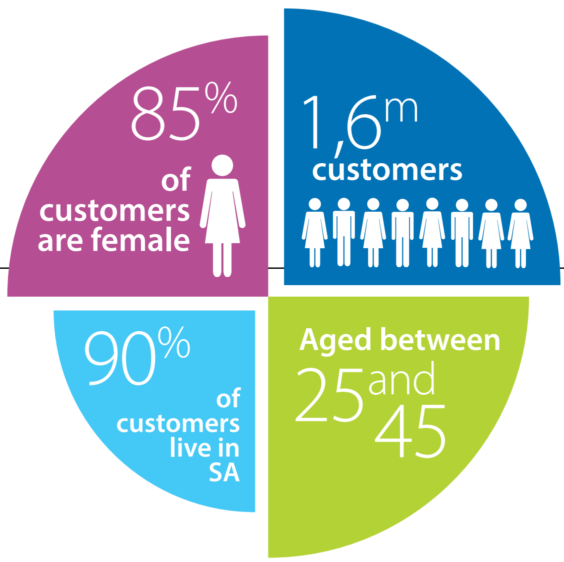
Growing customer base

Targeting female customers in the urban mass market in LSM groups 4 – 8, the group has an active customer base of over 600 000 and a database of 1,6 million customers. Customer loyalty levels are high with over 80% of business being generated from existing customers.

The home shopping model offers customers a convenient experience that suits their lifestyle and time constraints.

The "average" HomeChoice customer is a 38-year-old single female with two dependants, living in urban Gauteng and earning R7 500 per month.

This middle-income market has experienced significant growth and greater prosperity in the two decades since South Africa's transition to democracy in 1994. The market segment accounts for 73% of the country's economically active population, growing from 52% only ten years ago.



GROUP **STRATEGY** AND **STRUCTURE**

1. **Offer innovative retail and financial services product to the growing African middle class**

2. **Extend the group's offering into new retail and services markets and new digital channels**

3. **Optimise allocation of capital through diversification of currency and country risk in order to maximise returns**

The group has three operating segments.

RETAIL

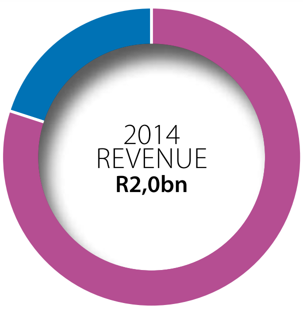
HomeChoice is an omni-channel home shopping retailer offering an extensive range of household textiles and homeware merchandise on credit through a convenient shopping experience, together with a home delivery service. The product offering has broadened under the FoneChoice brand to include personal electronics.

FINANCIAL SERVICES

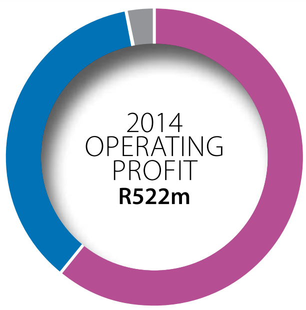
FinChoice is a niche provider of unsecured personal loan products to HomeChoice customers with good credit records. FinChoice leverages the HomeChoice customer database and marketing platforms to acquire loan customers at low cost and predictable repayment behaviour. The business focuses on short-term and low-value loans.

PROPERTY

The group owns the head office building and a centralised distribution centre in Cape Town, as well as additional land adjacent to the head office which is currently being developed into a new call centre facility.



REVENUE		OPERATING PROFIT
Retail **80%**	●	Retail **61%**
Financial Services **20%**	●	Financial Services **36%**
Property and Other **0%**	●	Property and Other **3%**



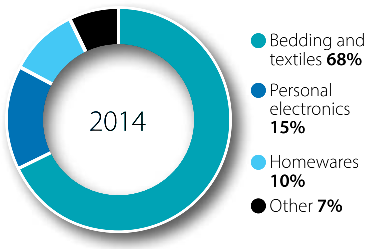
RETAIL BUSINESS MODEL

PRODUCT

Own-brand product and direct sourcing

The merchandise strategy is to provide innovative, quality, own-brand products to decorate a customer's home. Products are exclusive and are sourced directly from suppliers, primarily from Asia. The own-brand strategy provides greater control over margins.

MERCHANDISE SALES MIX

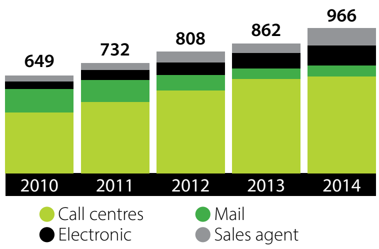


CHANNEL

Omni-channel retail model

Customers can engage through a number of channels. As a home shopping retailer, the primary "shop" is the catalogue and Internet site. The principal channels used to attract customers, sell products and fulfil customer service, are inbound and outbound call centres, sales agent network, the Internet and mobile phone, and direct mail.

NUMBER OF ORDERS PROCESSED
Orders '000

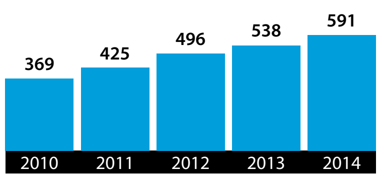


CUSTOMER

Expanding customer base

HomeChoice has created strong brand loyalty with its predominantly female customer base in the urban middle-income mass market. 80% of business is with existing customers and today HomeChoice has an active customer base of almost 600 000. Digital, sales agents and traditional media channels are used to attract new customers as well as drive referrals from existing customers.

RETAIL CUSTOMER BASE
Customer '000

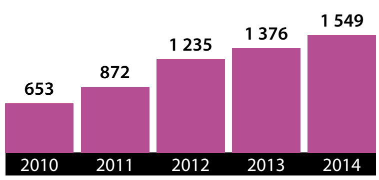


CREDIT AND ANALYTICS

Credit risk management and data analytics

Credit is a key enabler of sales. A conservative approach to credit risk management is maintained with terms weighted towards shorter periods and low balances. Customer risk is assessed through internally developed scorecards, vetting procedures and online credit bureau data. Selection of customers for marketing offers is based on a customer's purchasing and payment behaviour combined with their expected response rates.

RETAIL CREDIT EXTENDED
R'million

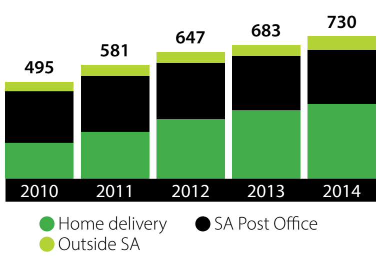


LOGISTICS

Operational excellence

Managing the complexity of the distance relationship requires efficient backend processes. Delivery of product to customers' homes requires an effective distribution network. HomeChoice owns a purpose-built warehouse in Cape Town from which it distributes product through its owner-driver network, supplemented with third-party couriers and the South African Post Office.

NUMBER OF PARCELS DISTRIBUTED
Parcels '000

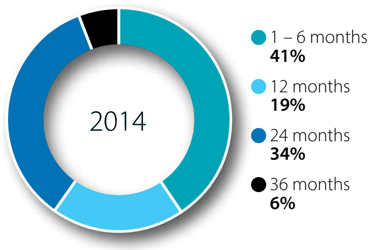


FINANCIAL SERVICES BUSINESS MODEL

Flexible and convenient products

Our product strategy is to provide flexible, convenient and fast loans to HomeChoice customers via mobile self-service and telephone. Products range from the one-month KwikAdvance loan to the 36-month term loan. Customers can apply for further credit 24 hours a day, receive their loans within 24 hours and can request to skip an instalment in difficult months.

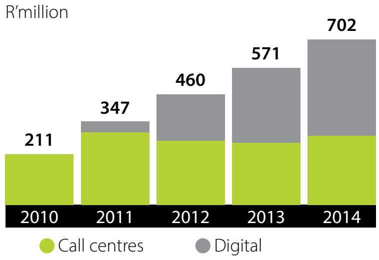
TOTAL DISBURSEMENTS



Digital channel excellence

FinChoice is a digital financial services business. Over 70% of loan transactions are concluded via our scalable mobile phone self-service platform, KwikServe, resulting in call centre efficiencies and high levels of customer service. The customer is empowered to transact and manage her account 24 hours a day from anywhere, efficiently and simply from her mobile phone.

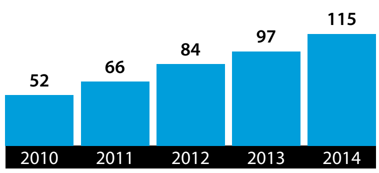
REPEAT LOAN DISBURSEMENTS
R'million



Leveraging the HomeChoice customer base

FinChoice leverages the female-biased HomeChoice customer database, marketing platforms and credit performance information to sell its products to selected customers of proven good standing. These customers are known to be responsive to direct marketing and initial loan applications are usually completed within 10 minutes due to the existing HomeChoice customer information.

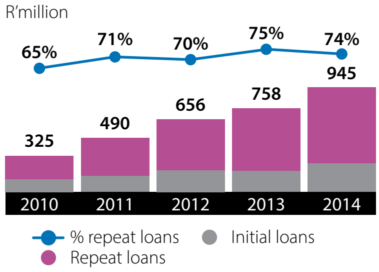
FINANCIAL SERVICES CUSTOMER BASE
Customer '000



Credit risk management and data analytics

A dedicated team of in-house credit analysts manage the credit risk in the business. HomeChoice customers with proven credit performance are selected for initial loan offers. Repeat loans are granted to recently paid-up customers with good repayment records, while active customers are eligible to apply for further credit once they have paid down a sufficient portion of the original loan capital. Data analytics informs marketing, credit and operations strategy using customer data garnered from HomeChoice, FinChoice and the credit bureaux.

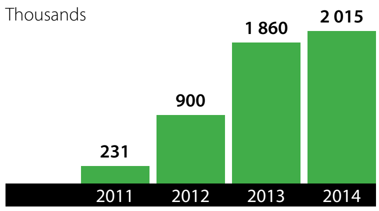
TOTAL DISBURSEMENTS
R'million



Operational excellence

The business operates an integrated loans management system. The 24/7 self-service digital channels are supported by call centre consultants who provide personal service to customers seven days a week. Loan disbursements are paid directly into customers' bank accounts within one business day of approval and payments are collected via automated early debit order on the customers' salary date. Collections agents contact defaulting customers promptly to make payment arrangements for arrear amounts.

SELF-SERVICE CUSTOMER INTERACTIONS
Thousands



Investing

R110m

in a new call centre

INVESTING FOR **GROWTH**

Investing

R20m

on our digital platform: FinChoice mobi and Retail web and mobi sites

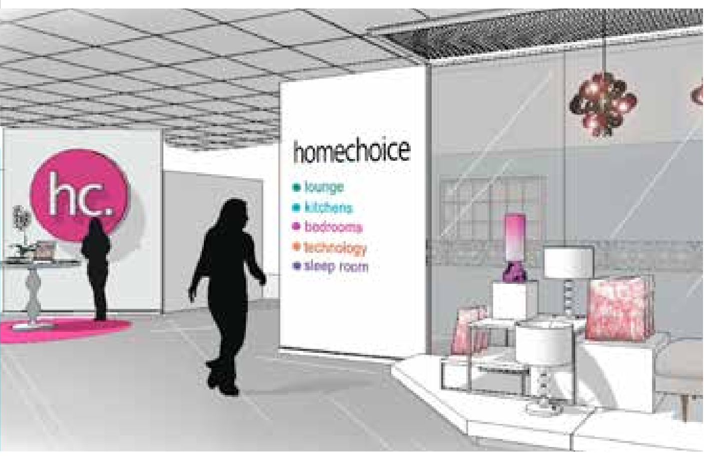
Broadening our merchandise range and introducing

NEW CATEGORIES

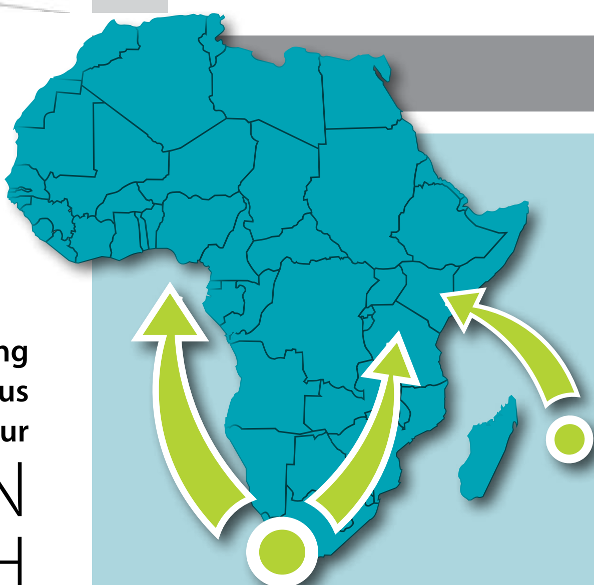
such as footwear

Opening a
NEW RETAIL SHOWROOM IN 2015

Investing
R45m
on our ERP system to build our omni-channel capability



Launching an
INSURANCE BUSINESS



Establishing operations in Mauritius to facilitate our
PAN-AFRICAN GROWTH
strategy

RETAIL STRATEGY AND PERFORMANCE

Core drivers

1 DRIVE SUSTAINABLE ORGANIC GROWTH

- Offer innovative and exclusive own-brand merchandise
- Extend the product range and develop new product categories
- Optimise product margins
- Optimise supply chain and distribution capability
- Improve customer service and experience
- Develop infrastructure to support growth

2 GROWTH OF THE RETAIL CUSTOMER BASE

- Retention and reactivation of existing customers
- Acquisition of customers in mass middle-income market (LSM 4 – 8)
- Use omni-channel strategy to drive acquisition
- Deliver efficiencies in marketing spend to ensure profitable customer growth

3 APPLY CREDIT RISK AND CUSTOMER ANALYTICS EXPERTISE

- Maintain tightened credit risk policies
- Effective credit risk strategies and strong back-end processes to maintain the quality of the debtors' books
- Review and enhance scorecards and vetting procedures
- Drive electronic payment mechanisms to improve collections
- Improve data analytics capability to optimise customer selection

4 DRIVE DIGITAL SALES

- Investment and enhancement of website and mobi platforms
- Full range of products on electronic channels
- Use social media to drive electronic engagement
- Use electronic channels as a customer acquisition tool

5 EXPAND INTO AFRICA AND DEVELOP NEW CHANNELS

- Grow sales in neighbouring African countries, leveraging our customer database, channel and distribution capabilities
- Develop sales and distribution capability in new African markets
- Develop our new retail showroom concept supported by pop-up shop activity

"Our vision is to be our customer's most trusted and exclusive homewares retailer, helping her to easily realise her décor dreams."

2014 Achievements	2015 Focus areas
• Retail sales up 16% to R1 082 million • Range growth of 15,6% • Improved in-stock ratio to 79% • New merchandise tools for stock management implemented • GP margin increased to 49,8% despite Rand volatility (2013: 49,1%) • 4,5 days to deliver order (2013: 5,0 days) • Extended home delivery couriers to 58% (2013: 55%) • Merchandise module of ERP implemented	• Extend bedding range and leverage textile expertise • Develop kids/baby range and introduce footwear • Implement revised supplier take-on procedures • Optimise labour flexing and increase throughput in distribution centre • Develop omni-channel customer service capability • Implement new customer feedback processes • Implement warehouse ERP module in 2015 • Launch new 1 000 seat call centre
• 10% growth in retail customer base • Retail sales per existing customer up 3,6% to R1 485 • Repurchase rate stable at 63% (2013: 64%) • Attracted 179 000 new customers (2013: 154 000) • Retail sales per new customer up 2,0% to R1 558 • Effective management of new customer cost – reduction from R822 to R698	• 9% growth in retail customer database • Refine retention strategy for existing customers to increase customer lifetime value • Increase usage of electronic and sales agent channels for customer acquisition • Leverage new catalogue format to drive marketing spend efficiencies
• Retail debtor costs as a % of revenue decreased from 15,8% to 14,0% • Provisions decreased from 18,8% to 18,6% of gross book • Cash collections up 12% to R1,1 billion • Electronic payments up from 10,7% in 2013 to 16,4% in 2014 • E-statement roll-out with 63 000 customers converted	• Maintain stable levels of credit risk and performance • Implement further bespoke scorecards • Improve fraud detection processes across all channels • Review and adapt affordability processes in light of regulatory changes • Increase collections capacity in call centre • Increase electronic payment from 16% to 20%
• Retail sales from electronic channels increased from 8,1% to 9,0% of mix • 5 million website and 1,6 million mobi site visitors • > 150 000 Facebook followers • R2,4 million invested in optimising web and mobi platforms • Increased product lines available on mobi site • Implemented Iovation (fraud tool) for digital channels	• Increase sales from electronic channels to 10% of business • Invest in web and mobi enhancement • Work with UK specialist consultancy to determine future digital platforms • Enable customers from Zambia to shop online • Revitalise e-mail acquisition strategy
• Retail sales from Africa increased from 9,6% to 11,0% • Effective mining of existing customer database to drive acquisition activity • Trading in Zambia commenced in Q3 2014 • Opened 10 pop-up shops in malls in South Africa	• Focus on growth in existing African markets applying omni-channel offering • Develop sales capability in Zambia • Launch new showroom in Cape Town • Expand pop-up strategy

FINCHOICE STRATEGY AND PERFORMANCE

Core drivers

1 DRIVE SUSTAINABLE ORGANIC GROWTH

- Grow debtors' book by controlled loan disbursements to initial loan customers and repeat loan customers
- Control terms mix and average loan size to limit exposure and event risk, and to manage cash utilisation
- Continually expand loan features, service convenience and product flexibility to attract and retain customers

2 EXPAND THE CUSTOMER BASE

- Continue core focus of offering loan products to HomeChoice retail base
- Drive customer retention through repeat loan engagement and reactivation of paid up customers
- Acquire new customers into the group using low-exposure, short-term loan products and insurance products

3 APPLY CREDIT RISK AND CUSTOMER ANALYTICS EXPERTISE

- In-house credit team monitors and maintains stable credit risk levels
- Control mix of loans business (loan sizes, payment terms and split of first-time versus repeat loan customers)
- Centralise data mining and analyse support business needs in marketing, operations, collections management and credit

4 DRIVE DIGITAL SALES

- Strategy of "Our brand in her hand" – design self-service digital channels to be our customers' #1 digital financial services provider
- Drive usage of existing KwikServe mobile channel (USSD)
- Build and enhance transactional mobi platform
- Migrate customers from USSD to mobi as they adopt smartphones and the richer experience of mobile Internet

5 EXPANSION INTO NEW MARKETS AND AFRICA

- Investigate expansion of loans business into neighbouring African countries with existing HomeChoice retail footprint
- Establish platform for a new insurance business
- Develop and launch range of insurance products

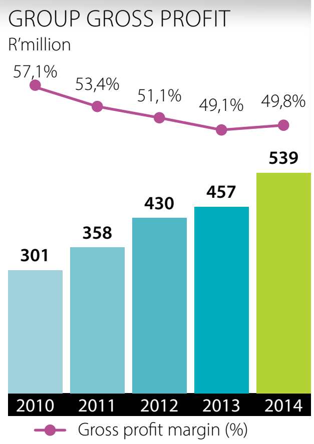
"Our vision is to be our customer's favourite digital financial services provider, enabling her easy access to affordable products."

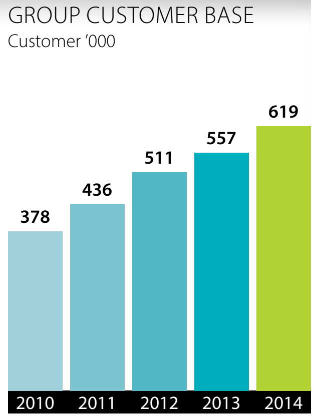
2014 Achievements	2015 Focus areas
• Gross debtors' book up 43% to R749 million • Disbursements up 25% to R944,9 million • Repeat loan disbursements mix of 74,3% (2013: 75,3%) • Average product term in the book of 19,2 months (2013: 18,2 months) • Average loan balance of R8 206 (2013: R7 269)	• Continued steady growth of the debtor's book • Repeat loan mix 70% – 75% • Extend self-service features on mobile platforms • Add rapid loan payment option for top customers
• Active customers in force up 15,2% to 76 600 • Acquired 33 000 first-time loan customers from HomeChoice customer base • Acquired 3 000 new customers into the group • Increased telemarketing capacity by 40%	• Grow active customer base by 12% – 15% • Acquire 40 000 – 45 000 loan customers • Refine telemarketing response model to improve response per agent • Increase engagement on digital channels to drive retention
• Debtor costs as a % of revenue decreased from 33,1% to 28,3% • Provisions increased from 12,0% to 17,0% of gross book (on a like-for-like basis provisions decreased from 12,0% to 10,6%) • Cash collected up 15,3% to R1,1 billion	• Maintain stable levels of credit performance • Maintain impairment provision at existing levels • Review and adapt affordability processes in light of regulatory changes • Refine behavioural scorecards • Refine collections dialler strategies
• Increased repeat loan transactions concluded via self-service KwikServe channel from 69% to 73% • 118 000 registered KwikServe customers • Launched www.finchoice.mobi to pilot sample of existing customers; achieved 30% registration rate • 63% of active customers with e-mail addresses	• Roll out mobi offering to existing customers • Develop new customer acquisition capability for mobi • Encourage adoption of mobi channel whilst supporting existing KwikServe channel • Include insurance products on mobile platforms • Increase e-mail marketing
• Initial research conducted on Namibian and Botswanan markets • Three potential insurance underwriting partners shortlisted for new insurance business	• Test loan offering in Botswana • Select underwriting partner and develop insurance capability • Test funeral product to customer base

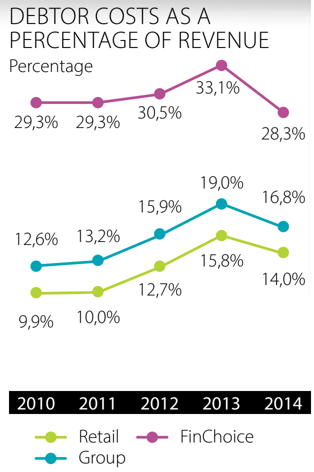
RISKS AND MITIGATIONS

Management has identified material issues and risks which could impact on the delivery of the group's strategy and on the longer-term sustainability of the business. These material issues provide the platform for the development of key focus areas and performance indicators for each operating business.

	Key risk	Primary mitigation
1 MANAGING THE RISK OF BUYING	Ability to source desirable merchandise at targeted gross profit margins	• Experienced merchandise team which keeps abreast of global trends • In-house innovation studio • Own-brand strategy and ability to re-engineer product offer to mitigate Rand volatility • Broad range across various price tiers
2 GROWING OUR CUSTOMER BASE	Ability to support the group's growth targets without compromising the health of the customer list	• Scalable, omni-channel campaigns targeted at attracting creditworthy customers • Customer segmentation based on purchase and payment history enables predictive campaign outcomes • Ability to test campaigns prior to being rolled out to the customer base • Focus on driving growth outside South Africa
3 MANAGING THE RISK OF CREDIT	Ability to manage credit within acceptable risk levels given • Increasing indebtedness in the market • Legislative amendments requiring changes to existing processes	• Highly predictive scorecards which are constantly reviewed to enhance predictive powers • Careful monitoring of credit performance and customer debt exposure • Ability to tighten credit policy in response to worsening credit performance • Engagement with industry regulators through the Large Non-Bank Lenders Association and monitoring of any proposed amendments







4 ENHANCING THE CUSTOMER EXPERIENCE

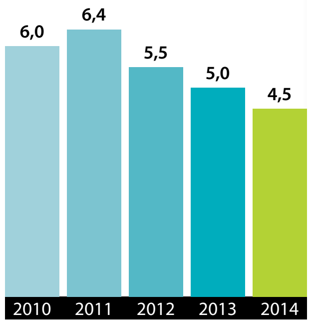
Key risk

Industrial action at SAPO negatively impacting on the group's ability to service customers

Primary mitigation

- Contingency plans with SAPO to optimise delivery of catalogues, statements and parcels
- Focus on converting customers selecting post office deliveries in home-serviced areas to home delivery
- Increasing the home delivery network coverage
- Supplementing home delivery with specialised courier networks in established metropolitan areas
- Leveraging digital channels to communicate with customers

DAYS TO DELIVER ORDER
Days



5 IMPLEMENTING LEADING INFORMATION SYSTEMS

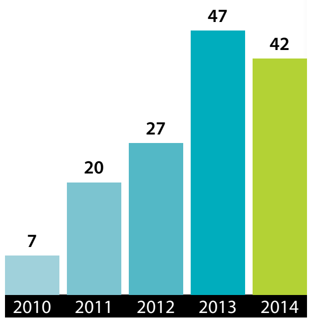
Key risk

Poor implementation of critical information systems, resulting in disruptions to operations and excessive costs

Primary mitigation

- Change Approval Board executes change control processes
- Regular engagement with business to prioritise systems delivery and optimise resource utilisation
- Significant investment in IT development and resource capacity
- Retention of legacy skills and contingency development in legacy systems until migration completed

CAPITAL EXPENDITURE ON INFORMATION TECHNOLOGY
R'million



6 MANAGING TALENT

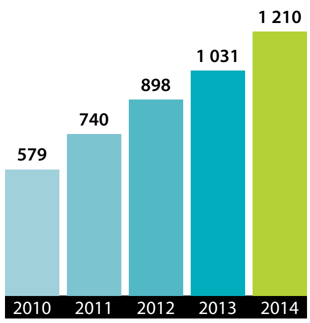
Key risk

Competitive labour environment impacting on the ability to attract, retain and develop staff with the necessary skills

Primary mitigation

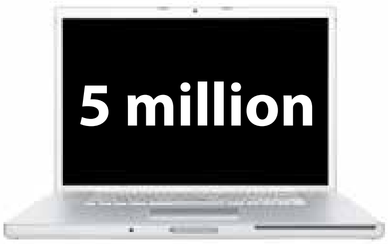
- Competitive remuneration structure with market benchmarking
- Targeted retention strategy focused on recruitment, leadership development and coaching interventions
- Defined career paths for critical roles with supporting development plans
- Adoption of best practice HR policies and procedures

NUMBER OF EMPLOYEES
Employees



Catalogues posted

6,9 million



website visitors

HomeChoice **retail** business turns 30 in 2015

17,9 million calls with customers

INTERESTING INSIGHTS ABOUT OUR **CUSTOMER ENGAGEMENT** IN 2014

1,6 million mobi visitors

2 more customers have become **MILLIONAIRES** through our prize draws (14 to date)

New distribution centre has storage capacity equivalent to

16 rugby fields

9 857 metres of strapping used per day in our distribution centre

240
employees used our ChoiceCare helpline

985 staff
participated in community events

68 000 hours of staff training

R3,5 million in cash and **R18 million of equity**
donated to the HDT

7 425 children, **480** teachers and **145** educare centres supported by the HDT over the last four years

ENGAGING FOR **SOCIAL UPLIFTMENT** IN 2014

Donated 270 BUCKETS OF LOVE

720 employees
and their families walked in the Blisters for Bread charity drive

R285 000 bursaries
to employees and customers

INVESTMENT CASE

HomeChoice International PLC (HIL) offers investors exposure to South Africa's retail and consumer finance sectors, a proven home shopping business model, the growing middle-income market in southern Africa and expansion opportunities into Africa.

1 PROVEN ORGANIC GROWTH STRATEGY	• Growth driven through product innovation, merchandise range extension and expansions of financial services • Revenue: ten-year compound annual growth rate of 23% (25% over last five years) • Operating profit: ten-year compound annual growth rate of 18% (24% over last five years)
2 STRONG BALANCE SHEET AND CASH FLOWS	• The group has a NAV of R1,6 billion and low borrowings of R296 million, 60% of which is for property • The group generates strong cash flows with good dividend payment
3 STRONG MANAGEMENT TEAM	• The group has a strong, stable, highly skilled and motivated management team • Considerable experience in retail and financial services
4 BRAND LOYALTY IN A GROWING MARKET	• Omni-channel retailer with call centres, Internet and mobile phone allowing for 24/7 shopping • LSM 4 – 8 market now 73% of South Africa's population, up from 55% eight years ago • Over 80% of business generated from existing customers
5 GROWING DIGITAL PLATFORM	• Group well placed to capitalise on the smartphone, mobi and Internet opportunities that are showing strong growth in the mass market and in Africa • Established Internet and mobi sites, and investing in new platforms and technology to support growth • Over 20% of group credit extended is through digital channels and online sales equals 9% of total retail sales
6 PROVEN CREDIT RISK MANAGEMENT	• Credit an enabler of sales to the mass market female customer base • Strict and consistent credit and affordability criteria applied, together with internally developed scorecards • Debtor costs well managed during period of credit crisis
7 AFRICA EXPOSURE	• The group positions itself to take advantage of the expanding Africa markets • 11% of retail sales already generated outside of South Africa • Africa presents sustainable opportunity for FinChoice's expansion

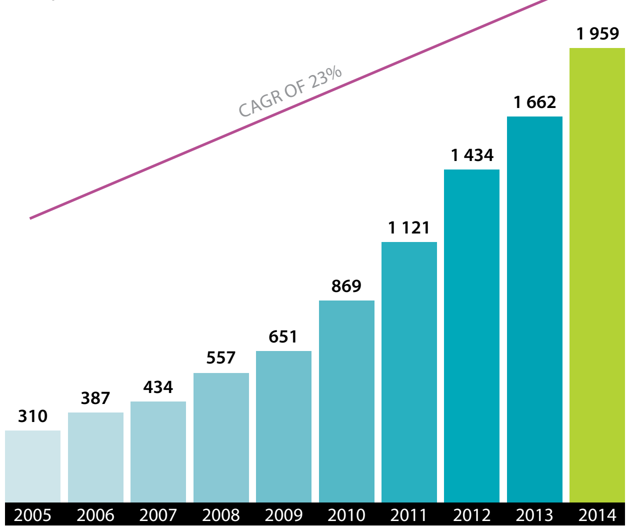
MEDIUM-TERM **TARGETS**

Stakeholder	Performance indicator		Medium-term target	2014	2013	2012	2011	2010
Shareholders	Retail gross profit margin	(%)	48 – 52	**49,8**	49,1	51,1	53,4	57,1
	Operating profit margin	(%)	25 – 30	**26,6**	26,4	28,1	30,5	28,7
	Return on equity	(%)	25 – 30	**24,8**	26,3	29,8	31,9	28,9
	Net debt to equity	(%)	<40	**14,8**	14,8	8,6	4,3	2,8
	Distribution cover	(times)	2,2 – 2,8	**2,2**	2,8	5,6	2,8	3,5
Customers	Growth in the group customer base	(%)	10 – 12	**11,1**	9,0	17,4	15,8	11,1
Employees	Employee attrition	(%)	20	**24**	22	22	18	not reported
	Skills development expenditure to salary	(%)	1,5	**2,0**	1,5	1,0	1,5	1,2
	Black employees	(%)	80	**87**	86	85	82	84
	Female employees	(%)	67	**68**	68	66	68	74
	BBBEE rating		5	**6**	5	6	6	8
Community	Donations to the HomeChoice Development Trust (% of profits)		1,0	**1,0**	1,0	1,0	1,0	0,9

TEN YEARS OF GROWTH

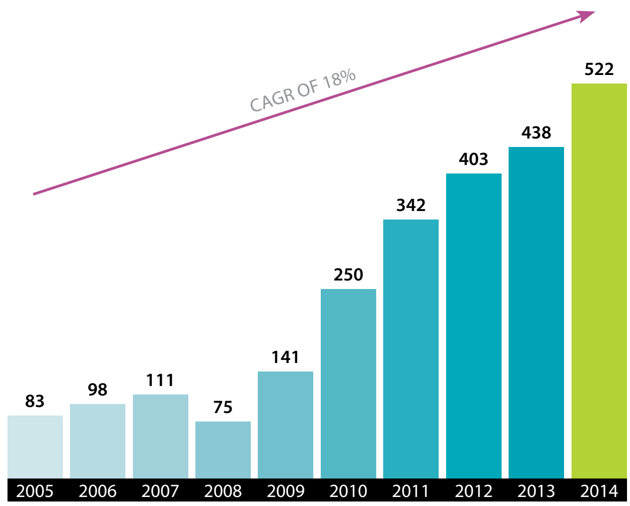
GROUP REVENUE

R'million



GROUP OPERATING PROFIT

R'million



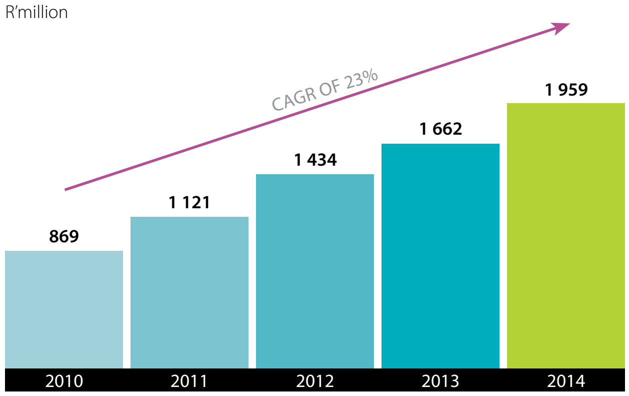
FIVE-YEAR REVIEW

Group statement of comprehensive income

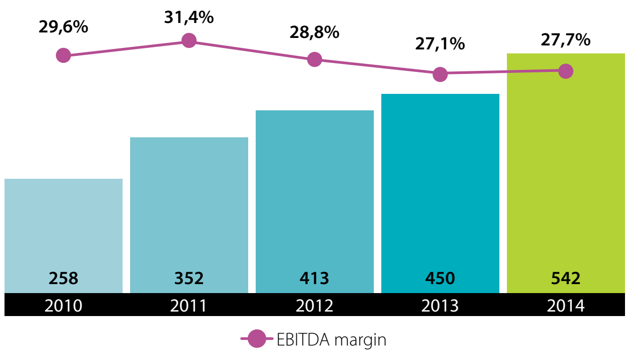
		2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Revenue		**1 958 575**	1 661 952	1 434 359	1 121 060	869 442
Retail sales		**1 082 473**	929 730	841 480	670 466	527 454
Finance charges and initiation fees earned		**745 179**	619 848	498 121	390 431	295 047
Fees from ancillary services		**130 923**	112 374	94 758	59 769	43 881
Dividends received		**–**	–	–	394	3 060
Cost of retail sales		**(543 108)**	(472 771)	(411 403)	(312 548)	(226 080)
Other operating costs		**(892 781)**	(751 202)	(625 889)	(471 044)	(377 386)
Debtor costs		**(329 902)**	(316 463)	(227 769)	(148 087)	(109 681)
Other trading expenses		**(562 879)**	(434 739)	(398 120)	(322 957)	(267 705)
Other income/(losses)		**(1 154)**	342	5 795	4 123	(16 281)
Operating profit		**521 532**	438 321	402 862	341 591	249 695
Interest received		**1 948**	2 070	2 624	2 975	3 530
Interest paid		**(21 883)**	(7 554)	(6 236)	(6 156)	(6 865)
Share of loss of associates		**(2 556)**	(1 818)	(2 097)	(366)	(1 449)
Profit before taxation		**499 041**	431 019	397 153	338 044	244 911
Taxation		**(143 721)**	(121 696)	(112 656)	(98 048)	(72 577)
Profit for the year		**355 320**	309 323	284 497	239 996	172 334
Profitability						
Growth in revenue	(%)	**17,8**	15,9	27,9	28,9	33,5
Gross profit margin	(%)	**49,8**	49,1	51,1	53,4	57,1
Growth in operating profit	(%)	**19,0**	8,8	17,9	36,8	76,5
Operating profit margin	(%)	**26,6**	26,4	28,1	30,5	28,7
EBITDA	('000)	**541 750**	450 174	412 565	352 485	257 705
Growth in EBITDA	(%)	**20,3**	9,1	17,0	36,8	71,7
EBITDA margin	(%)	**27,7**	27,1	28,8	31,4	29,6
Share performance						
Attributable earnings per share	(cents)	**352,5**	306,9	282,1	237,4	176,2
Headline earnings per share	(cents)	**352,8**	306,9	282,1	234,8	191,0
Distributions proposed/paid	(cents)	**161,0**	110,0	50,0	85,0	50,0
Distribution cover	(times)	**2,2**	2,8	5,6	2,8	3,5
Number of shares in issue	('000)	**101 791**	103 869	103 869	103 869	103 869
Number of shares in issue, net of treasury shares	('000)	**101 191**	100 779	100 779	100 899	101 199
Weighted shares in issue, net of treasury shares	('000)	**100 795**	100 779	100 860	101 083	100 896
Return on equity	(%)	**24,8***	26,3	29,8	31,9	28,9

** Would have been 25,4% if the interim dividend was paid during 2014. Refer to the Financial Director's Report for details.*

REVENUE
R'million



EBITDA
R'million



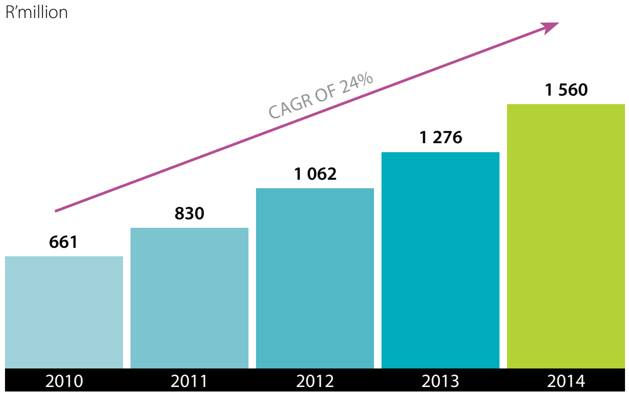
Group statement of financial position

		2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Non-current assets						
Property, plant and equipment		**299 387**	292 785	165 438	136 961	119 865
Intangible assets		**91 125**	61 237	40 678	20 913	8 901
Other non-current assets		**27 797**	31 031	26 737	26 219	22 125
		418 309	385 053	232 853	184 093	150 891
Current assets						
Trade and other receivables		**1 504 773**	1 169 921	1 020 777	749 713	543 739
Trade receivables – Retail		**865 466**	686 375	583 528	442 277	331 750
Loans receivable – Financial Services		**621 804**	462 080	411 646	296 580	206 873
Other receivables		**17 503**	21 466	25 603	10 856	5 116
Inventories		**166 363**	144 964	110 241	92 149	69 846
Cash and cash equivalents		**63 005**	67 981	10 192	46 069	45 630
Other current assets		**12 232**	77	11	1 175	42 520
Total assets		**2 164 682**	1 767 996	1 374 074	1 073 199	852 626
Total equity		**1 578 326**	1 285 724	1 070 322	837 335	669 216
Non-current liabilities						
Interest-bearing liabilities		**266 234**	188 208	90 977	74 895	51 340
Other non-current liabilities		**97 061**	71 525	63 577	48 609	38 621
		363 295	259 733	154 554	123 504	89 961
Current liabilities						
Interest-bearing liabilities		**30 203**	21 148	9 178	7 433	6 279
Bank overdraft		**433**	48 886	2 518	–	6 606
Other current liabilities		**192 425**	152 505	137 502	104 927	80 564
		223 061	222 539	149 198	112 360	93 449
Total equity and liabilities		**2 164 682**	1 767 996	1 374 074	1 073 199	852 626
Solvency and liquidity						
Growth in trade receivables – Retail	(%)	**26,1**	17,6	31,9	33,3	29,2
Growth in loans receivable – Financial Services	(%)	**34,6**	12,3	38,8	43,4	73,0
Inventory turn	(times)	**3,5**	3,7	4,1	3,9	4,2
Net debt:equity ratio	(%)	**14,8***	14,8	8,6	4,3	2,8
Net asset value per share	(cents)	**1 559,8**	1 275,8	1 062,0	829,9	661,3
Growth in net asset value	(%)	**22,3**	20,1	28,0	25,5	27,2

** Would have been 19,5% if the interim dividend was paid during 2014. Refer to the Financial Director's Report for details.*

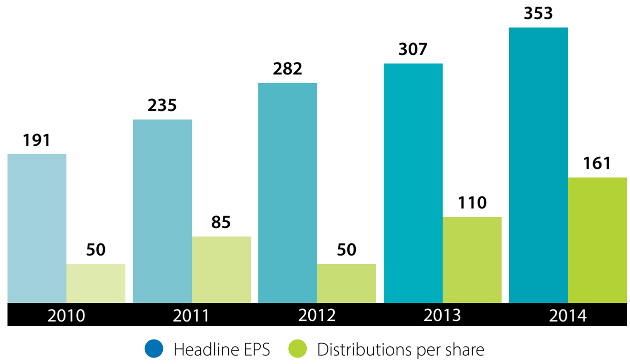
NET ASSET VALUE PER SHARE

R'million



SHAREHOLDER RETURNS

Cents per share

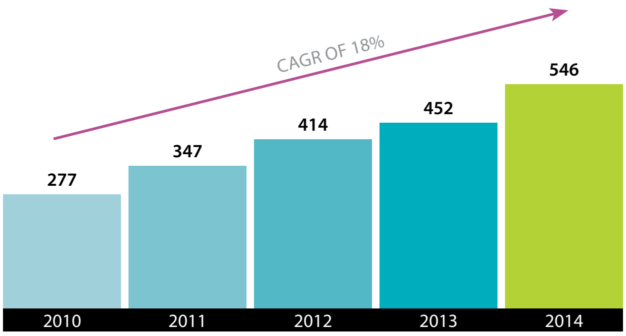


Group statement of cash flows

		2014 R'000	2013 R'000	2012 R'000	2011 R'000	2010 R'000
Cash flows from operating activities						
Operating cash flows before working capital changes		**546 177**	451 910	413 710	346 761	277 349
Movements in working capital		**(312 612)**	(173 900)	(259 992)	(203 253)	(175 421)
Cash generated by operations		**233 565**	278 010	153 718	143 508	101 928
Cash flows from other operating activities		**(157 862)**	(119 473)	(97 053)	(94 828)	(68 832)
Net cash inflow from operating activities		**75 703**	158 537	56 665	48 680	33 096
Purchase of property, plant and equipment		**(18 004)**	(134 700)	(35 464)	(24 403)	(5 642)
Purchase of intangible assets		**(38 906)**	(26 883)	(24 612)	(16 466)	(3 920)
Cash flows from other investing activities		**2 324**	(279)	(762)	42 440	4 447
Net cash (outflow)/inflow from investing activities		**(54 586)**	(161 862)	(60 838)	1 571	(5 115)
Net dividends (paid)/received		**(66 514)**	(94 733)	(50 450)	394	3 060
Cash flows from other financing activities		**88 874**	109 479	16 228	(43 600)	(47 908)
Net cash inflow/(outflow) from financing activities		**22 360**	14 746	(34 222)	(43 206)	(44 848)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts		**43 477**	11 421	(38 395)	7 045	(16 867)
Key ratios						
Growth in operating cash flows before working capital changes	(%)	**20,9**	9,2	19,3	25,0	90,1
Cash conversion	(%)	**43,1**	61,8	37,3	40,7	39,6

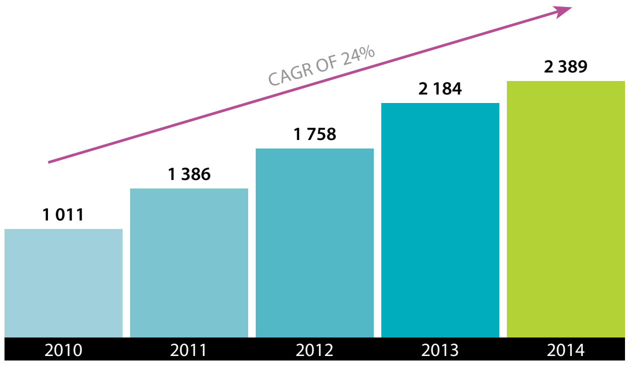
CASH GENERATED BEFORE WORKING CAPITAL CHANGES

R'million



CASH COLLECTED FROM CUSTOMERS

R'million



BOARD AND LEADERSHIP

HOMECHOICE INTERNATIONAL PLC
BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Gregoire Lartigue (42)
Chief Executive Officer

Member of the Society of Trust and Estate Practitioners

Gregoire is a member of the Society of Trust and Estate Practitioners and has been a director of Guardian Trust Company Limited since March 2004. Swiss born and educated, he has over 20 years of experience in both the trust and fiduciary industry. He was previously with Radcliffes Trustee Company SA (later renamed Investec Trust (Switzerland) SA).

Paul Burnett (39)
Finance Director

BBusSci, CA(SA)

Paul was chief financial officer at Nimble Group, a credit solutions business specialising in outsourced collections and business advisory services. Prior to this Paul was a regional finance manager for ABI, the soft drinks division of South African Breweries. He has also worked for the World Bank in a fiduciary role for the Africa region after completing his accounting articles at Ernst & Young.

Shirley Maltz (43)
Chief Executive Officer (South Africa)

BCom, CPE, LPC

Shirley joined the group in 2001, overseeing the credit and operations division, as well as all marketing activities. She was appointed group chief executive officer of HomeChoice Holdings in 2013 and chief executive officer of the retail division in 2007. Prior to joining the group she was a fund manager at Mercury Asset Management (SA) and Fleming Martin (SA).

NON-EXECUTIVE DIRECTORS

Stanley Portelli (42)
Chairman

Lawyer, LLD

Stanley is a senior partner in a legal practice. Prior to this he was chief executive officer of the Authority for Transport in Malta, and a director at Malta Freeport Terminal Limited. Stanley was also employed with the financial services unit at Coopers & Lybrand (which became PricewaterhouseCoopers) from 1994 to 2001 and has held various other board positions.

Rick Garratt (68)

BCom, CA(SA)

Rick has been the executive chairman of HomeChoice Holdings since 2007. Prior to that he was the chief executive officer of HomeChoice Holdings. Rick founded the group in 1985 and has been involved with all operational aspects. He was previously a partner at Ernst & Young.

Eduardo Gutierrez-Garcia (47)

BSc(Med) Honours, PGDipAcc, CA(SA)

Eduardo is a partner of Development Partners International LLP, an investment adviser to private equity funds that invest across Africa, and has 17 years of African private equity experience. Eduardo has served on the board of directors of numerous public and private companies in South Africa and elsewhere. He was an executive director of Brait South Africa Limited and Brait's private equity division, playing a leading role in several landmark South African private equity transactions. Prior to Brait, Eduardo was corporate finance manager at JCI Limited.

Amanda Chorn (56)

BA, LLB, LLM

Amanda is an attorney of the High Court of South Africa and currently resides in the United Kingdom where she is a director of various companies. Amanda provides consultancy services to private clients, specialising in international structuring.

Robert Hain (61)

BA (Social Sciences), MLitt (Social Sciences)

Robert has enjoyed a career in the personal financial services business in the United Kingdom, North America and Europe and is the former chief executive of Invesco Perpetual. In addition, he has had senior executive responsibilities with asset management businesses in Canada and Europe and was responsible for significant acquisitions, integrations and innovations throughout his career. He serves on the boards of several financial services companies in the UK, Europe and the United States, and is a graduate of the University of Toronto and Oxford University.

Charles Rapa (63)

FCCA, FIA, CPA, MIM, MBA (Henley)

Charles is a non-executive director of a number of foreign Malta registered companies and is the chairman of the Maltese Accountancy Board and its oversight committee. Prior to this he was finance director of British American Tobacco (Malta) and audit manager in a major audit firm.

MANAGEMENT OF OPERATING SUBSIDIARIES

(From left to right)

Guy Wills (40) – Logistics | **Elmori Bester** (40) – Human Resources | **Louis Pretorius** (50) – ICT
Annalize Kirsten (46) – Finance | **Mike Roux** (54) – Credit Risk | **Anthea Abrahams** (44) – Marketing
Leanne Buckham (48) – Retail CEO | **Shirley Maltz** (43) – CEO | **Cathy MacKenzie** (46) – Merchandise
Sean Wibberley (44) – FinChoice CEO

REPORTS TO SHAREHOLDERS

CHAIRMANS' LETTER TO SHAREHOLDERS

STANLEY PORTELLI

As the recently appointed chairman of HomeChoice International PLC (HIL) it is my pleasure to present this letter to shareholders.

2014 was a groundbreaking year for the group as it heralded a significant restructuring of the business, the creation of an international holding company based in Malta and culminated in the listing on the main board of the JSE Limited in December 2014.

The rationale for the restructuring and formation of a new holding company centres around the group's ambitions in Africa. The directors believe that expansion into the rest of Africa presents a major growth opportunity for the business in the medium to long term. An international holding company should accelerate our expansion into Africa as it will enable faster and more efficient allocation of capital. It should also be noted that certain African jurisdictions require local equity participation unless a company is listed.

A solid foundation for African expansion has been laid by the group in recent years and we currently trade in five countries outside South Africa, which contribute 11% of retail sales.

The restructuring and the exchange of shares ensured that HIL retained the existing shareholder structure of HomeChoice Holdings and this enabled all shareholders to participate in the potential benefits of our expansion into Africa.

While HIL did not raise capital through the listing, the group will now have access to capital markets for potential funding for expansion.

Malta was selected as the base for the holding company as it is home to our largest shareholder and is a European Union member country, with no restrictions on capital flows.

Operating in a listed environment will also ensure that HIL is more competitive in the labour market and will assist the business in attracting and retaining talented and scarce management and staff skills. Shares will now be more tradeable which will improve incentives for management and staff.

Shortly before the listing we welcomed African Development Partners II, a pan-African private equity fund advised by DPI, as a strategic minority shareholder. The investment by DPI represents a strong endorsement of HIL's strategy and prospects, and growth aspirations into Africa.

We also believe that DPI's in-depth knowledge and extensive network in Africa will be beneficial to the group's expansion on the continent.

Following the establishment of HIL, a new board of directors was appointed comprising three executive directors and six non-executive directors, the majority of whom are independent. The independent non-executive directors, who are resident in Malta and in the United Kingdom, are Stanley Portelli (chairman), Amanda Chorn, Robert Hain and Charles Rapa. The non-executive directors are Rick Garratt and Eduardo Gutierrez-Gracia, the representative of Development Partners International. Greg Lartigue (chief executive officer), Shirley Maltz, (head of the South African operations), and Paul Burnett (finance director) are the executive directors.

We thank Greg for accepting the position of chief executive officer on an interim basis and will make a permanent appointment in due course.

At this point I would like to pay tribute to Rick Garratt, the founder and driving force behind the group. Rick has taken a decision to relinquish his executive responsibilities but we are grateful to have retained his services as a non-executive director. Rick will continue to advise, mentor and challenge the executive team with his unrivalled knowledge of omni-channel marketing and extensive business experience.

Annalize Kirsten, the former Chief Financial Officer of HomeChoice Holdings, has resigned from the group's subsidiary boards and will be leaving the group later this year. Annalize joined HomeChoice in 1999 and has over the years played a key role in the success of the group. She has decided that the time is right to pursue other interests, and we would like to thank her for her dedication and loyalty to the group.

"2014 was a groundbreaking year for the group, heralding a restructuring of the business and creation of an international holding company."

Three of the directors of HomeChoice Holdings, namely John Bester, Willem Jungschläger and Pierre Joubert, stood down from the board and we thank them for their service over many years.

The group has robust governance processes and these have been adapted for the new structure and for operating in a listed company environment. The directors confirm that the group has in all material aspects applied the principles of the King III governance code. Further detail is available in the Corporate Governance and Social and Ethics Committee Reports.

The business delivered a strong trading and financial performance in the past year, entrenching its position as South Africa's number one home shopping retailer. Revenue increased by 17,8% to R1,96 billion while retail sales grew by 16,4% to pass R1 billion. Debtor costs were tightly managed and both the gross and operating profit margins expanded, translating into a 19,0% increase in operating profit to R522 million. Headline earnings per share grew by 15,0% to 352,8 cents and the directors are proposing to declare a final dividend of 161 cents per share, based on a dividend cover of 2,2 times headline earnings. The group's performance is covered in the Financial Director's Report on pages 48 to 53.

The interim dividend of 61 cents per share was not paid as planned in November 2014 as HIL required audited financial statements before declaring a dividend in terms of Maltese company law. The interim dividend will be paid together with the final dividend in May 2015.

In closing, I thank the directors of the operating companies for their inspired leadership and for ensuring the group continues to produce competitive results. Thank you to my fellow non-executive directors for your guidance and we look forward to your contribution in the year ahead.

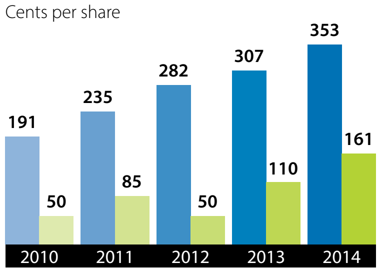
Thank you to our shareholders for the confidence you have shown in HIL and for your support in the listing of our company. To my fellow directors, I thank you for the confidence you have shown in appointing me as chairman.

Sincerely

Stanley Portelli
Independent non-executive chairman

SHAREHOLDER RETURNS

Cents per share

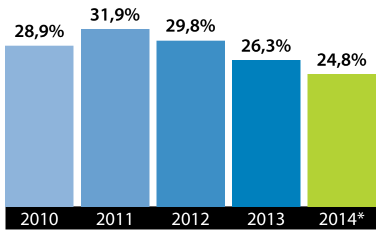


Headline EPS
Distributions per share

Note: The 2014 interim dividend will be paid during 2015 together with the final dividend.

RETURN ON EQUITY

Percentage



* If the 2014 interim dividend had been paid by the financial year-end, return on equity would have been 25,4%.

GROUP CHIEF EXECUTIVE OFFICERS' REPORT

GREGOIRE LARTIGUE and SHIRLEY MALTZ

Introduction

The consumer spending environment in South Africa remains challenging for customers in the HomeChoice mass middle-income market where increases in basic living costs have outpaced the average rate of wage increases.

The credit environment has remained constrained, particularly in the unsecured lending market where the collapse of the country's largest unsecured lender, African Bank, has had a significant impact on customers in HomeChoice's LSM 4 – 8 target market. The group has been monitoring risk by tracking customers who banked with African Bank but has so far not experienced negative impacts from the bank's collapse on our customer base.

Over the past two years rising bad debt levels resulted in stricter credit criteria being applied by all lenders. While this has restricted customers' access to credit, consumer indebtedness remains high. HomeChoice took decisive action in the face of the downturn in the credit environment by significantly tightening credit policy in late 2012 and early 2013, and has maintained this overall credit stance throughout 2014.

The volatility of the Rand has negatively impacted all importers and this, together with high negotiated wage settlements, has contributed to rising inflation in South Africa, peaking at 6,6% in June 2014.

Strike action continues to punctuate the South African labour market. The platinum mining strike in the first half of the year proved to be one of the country's longest and most costly strikes, with a widespread impact on the economy. In the second half of the year protracted strike action by South African Post Office (SAPO) employees countrywide had a severe impact on the business. As a distance retailer, HomeChoice uses the postal service for delivering its monthly catalogue, which is essentially its retail store, as well as delivering product orders directly to customers' homes.

Growth in the domestic economy slowed during 2014, largely due to the strike action, and contributed to a continued weak job market and high unemployment. GDP growth in several neighbouring and sub-Saharan countries however continues to outstrip growth in South Africa, supporting our pan-African retail expansion strategy. The growth in these countries is being driven by significant foreign direct investment and, ultimately, the rise of the emerging middle class.

Group strategy and restructure

The retail company has been operating in neighbouring countries to South Africa for a number of years. We see similar demographic trends in terms of the growth of an emerging middle class occurring across Africa, as happened over the last ten years in South Africa, and represents a significant opportunity for growth. This has precipitated a restructuring to position the group for growth, resulting in the formation of our new holding company, HomeChoice International PLC (HIL), and a listing on the JSE.

The new board of HIL brings a wealth of international experience which we believe will support our growth strategy in Africa, while continuing to challenge the strong South African executive team. The board has developed a focused strategy to drive long-term growth in both the Retail and Financial Services businesses:

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

The restructuring will continue over the medium term as we develop our acquisition strategy for the Financial Services business and embed the retail strategy in new markets. However, South Africa will remain the core trading region for both businesses in the medium term.

Strong financial performance

Against the challenging economic backdrop we are pleased to report that both businesses performed well. Group revenue increased by 17,8% to R2,0 billion, driven by strong innovation and levels of newness within the Retail business and innovation within the loans business. Retail revenue increased by 16,9% to R1,6 billion while FinChoice increased revenue by 22,2% to R386 million. The Retail business contributed 80% of group revenue, in line with 2013.

"The group has performed well against a challenging economic environment."

Retail sales showed strong growth of 16,4% on the back of a well-managed margin, which improved from 49,1% to 49,8%. The Retail business significantly increased the level of product newness and extended ranges to support customer growth over the year. The business has achieved this objective with the retail customer base increasing by 9,8% to 591 000, while managing Rand volatility.

FinChoice also had pleasing growth in its active customer base of 15,2% to 77 000, achieved through marketing to the retail customer base and piloting campaigns to prospects outside the retail group. Loan disbursements increased by 24,6% to R945 million, with 74% of disbursements being repeat loans.

This activity increased the group customer base by 11% to 619 000, which is noteworthy considering the strict credit-granting criteria applied over the past two years. This will provide a stable platform for leveraging future growth.

Both businesses continued to focus on profitable growth through the consistent application of our credit strategy. Early and decisive action was taken at the end of 2012 to defensively position the business for the negative credit environment. This included shortening credit terms and reducing exposure risk by restricting loan values. All scorecards were redeveloped and credit policy tightened on new and existing populations across both businesses.

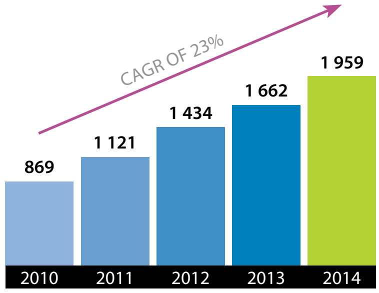
This corrective action has resulted in group debtor costs as a percentage of revenue improving from 19,0% to 16,8%. Although this has been positively influenced by a change in accounting treatment of debt review customers in FinChoice, as highlighted in the Financial Director's Report on page 50 and the Managing the Risk of Credit Report on page 54, the underlying fundamentals across both books are strong, with improving trends across most metrics.

The strong revenue growth and stabilising credit performance delivered a 19,0% growth in operating profit to R522 million, at an improved margin of 26,6%. FinChoice's ability to leverage the Retail platform has enabled its contribution to group operating profit to increase from 33% to 36%. Group EBITDA has increased 20,3% to R542 million. Retail EBITDA was up 16,6% to R338 million and FinChoice up 29,8% to R189 million.

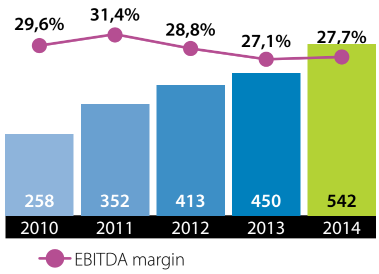
The group continues to generate strong operating cash flows, with cash generated of R234 million in 2014. Despite the strong growth in retail sales, with over 90% on credit, the Retail business marginally increased its cash generated by operations to R165 million. Cash generated by FinChoice was reduced from the prior year due to the strong growth and resultant investment in the loan book.

It is pleasing that the group has achieved all its medium-term targets as detailed on page 21, other than the return on equity of 24,8% which is below management's medium-term target of 25% to 30%. The ROE would have been

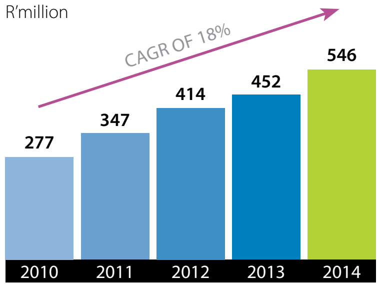
REVENUE
R'million



EBITDA
R'million



CASH GENERATED BEFORE WORKING CAPITAL CHANGES
R'million



25,4% if the planned interim dividend had been paid during 2014 and not delayed until May 2015.

Implementation of key strategies

The group has continued investing in its digital channels and 9% of retail sales were made via these channels in 2014. As outlined in our Retail CEO's Report on pages 42 and 43, the new website was however not well implemented, which had a negative impact on the customer experience and conversion rate. More recent changes to the existing website have started to see improvements in conversion rates, while the mobi site continues with good conversion and an increase in site visitors.

FinChoice continued to invest in its digital platform, KwikServe, which now facilitates over 70% of all repeat loan transactions disbursed. A new mobi site was launched and reaction from customer test groups has been encouraging.

The group has experienced exciting growth outside South Africa which currently represents 11% of total retail sales. This has been driven through strong acquisition activity in the Retail business and improved logistics into neighbouring countries. The Retail business launched in Zambia in the fourth quarter of 2014. For further information on the retail African strategy please refer to the Retail CEOs' Report on page 43.

Managing the risk of credit

The negative credit cycle that started towards the end of 2012 has continued. The levels of consumer indebtedness have remained high although these have stabilised during 2014 as credit providers have increasingly tightened credit policy. This has impacted the consumers' ability to continue to borrow to service debt and has ultimately caused further contraction within the market. African Bank, one of the largest players in the unsecured market, was a casualty of this credit cycle.

We have maintained strict credit policy and new customer acceptance rates in HomeChoice have reduced from 49,5% to 48,8% in 2014. Credit metrics have continued to improve during the course of 2014 which enabled the group to extend terms and for FinChoice to increase limits to certain customers. FinChoice redeveloped credit scorecards and, on the back of this, revised their credit limit strategy which has enabled them to increase limits. The average term has increased from 18,2 months to 19,2 months and loan balance from R7 269 to R8 206. Similarly, HomeChoice increased terms on furniture and higher-priced products in order to make them more affordable to customers. Despite the credit criteria, we had strong growth in both businesses and the debtors' books increased 30% over the year to R1,5 billion.

19,0% to 16,8%

reduction in debtor costs as a % of revenue

As detailed above, group debtor costs as a percentage of revenue reduced to 16,8%. Provisioning levels moved from 16,2% to 17,9%, again influenced by debt review changes and reflects the underlying improvement in the book. Management is confident that the provisioning remains prudent and appropriately reflects the risk in the book. Refer to the Financial Director's Report on pages 48 to 53 and the Managing the Risk of Credit Report on pages 54 to 57 for more detail.

Management is closely monitoring credit risk on new channels, including our sales agents and digital channels, and is comfortable with the current strategy. Credit practices in neighbouring countries are also being monitored and again we believe our strategy is appropriate. The operating model beyond our neighbouring countries will be cash-based in the medium term. Credit policy will be maintained at current levels and if we feel we need to tighten it further in order to balance any book risks, we will do so.

Investing in our people and community

Management continued to focus on human capital management and skills development expenditure has increased from 1,5% to 2,0% of payroll. The focus of this investment has been on our customer-facing teams through our call centres. The group has also invested in scarce skills in support of the digital strategy and our retail strategy.

The employee turnover rate deteriorated from 22% to 24% owing to the high levels of staff churn in the call centres. To address this challenge we have continued to invest in our management team development in our call centres and to review agent training.

The group continues to make pleasing progress in improving the diversity of its workforce and approximately 70% of all promotions have been to black employees. However, we lost two black directors on the operating board which has negatively impacted the BBBEE rating which declined from level 5 to level 6. Please see our Social and Ethics Committee Report on page 69 for further detail.

The HomeChoice Development Trust (HDT) continued its focus on early childhood development. During 2014, 1% of profits were donated to the HDT, bringing the total donated since inception of the trust in 2007 to R18 million, benefiting over 7 000 children in educare centres. Our focus remains on the development of the centres and preparing them for registration with the Department of Education, training the teachers to provide excellent support and creating a learning environment for the children in their care. The trust has supported 145 educare centres and trained 480 teachers. Employees continue to play a role in the development of some of these educare centres, with a number of teams spending time upgrading facilities as part of team-building exercises.

As part of the restructuring and listing, 600 000 treasury shares were donated to the HDT to ensure that it shares in the ownership and growth of the group. Management is proud of what has been achieved by the HDT and is committed to investing in the communities that have facilitated our success.

Growth strategy for 2015

The group will continue the restructuring process to optimise its African growth strategy. This will include opening an office in Mauritius during the course of the year to support and drive our pan-African strategy, including the launch of a new insurance business. FinChoice also plans to start testing its African strategy during 2015.

A new 1 000-seater call centre will be built at a cost of R110 million adjacent to the head office . This is aimed at servicing the call centre growth for the next ten years. Approximately R65 million will be invested in systems across the group. This includes the digital platforms, the ERP system, telephony and infrastructure investments.

Innovation remains key to our success and we will continue to focus on high levels of innovation across both businesses to offer our customers an enticing experience and product range. The breadth and depth of retail merchandise ranges will be expanded and extended into new categories.

The digital strategy will be enhanced as part of our omni-channel strategy. At the same time the Retail business will focus on developing a new bricks and mortar retail store, with the launch of our first large-format store in Cape Town.

Group prospects

Economic conditions will remain challenging in the coming year. With the credit environment continuing to stabilise, but remaining tough, the directors believe the credit strategy is appropriate and current practices will be maintained. Inflation arising from the currency devaluation is likely to continue, with increasing food costs affecting our customers. Customers will remain under pressure in the year ahead and another year of controlled growth is planned across the group.

five

retail sales in five countries

Thanks and appreciation

Thank you to Rick Garratt who has stood down as chairman after nearly thirty years at the helm. We are pleased that Rick will remain on the board in a non-executive capacity and play an active role during this transition phase for the group. We appreciate Rick's guidance and wisdom which has been instrumental in the development of the group.

Thank you to Stanley Portelli, our newly appointed chairman, and the HIL board which was appointed shortly before the listing. We look forward to working with you and benefiting from your guidance in the years to come.

Equally, our thanks to each of our colleagues on the board of HomeChoice South Africa. We have produced a strong set of results in a very challenging environment and, as always, have managed to have a lot of fun in the process.

Leanne, our Retail CEO, and Sean, our Financial Services CEO, we appreciate your energy, ideas and drive that have resulted in our success this year. Importantly, to all the people in our teams, thanks for all the hard work and dedication.

Finally, to all of our customers, thank you for your continued support.

Sincerely

Gregoire Lartigue
Chief Executive Officer

Shirley Maltz
Chief Executive Officer
(South Africa)

RETAIL CHIEF EXECUTIVE OFFICER'S REPORT

LEANNE BUCKHAM

Overview

In 2014 the macroeconomic environment in South Africa remained challenging, with continued high levels of unemployment, weakness in the Rand and ongoing industrial action. The protracted strike action at the South Africa Post Office (SAPO) in the latter part of the year had a major impact on our business.

Customers have also faced rising prices, high levels of indebtedness and reduced access to credit as lenders tightened their credit-granting criteria, most notably following the collapse of African Bank.

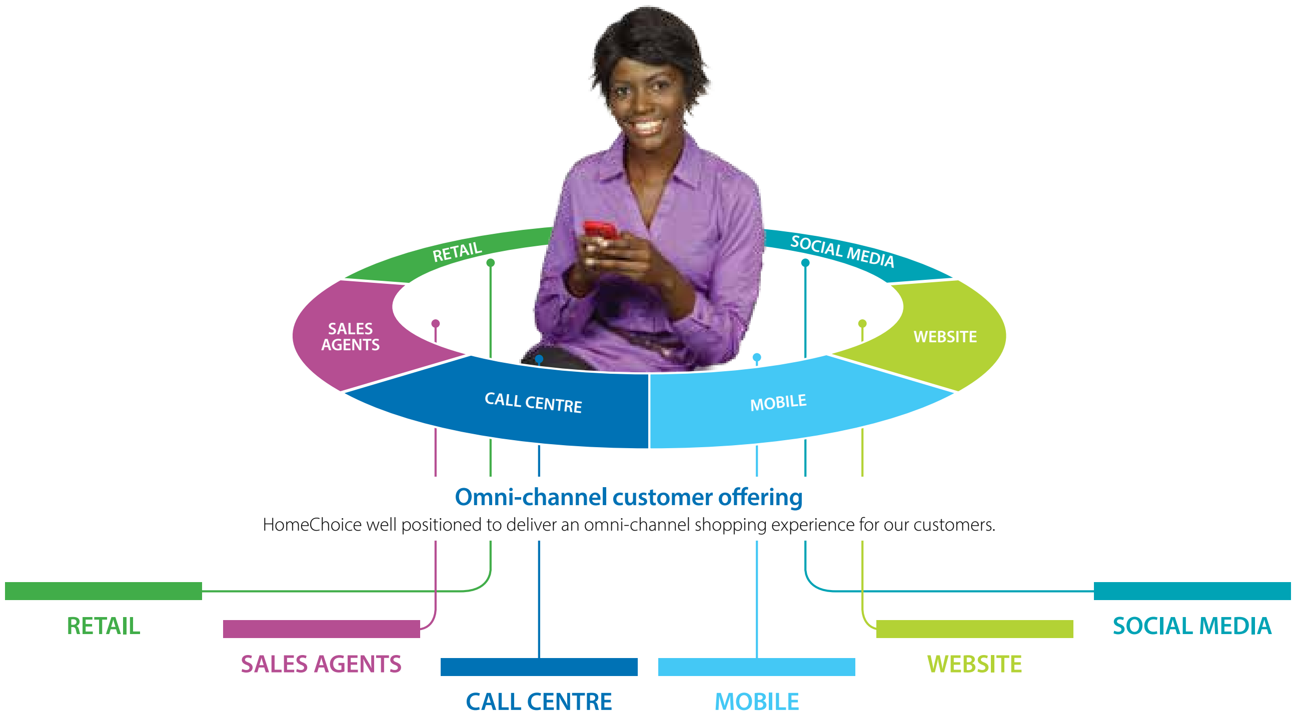
HomeChoice's focus in this difficult retail environment has been on driving profitable growth and investing in our systems and our people to support the growth, while maintaining our focus on cash generation.

Strong sales growth has been delivered through expansion and innovation of our product range and adjusting pricing to ensure we remain affordable and competitive. We focused on bringing new customers into our "shop" and were successful in attracting new customers from neighbouring African countries. Most importantly, we continued building our omni-channel retail capability, notably our digital channels, providing customers with more ways to shop with us.

Strong financial performance

Despite tough retail trading conditions, I am pleased to report that our Retail business has performed well, delivering strong growth, improved gross margin despite currency volatility and increased profitability.

Revenue increased by 16,9% to R1,57 billion, with retail sales growing by 16,4% to nearly R1,1 billion. Growth was driven by the success of our bedding ranges and high levels of innovation and newness across the entire product range. During 2014 we also developed our furniture offering and expanded furniture delivery areas, where we are now able to deliver to 80% of the customer base.



Omni-channel customer offering

HomeChoice well positioned to deliver an omni-channel shopping experience for our customers.

> "We have focused on driving profitable growth whilst maintaining our focus on cash generation."

Sales growth has been volume driven, with overall growth of 13% and modest price growth of 3% (average item value). Over 90% of product purchases are US Dollar denominated and, owing to the deterioration of the Rand, it was necessary to increase retail prices.

The impact of price increases on the average item value was partially off-set by changes in product mix, with an increased range of entry-tier product recognising consumer pressures and the growth of lower-priced product categories such as bathroom and sheeting.

The gross profit margin improved by 70 basis points to 49,8%, which is close to the midpoint of management's medium-term target range of 48% to 52%. This level of profitability was achieved despite currency volatility and an adverse product mix with increased sales of lower-margin products. Margin gains were delivered through a combination of price increases, driving efficiencies in warehouse and distribution operations, and cost reduction along the supply chain.

Retail EBITDA increased by 16,6% to R338 million, with a modest reduction in EBITDA margin from 21,6% to 21,5%. The strong growth in EBITDA reflects the benefits of higher sales, increase in gross margin, lower debtor costs (which declined as a percentage of revenue from 15,8% to 14,0%) and good cost control, with cost investment focused on acquiring new customers and expanding the merchandise and digital teams to support our retail strategy.

The business maintained its strong focus on cash, generating R165 million in operating cash flow (2013: R161 million).

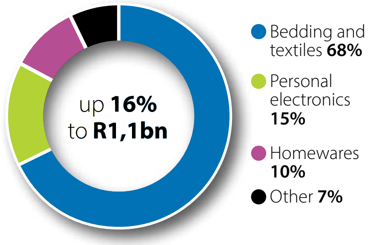
Managing the risk of buying

The merchandise team focused on driving growth in the core textiles and housewares categories. Significant effort was placed on range extension and product innovation, which is driven by the buying team who adapt international homewares trends for our market. The range growth for the year has been the highest ever with 16% increase in patterns. Delivering this level of newness can bring risk to the business due to increased complexity of the buy and importance of managing stock levels.

Stocks were well controlled with an improvement in the in-stock ratio to 79%, which is 5% up on last year. The 14,8% growth in stock levels is in line with growth in the business and also reflects the strategic decision taken to increase stock levels of core bedding ranges. Bedding has a high number of continuity lines and increased stocks enable the business to potentialise sales and improve the customer experience. Stock turn has marginally declined from 3,7 to 3,5.

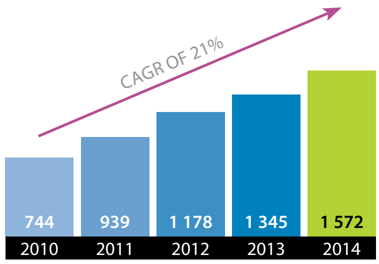
New merchandise systems were implemented during 2014 which will significantly improve our control and visibility over the buying and planning processes, aiding the merchandise team to manage margins and optimise stock levels.

2014 MERCHANDISE SALES MIX



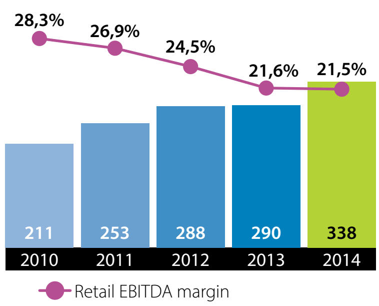
RETAIL REVENUE

R'million



RETAIL EBITDA

R'million



The monthly catalogue mailed to over 400 000 HomeChoice customers and 100 000 potential customers is our primary retail store. The growth in the merchandise range required a substantial increase in the number of pages in the catalogue to showcase all our products effectively. An enlarged catalogue would have meant increased postage costs and so a new "handbag concept" catalogue with a vibrant new look and feel was developed and tested in December 2014 and, based on the success of this pilot, has been implemented in 2015.

Optimising our supply chain

The move to the new 200 000 m^3 centralised distribution and warehouse facility was successfully completed on schedule in January 2014. Owing to the complexity of the move and the potential disruption on the supply chain, management adopted a conservative approach and restricted sales activity in January and February 2014.

The focus in 2015 will be on extracting efficiencies from the new facility and improving operational processes, including the introduction of flexible labour scheduling to match sales demand. Improved picking and despatch processes resulted in a reduction in order processing times, with 76% of orders now despatched within 24 hours compared with 53% in 2013. The introduction of new returns, repair and replacement processes have resulted in fewer delays and improved customer service.

The business has identified a number of areas of opportunity for reducing costs in the supply chain. During 2014 a review of inbound shipping processes was completed with cost and efficiency improvements realised. This will be a key area of focus for the merchandise and logistics teams in 2015.

As outlined above and in the Group CEO's Report, the extended SAPO strike severely impacted deliveries to customers and significantly reduced our sales in the last quarter of 2014. HomeChoice is managing the delivery risk by reducing its reliance on SAPO for our customer deliveries by growing its home delivery network and making increased use of third-party courier services. The home delivery service in South Africa has already been extended to 58% of all deliveries (2013: 55%).

Growing our customer base

Credit policy was tightened during 2013 to ensure existing customers did not take on more debt than they could afford to repay. More stringent credit-granting criteria were applied which excluded approximately 20% of customers from marketing campaigns. These tighter credit policies continued to be applied in 2014 and it was therefore pleasing to see a 10% increase in the retail customer base to 591 000.

Sales from both existing and new customers have increased, which highlights the product appeal and strength of our marketing offers. Sales per new customer have grown from R1 527 in 2013 to R1 558 in 2014 while sales from existing customers were up from R1 434 to R1 485. The customer repurchase rate was similar at 63% (2013: 64%).

10%
growth in retail customer base

Customer acquisition activity delivered 163 000 (2013: 144 000) new customers in South Africa and 16 000 (2013: 10 000) in the neighbouring African countries. Our marketing campaigns aimed at attracting customers were more efficient, with the cost per new customer reducing from R822 to R698.

Today we have 49 000 active customers across Namibia, Botswana, Lesotho, Swaziland and Zambia, which is an increase of 20% over 2013. The growth in our foreign customer base reflects improved retention of existing customers, successful reactivation of customers and effective sales campaigns to acquire new customers.

During the year we successfully revitalised our sales agent channel under a new manager. This new focus has driven recruitment of new agents and reactivation of previous sales agents. This channel is a key driver of new customers, with agents accessing local markets.

Managing the risk of credit

Debtor costs as a percentage of revenue reduced from 15,8% to 14,0% due to improved write-off performance, better arrears distributions and consequently lower provision levels, reflecting actions taken in 2013 to tighten policy and reduce risk.

As discussed earlier, the business continued to focus on cash management and driving electronic payments such as Naedo debit orders (now 16,4% of total payments from 10,7%) to improve our collections process. Our collections strategy is closely aligned to our credit risk strategy with the aim of driving continual improvements in our book metrics. During 2014 we collected R1,1 billion from our debtors' books and the cash conversion level in Retail declined from 55% to 49% but is in line with the five year average.

The SAPO strike caused significant disruption to our home delivery service with a number of parcels not being delivered or taking significant time to get to customers. The delivery of monthly account statements was also affected. This negatively impacted on customer payments and our collections process and hence the quality of our debtors' book in the last few months of 2014. We expect a higher level of bad debt from this period of poorer payment performance and have fully provided for this in our provisioning. While the effects of the strike have muted the overall improvement in risk metrics, the book and credit risk metrics have nevertheless shown an improvement from the prior year. Please see the Managing the Risk of Credit Report on page 54 for more details.

Enhancing our customer experience

The business constantly strives to improve customer service across all its channels through ongoing investment in people, processes and systems. HomeChoice employs over 500 agents in its call centres with close to 400 focused on driving sales and over 100 customer service agents dealing with customer queries for all our sales channels.

Due to growth in our digital channels a dedicated web and social media team has been established to assist in processing online orders, deal with web and mobi queries and drive social media engagement.

The growth of our omni-channel business presents us with a number of challenges in relation to customer service, including the need for multi-skilled agents and delivering a consistent customer experience across each channel. This is a key area of focus for us and we are considering how technology can assist us in meeting this challenge.

Implementing leading IT systems

In order to support our growth strategy we need to invest significantly in our technology and infrastructure platforms, and spent R42 million on IT systems in 2014 and plan to spend R65 million in 2015.

The majority of the investment is in the new ERP system where we have implemented phase 1 (finance and procurement) and the merchandise module of phase 2, with the warehouse module planned for implementation during 2015. We also invested in new merchandise forecasting tools and stock management tools. These new systems will significantly enhance the quality and timeliness of our information, improve our trading capability and, with increased visibility, enable us to drive further efficiencies.

There is also sizeable investment in our digital channels where we have spent R5 million during 2014, improving our technology platforms and building the teams to support the increased demand from this strategically important channel.

The focus in 2014 was on optimising the current digital platforms. However, management recognises that both the web and mobi sites require significant enhancement to enable the business to deliver on its digital growth strategy. New digital platforms are currently being evaluated to enable HomeChoice to launch leading-edge web and mobi sites in 2016. A UK consultancy with significant e-commerce experience is assisting in defining the future state for our digital platforms.

Delivering on our channel and new market strategy

HomeChoice has continued to pursue its strategy of developing its capability as an omni-channel retailer and offering the customer different ways of shopping.

Outbound and inbound call centres remain the primary channel of customer engagement with 79% of sales and are the key channel for customer queries.

Digital is the fastest growing channel and now represents 9,1% of retail sales (2013: 8,1%). This channel is also the most cost efficient and has the lowest acquisition cost for new customers. As discussed above, during 2014 there has been considerable focus and investment in the web and mobi sites to improve navigation and introduce new functionality with the aim of increasing conversion and spend.

9%

of retail sales through digital platforms

Our retail "bricks" strategy is based on a showroom concept supported by "pop-up shops", largely in retail malls. The first showroom will be opened in Wynberg, Cape Town in the latter part of 2015. We believe that this concept has roll-out potential and will also attract new customers to HomeChoice. The scale and pace of roll-out will depend on the performance of the first showroom.

Building our business in neighbouring African countries is a key element of our retail strategy. We have seen double-digit sales growth in these markets in 2014, with African sales now representing 11,0% of retail sales, up from 9,6% in 2013. In September we entered Zambia, partnering with a local logistics supplier. Operating in a new market is challenging and we are working on building brand awareness and developing a trading model relevant to our Zambian customers. Our digital capability is particularly important in Africa as these customers have demonstrated a heightened propensity to shop online with us, with 14% of foreign sales being generated through digital channels compared with 9% for the entire business.

Prospects for 2015

The trading environment is not expected to show any marked improvement in the year ahead as the outlook for economic growth and revival in the country is muted. Our customers are therefore likely to remain under financial strain as pressures on disposable income continue and the unsecured lending market remains constrained. Reducing debt levels should be a priority for consumers.

Our focus areas for 2015 are detailed in the Retail Strategy and Performance section on pages 12 and 13. Our growth strategies will be supported with continual investment in the business and in 2015 we have committed to capital expenditure of over R80 million.

Thanks and appreciation

The HomeChoice team has again shown its ability to overcome obstacles to ensure we meet the needs of our customers. Thank you to the directors and staff for your energy, passion and creativity. It is a pleasure to lead a team of your calibre.

Thank you to our customers who have again supported us in increasing numbers over the past year and we look forward to exceeding your expectations in the year ahead.

Leanne Buckham
Chief Executive Officer: Retail

FINCHOICE CHIEF EXECUTIVE OFFICER'S REPORT

SEAN WIBBERLEY

Introduction

FinChoice recorded another competitive performance in 2014 in a tough yet stable credit environment and against the backdrop of the collapse of the largest and most established unsecured credit lender in the market.

Continued product innovation and controlled credit performance contributed to revenue increasing by 22,2% to R386,0 million and loan disbursements by 24,6% to R944,9 million. EBITDA was 29,8% higher at R189,1 million and FinChoice increased its contribution to group EBITDA from 32,4% in 2013 to 34,9% in 2014. The EBITDA margin grew from 46,1% to 49,0%.

In 2014 the business changed its accounting treatment for customers who enter the National Credit Act's (NCA) debt review programme to align with the approach taken by HomeChoice and the market (see details later in this report). This change resulted in a once-off benefit to EBITDA of R10,9 million. On a comparable basis EBITDA improved from R145,7 million to R178,2 million, a 22,3% increase, and EBITDA margin grew to 46,7%.

Credit risk performance improved in FinChoice during 2014 as the tightening of the scorecard policies from 2013 flowed through to the debtors' books. Debtor impairment costs reduced from 33,1% of revenue in 2013 to 28,3% in 2014. Owing to the improved credit performance, FinChoice strategically extended average terms for accounts booked in 2014 from 8,0 to 8,6 months, growing the gross loan book by 42,6% to R748,9 million.

FinChoice acquired 36 000 new loan customers in 2014, growing the active customer base by 15,2% to 77 000. Our continued focus on driving our digital strategy of "Our brand in her hand" played out in 2014 with 73% of all repeat loan transactions being concluded by digital self-service, up from 69% in 2013.

73%
of repeat loan transactions on digital platforms

Unsecured lending environment

The unsecured lending environment remained tough in 2014 for consumers and credit providers. The demise of the experienced lender, African Bank, which accounted for one-third of the unsecured lending book in South Africa, caused widespread concern of an imploding unsecured credit bubble. However, other major unsecured lenders such as Capitec proved resilient and showed that Abil's failure was company specific rather than a systemic market problem.

Growth rates of unsecured lending slowed further in 2014. The National Credit Regulator (NCR) reported a marginal increase of 1,4% (2013: increase of 19,4%) in the combined gross debtors' book for unsecured and short-term lending to R171 billion (2013: R168 billion) for the year to September 2014. The sustained levels of consumer indebtedness in the market resulted in an increase in customers seeking the protection of the debt review rehabilitation process of the NCA.

On the regulatory front the National Credit Act Amendment Act was enacted in May 2014 and has become effective from 13 March 2015. The NCR's regulations on affordability assessment processes were promulgated on the same date. During 2014 FinChoice established a dedicated project team to review the evolving affordability regulation, and we now need to evaluate what process changes are required by the new regulations.

The abuse of emolument attachment orders, commonly referred to as garnishee orders, remained under the spotlight in 2014. Garnishee orders have been abused by certain lenders and debt collectors, and better standards of control will benefit the industry.

Draft legislation to regulate credit life insurance practices is also expected in 2015. FinChoice charges a premium of R4,50 per R1 000 of cover and settles a customer's full loan balance in the event of death, retrenchment or permanent disability. Our research shows this premium to be below the average charged in the credit industry and we expect regulation capping maximum premium rates to have minimal impact on our business.

"Our goal is to empower our customer with financial freedom through her mobile phone."

FinChoice's loans strategy

The core FinChoice strategy is to market short-term unsecured loan products to HomeChoice customers of known and acceptable credit risk, with a track record of repaying retail credit. The retail business "cleanses" prospective customers and the best quality customers are filtered through to FinChoice and receive pre-qualified loan offers.

In 2014 new disbursements increased by 30,0% to R243 million (2013: R187 million). 98% of these first-time disbursements were granted to existing HomeChoice credit customers. The business tested the granting of credit to non-HomeChoice prospects in 2014 using the short-term one- and six-month products at reduced loan sizes to acquire new customers at low exposure and low event risk. Repayment performance on these externally sourced loans has been encouraging.

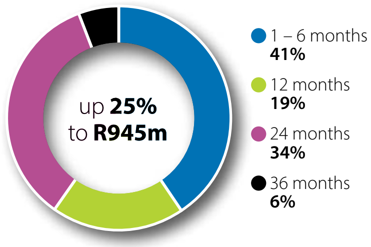
Management views new loan disbursements as an investment as each new customer represents an opportunity for repeat business. Approximately three-quarters of new loan customers apply for a repeat loan over time. This is higher quality business as repeat loans have a lower acquisition cost and a better repayment experience than new loans. Repeat loan disbursements grew by 23,0% to R702 million, accounting for 74,3% (2013: 75,3%) of total loan disbursements.

FinChoice has the flexibility to control product term mix and credit limits to optimise cash yield and credit performance. Loan products range from the one-month KwikAdvance product to a 36-month term loan, ranging in size from R100 to R30 000. KwikAdvance enables existing customers to have two concurrent loans: a longer-term loan for lending needs and the KwikAdvance loan for short-term cash flow needs.

In 2013 management strategically shortened the terms mix due to the poor credit environment. As a result of the stable credit performance of our customers in 2014, FinChoice was able to prudently extend the terms mix in the book. Loan disbursements on our one- and six-month products accounted for 41% of all loans disbursed. This compares to 47% in 2013 when management intervened aggressively to shorten the duration of the book and is closer to the 37% level in 2012. FinChoice continues to cautiously extend the 36-month term product which is reserved for top-rated existing loan customers and which accounted for only 5,6% of the total loan disbursements in 2014.

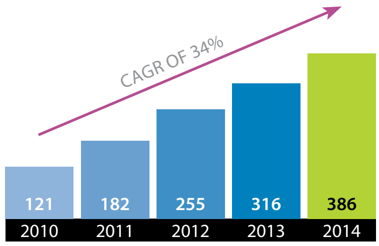
FinChoice's average loan product in the book at December 2014 was 19,2 months (2013: 18,2 months), weighted by the value of the balance outstanding. The comparative market average term based on the latest available September 2014 NCR data for unsecured credit is 43 months. The average FinChoice loan balance of R8 206 (2013: R7 269) at December 2014 compares to the market average of R21 462 from September data.

2014 TOTAL DISBURSEMENTS



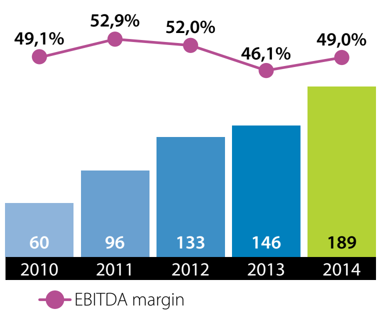
FINCHOICE REVENUE

R'million



FINCHOICE EBITDA

R'million



FinChoice is a niche short-term, low-value lender. Its share of the country's unsecured and short-term lending market increased marginally from 0,3% to 0,4% as at September 2014.

Continued digital innovation

FinChoice continues to successfully differentiate itself in its market by offering flexible, convenient, fast and innovative products and services. The business has a strategic focus on the self-actualisation of its female-biased mass market middle-income customer base by offering her convenience through self-service digital channels and flexibility in the repayment of loans. Our goal is to empower our customer with financial freedom through her mobile phone.

Customer engagement through KwikServe, the FinChoice mobile self-service channel, continues to be most encouraging. By December 2014, 118 000 loan customers had registered for KwikServe. Over 75% of the active loan base uses the service and 73% of all repeat loan transactions were concluded through this user-friendly digital channel. KwikServe provides customers with 24/7 access to self-manage their loan accounts, empowering them to review account balances, apply for a repeat loan, request an instalment skip in difficult months and to purchase airtime.

The www.finchoice.mobi transactional platform was piloted to a sample group of existing loans customers in 2014. The mobi platform was based on the current KwikServe functionality, but with the richer graphical interface afforded by smartphone technology. The pilot enjoyed a 30% registration rate from the sample group, which bodes well for the future of this exciting platform. The learnings from the pilot will be taken into 2015 and steadily rolled out to customers as they acquire smartphone handsets and begin to embrace mobile internet.

Growing our customer base

In 2014, 36 434 (2013: 29 175) first-time loan customers were acquired, the vast majority (92%) coming from existing HomeChoice customers. The cross-selling of loan products to our retail customers strengthens the group relationship, improving retention and entrenching responsiveness to future group offers.

Controlled testing to prospects from outside of the HomeChoice database was also conducted, resulting in the acquisition of 3 000 new customers into the group on risk-tolerant short-term, small-value loans. FinChoice continued to leverage the HomeChoice marketing platforms and brand when acquiring these external customers, which contained acquisition costs and acquired customers into the group of a similar demographic to the HomeChoice retail customer. The Financial Services customer base is 81% female compared to 85% in the Retail business.

Management continued its focus on customer retention and reactivation of quality customers during 2014. Our digital strategy empowers customers to transact with their loan accounts from their mobile handsets, strengthening the relationship and keeping them actively engaged. The active customers in force grew by 15,2% from 66 500 at the end of 2013 to 76 600 at the end of 2014.

Managing the risk of credit

FinChoice's credit performance improved in 2014 despite the challenging credit environment. The tightening of credit scorecards and changes to the collections team made in 2013 flowed through into the debtors' books in 2014. This tightened policy was continued during the year and the resultant performance of the debtors' books over 2014 was consistent and favourable. The cost of debtor impairments decreased from 33,1% of revenue to 28,3% of revenue. The improvement is artificially high due to the below-mentioned change in accounting treatment. On a comparable basis debtor costs decreased from 33,1% to 30,3%.

Change in accounting treatment of debt review customers

When FinChoice was launched in 2007, the business took a very conservative view to write off customers who entered the NCA's debt review rehabilitation programme. The performance of these customers repaying their obligations under debt review has subsequently proved to be better than the recovery performance of written off arrears customers. To align FinChoice with the market's approach and that of the HomeChoice retail business, the debt review customers have been brought back onto the FinChoice book with a suitably high provision of 80%. Please refer to the Managing the Risk of Credit Report on page 54 for more detail on this change.

The provision for doubtful debt has been increased to 17,0% (2013: 12,0%) of the FinChoice gross receivables. The step change is a combination of the revised accounting treatment, which now includes the debt review customers in the book who had previously been written off and a lowering of the provision on the core loans book resulting from better repayment performance over 2014. On a comparable basis, had the change to debt review accounting treatment not occurred, the provision would have lowered to 10,6%.

FinChoice collected R1,1 billion from loan customers in 2014, up 15,3% from R932 million in 2013. This compares to the R945 million disbursed in 2014, illustrating the cash-generating capacity of the short-term FinChoice book.

Plans for 2015

FinChoice will continue its defensive approach to credit extension in the current market cycle, while pursuing its proven strategy of targeting HomeChoice customers and leveraging its existing customers for repeat business. Credit metrics will be monitored and tightened further, or relaxed, as consumer conditions and repayment behaviour dictate.

The establishment of an operational hub in Mauritius in 2015 under HomeChoice International will provide a platform for financial services offerings into Africa. FinChoice plans to conduct tests in Botswana in 2015.

A new insurance business will be launched in 2015 with a view to offering a range of products to the group's customer base in the coming years.

FinChoice will further entrench itself as our customers' digital financial services provider of choice in 2015. The business will focus on enhancing and supporting the successful KwikServe offering, while expanding its new mobi platform as increasing numbers of customers migrate to technology-rich smartphones and embrace Internet on their mobile phones.

Management expects trading conditions to remain difficult into 2015 as consumers are squeezed by slower credit supply due to credit tightening in the market and regulatory changes. Revenue is not expected to grow at the levels of previous years owing to the base effect of this growing business, and the continuation of the cautious approach to lending in the current subdued market conditions.

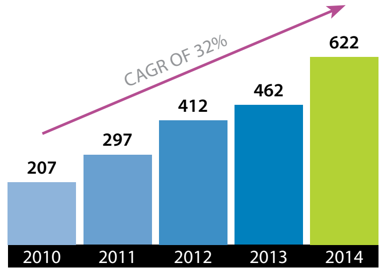
Thanks and appreciation

FinChoice delivered a strong set of financial results in a tough environment. This delivery was made possible by the efforts and focus of our directors and my executive team, and supported by our staff of specialists and operational personnel. My thanks to each of you on a great year. Lastly, thank you to our customers for making FinChoice their preferred digital financial services provider.

Sean Wibberley
Chief Executive Officer: FinChoice

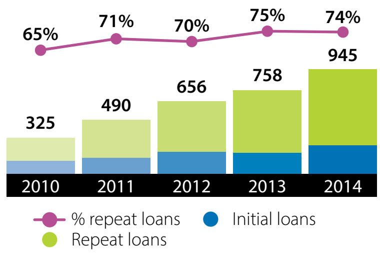
FINCHOICE NET LOANS RECEIVABLE

R'million



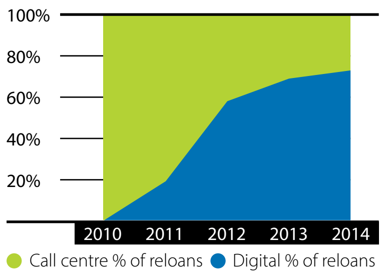
TOTAL DISBURSEMENTS

R'million



REPEAT LOAN TRANSACTIONS

Percentage



FINANCIAL DIRECTOR'S REPORT

PAUL BURNETT

Group restructuring

During November 2014 the HomeChoice Holdings Limited (HCH) group was restructured. Shareholders approved a scheme whereby the HCH shareholders became shareholders of HomeChoice International PLC (HIL), a newly created offshore holding company of HCH. This transaction was accounted for as a reorganisation of the existing group and did not change the substance of the reporting entity. The consolidated financial statements of HIL are therefore presented using the values from the consolidated financial statements of the previous holding company, HCH. As part of the restructuring, Paul Burnett was appointed financial director of HIL.

Performance review and targets

		Medium-term targets	2014	2013	2012	2011	2010
Revenue	(Rm)		**1 958,6**	1 662,0	1 434,4	1 121,1	869,4
Growth in revenue	(%)		**17,8**	15,9	27,9	28,9	33,5
Retail sales	(Rm)		**1 082,5**	929,7	841,5	670,5	527,5
Growth in retail sales	(%)		**16,4**	10,5	25,5	27,1	36,2
Gross profit margin	(%)	48 – 52	**49,8**	49,1	51,1	53,4	57,1
Operating profit	(Rm)		**521,5**	438,3	402,9	341,6	249,7
Growth in operating profit	(%)		**19,0**	8,8	17,9	36,8	76,5
Operating profit margin	(%)	25 – 30	**26,6**	26,4	28,1	30,5	28,7
EBITDA	(Rm)		**541,8**	450,1	412,7	352,5	257,7
Growth in EBITDA	(%)		**20,3**	9,1	28,8	31,4	29,6
Cash generated by operations	(Rm)		**233,6**	278,0	153,7	143,5	101,9
HEPS	(cents)		**352,8**	306,9	282,1	234,8	191,0
Growth in HEPS	(%)		**15,0**	8,8	20,1	22,9	87,1
Distribution cover	(times)	2,2 – 2,8	**2,2**	2,8	5,6	2,8	3,5
Net asset value per share	(cents)		**1 559,8**	1 275,8	1 062,0	829,9	661,3
Return on equity	(%)	25 – 30	**24,8**	26,3	29,8	31,9	28,9

"The capital management strategy is focused on investing in organic growth to optimise returns to shareholders."

Overview

HomeChoice continued to deliver a solid performance with headline earnings per share growing 15,0% to 352,8 cents (2013: 306,9 cents).

Revenue grew by 17,8% to R1 958,6 million (2013: R1 662,0 million), with retail sales growing by 16,4% to R1 082,5 million (2013: R929,7 million). This growth has been driven by the focus on merchandise range extension, product and marketing innovation in the Retail and Financial Services businesses, and the execution of our strategies of growing online sales and expanding into Africa.

Earnings before interest, tax, depreciation and amortisation (EBITDA), increased by 20,3% to R541,8 million (2013: R450,1 million).

Credit policy was tightened significantly during late 2012 and early 2013, and we have maintained the policy at these tight levels during 2014. This has led to debtor costs increasing by only 4,2% to R329,9 million (2013: R316,5 million) and reducing as a percentage of revenue from 19,0% to 16,8%. Please refer to the debtor costs section later in this report for further detail, including the explanation of a once-off benefit due to a change in the accounting treatment of debt review customers. The trade and loans receivable books are adequately provided for at 17,9%, up from 16,2% at the prior year-end. This higher provision is mainly due to the change in the treatment of debt review customers in FinChoice.

Other trading expenses increased by 29,5% to R562,9 million (2013: R434,7 million) as the group increased its investment for growth. The increase is due to higher marketing costs owing to the tighter credit-granting criteria and a strategic decision to invest in customer acquisition, higher depreciation costs following the investment in the new distribution centre, costs relating to the restructuring and listing of the business and higher staff costs as no bonuses were paid in the prior financial year. Management will focus on managing and containing costs and expects other trading expenses as a percentage of revenue to stabilise in future years.

Cash generated from operations reduced to R233,6 million (2013: R278,0 million) due to the increased investment in debtors and loan receivables as a result of the growth in the business.

Cash conversion (cash generated from operations expressed as a percentage of EBITDA) reduced to 43,1% (2013: 61,8%) due to the higher growth, but is in line with the five-year average cash conversion rate of 44,5% (40,2% excluding the abnormally high level in 2013).

The interim dividend of R62,1 million (61 cents per share) was not paid as planned during November 2014 as the newly formed HomeChoice International PLC required audited financial statements before declaring a dividend in terms of Maltese company law. The interim dividend will be paid together with the final dividend of R101,8 million (100 cents per share) in May 2015.

Return on equity reduced to 24,8% from 26,3% in 2013. If the 2014 interim dividend had been paid by the financial year-end, return on equity would have been 25,4% within the medium-term target range of 25% to 30%.

Financial performance

This detailed commentary of the group's financial performance should be read together with the summarised financial statements on pages 76 to 86 and the audited annual financial statements on the website. The segmental performance of the Retail and Financial Services businesses is covered in the Retail CEO's and FinChoice CEO's Reports respectively. A five-year history of the financial performance is available on pages 22 to 24.

Statement of comprehensive income

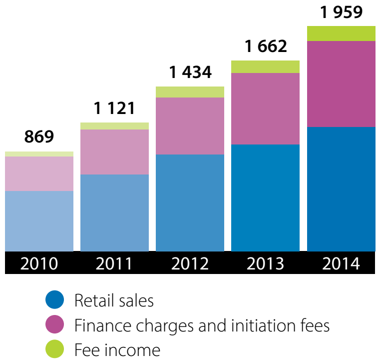
Revenue

The group experienced strong revenue growth of 17,8% to R1 958,6 million (2013: R1 662,0 million) in the continued tough consumer environment. This was achieved despite the January 2014 move to the new distribution centre, and consequently planned lower revenue during this period, as well as the postal strikes during the third quarter which had a negative impact on customers and on retail sales. Retail growth was accelerated by range extension, strong marketing offers and campaigns as well as an investment in marketing expenses to grow the customer database. The Retail business also benefited from the success in the sales agent channel growth of 93% as well as the African strategy where sales now represent 11% of retail sales (2013: 9,6%).

FinChoice grew its disbursements by 24,6% (2013: 15,6%) and consequently its revenue by 22,2%, applying continued product

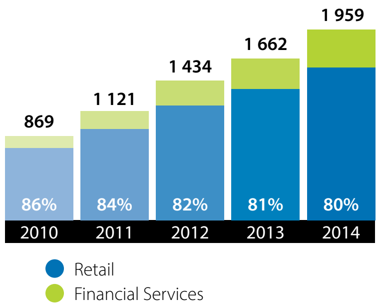
REVENUE MIX

R'million



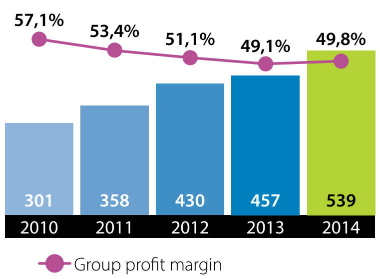
REVENUE CONTRIBUTION

R'million



GROUP GROSS PROFIT

R'million



innovation and controlled credit policies. FinChoice's revenue has increased slightly as a proportion of total revenue to 20% (2013: 19%) and is expected to continue at around this level in future.

Finance charges and initiation fees earned

Finance charges earned increased by 18,7% to R537,8 million (2013: R452,9 million) due to longer average repayment terms in retail of 16,5 months (2013: 14,1 months). Merchandise range extension caused a slightly higher proportion of sales to be concluded on 24-month terms which are being offered to enable customers to buy the higher-priced furniture and luxury tiered products. This is expected to continue in future.

FinChoice's disbursements grew by 24,6% and the terms mix increased slightly to 19,2 months (2013: 18,2 months). The longer terms were offered to customers due to the stabilised credit performance.

Initiation fees increased by 24,2% to R207,4 million (2013: R166,9 million) due to a change in the methodology of charging initiation fees in Retail and due to high reloans in the FinChoice business.

Fees from ancillary services

Fees from ancillary services increased by 16,5% to R130,9 million (2013: R112,4 million).

Gross profit

The gross profit margin improved by 70 basis points to 49,8% from the 49,1% in 2013 and is within the medium-term target of 48% to 52%. This was achieved through efficient supply chain management which limited the impact of the volatile Rand. The majority of the group's merchandise is imported and US dollar denominated. The gross profit margin has reduced over the last five years as a result of the strategy of improving pricing to customers. The margin has also been well managed considering the 57% deterioration in the Rand/US$ exchange rate over this period.

Debtor costs

Change in treatment of debt review customers

FinChoice and FoneChoice have previously adopted a highly conservative approach and wrote off customers who entered the debt review process regulated by the NCA. The recovery rates on these debt review accounts have proven to be better than initially expected. In addition, to align FinChoice and FoneChoice with the treatment adopted in HomeChoice, it was decided to bring the debt review book back onto the statement of financial position with a substantial and conservative provision of 80%. This change was accounted for as a change in estimate and prior year numbers have not been restated. This resulted in a once-off benefit to debtor costs and profits.

Impact of 2014 unusual items (including the debt review change):

		2014	% of revenue	2014 excluding unusual items*	% of revenue	2013	% of revenue
Revenue		**1 958,6**		**1 954,1**		1 662,0	
Debtor costs		**329,9**	**16,8**	**342,4**	**17,5**	316,5	19,0
Growth	(%)	**4,2**		**8,2**		38,9	
Operating profit		**521,5**	**26,6**	**508,0**	**26,0**	438,3	26,4
Growth	(%)	**19,0**		**15,9**		8,8	

* Includes the debt review adjustment, the DC move costs and a once-off benefit of VAT claims on prior years' write-offs

Debtor costs increased by 4,2% to R329,9 million (2013: R316,5 million) and reduced as a percentage of revenue to 16,8% (2013: 19%). This reflects the tightening of credit policy during 2012 and 2013 in response to the deterioration in the credit market, resulting in an improved performance of our debtors' and loan books.

Debtor costs, excluding the once-off unusual items, increased by 8,2% which is 17,5% as a percentage of revenue. Even excluding these once-off benefits, debtor costs have shown good improvement compared to 2013.

The group's provisioning policy remains conservative and has been consistently applied. For further detail on debtor cost management and policies refer to the Managing the Risk of Credit Report on pages 56 and 57.

Other trading expenses

	2014 R'000	2013 R'000	Change on prior period %	2014 % of revenue	2013 % of revenue
Marketing costs	**166,2**	138,8	19,8	**8,5**	8,4
Staff costs	**231,6**	173,9	33,2	**11,8**	10,5
Amortisation and depreciation	**22,8**	13,7	66,6	**1,2**	0,8
Other	**142,3**	108,4	31,2	**7,3**	6,5
Other trading expenses	**562,9**	434,7	29,5	**28,7**	26,2

For the first time in five years, other trading expenses have increased as a percentage of revenue. This is due to the group investing in its platform for future growth.

The increase in costs is mostly due to the following:

- Marketing costs increased 19,8% due to tighter credit criteria and a strategic decision to invest in customer acquisition.
- Staff costs increased by 33,2% with an investment made in additional merchandise and e-commerce staff. Due to the tough trading and collection environments, the group also invested in additional call centre and collection staff. Furthermore, no bonuses were paid in the prior financial year due to the group not meeting targets.
- Amortisation and depreciation increased by 66,6% due to the depreciation of the new distribution centre racking and equipment as well as the amortisation of phase 1 of the ERP, which went live during October 2013.
- Other expenses increased by 31,2% mainly due to the restructuring and listing costs.

Management will focus on cost containment and expects other trading expenses to stabilise as a percentage of revenue.

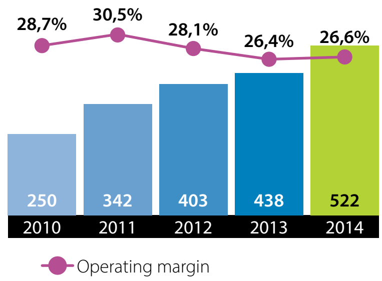
Profitability

Operating profit increased by 19,0% to R521,5 million (2013: R438,3 million). Operating margin at 26,6% (2013: 26,4%) remains within the 25% to 30% medium-term target.

Operating profit on a normalised basis, excluding the benefits mentioned under debtor costs and the once-off cost of moving the distribution centre, increased by 15,9% with a margin of 26,0%. Operating profit growth on a normalised basis is lower than revenue growth due to the pressure on other trading expenses, as discussed above.

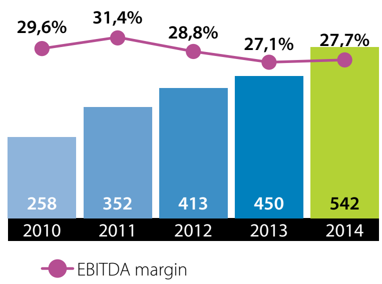
OPERATING PROFIT

R'million



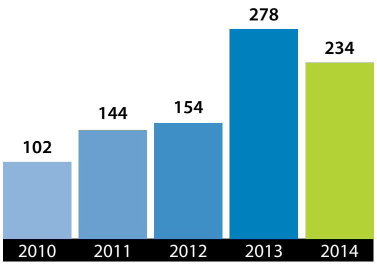
EBITDA

R'million



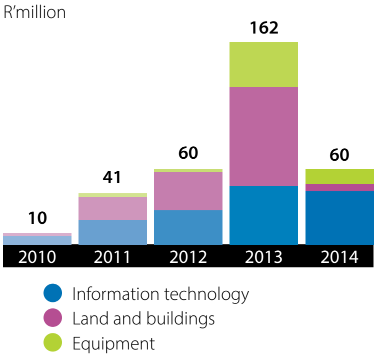
CASH GENERATED BY OPERATIONS

R'million



CAPITAL EXPENDITURE

R'million



EBITDA increased by 20,3% to R541,8 million (2013: R450,2 million), which is higher than operating profit growth due to higher depreciation in the Retail business negatively impacting operating profit.

Headline earnings increased by 14,9% to R355,6 million (2013: R309,3 million) which is lower than operating profit growth owing to the significantly higher interest charge due to the financing of the new distribution centre.

Taxation

The group's effective tax rate increased slightly to 28,8% (2013: 28,2%) due to restructuring and listing costs that cannot be claimed for tax.

Statement of financial position

Net asset value per share has increased by 22,2% to 1 559,8 cents (2013: 1 275,8 cents).

Return on equity reduced to 24,8% from 26,3% in 2013 and is slightly below the medium-term target range of 25% to 30%. If the 2014 interim dividend had been paid by the financial year-end, return on equity would have been 25,4%.

Property, plant and equipment

The group has not made any material investments in property, plant and equipment during the year, which increased by only 2,3% to R299,4 million (2013: R292,8 million), and is the result of purchases of R21,2 million.

Intangible assets

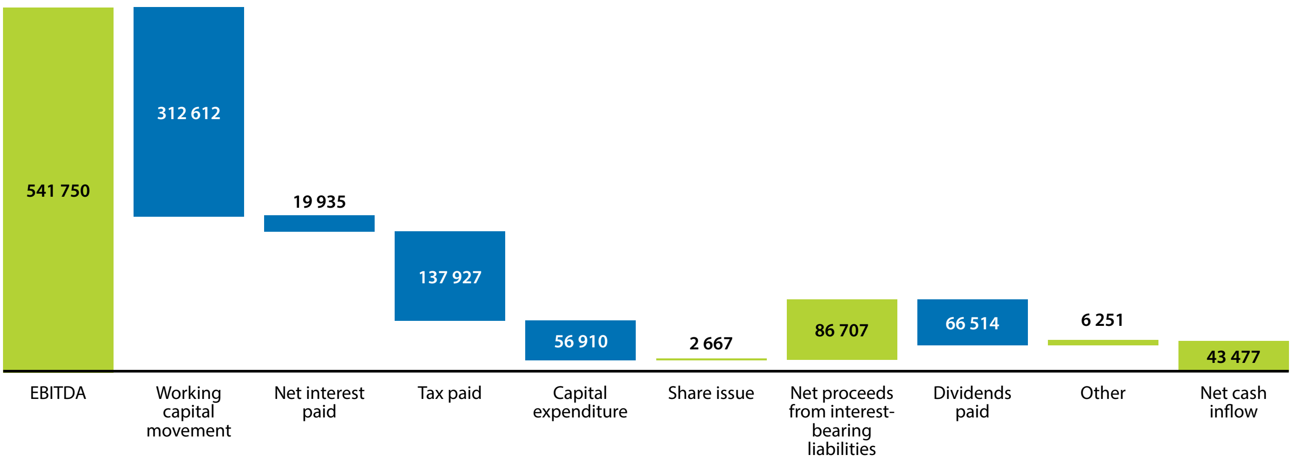
The group continues to invest in a new ERP system which contributed to intangible assets increasing by 48,8% to R91,1 million (2013: R61,2 million). Phase 1 (finance and procurement) of the ERP project went live in October 2013, phase 2a (merchandise management) in January 2015 and phase 2b (warehouse management and merchandise procurement) is scheduled to go live in the second quarter of 2015. Further detail on the ERP system is available in the Retail CEO's Report on page 43.

Inventories

Inventories increased by 14,8% to R166,4 million (2013: R145,0 million) and has been well managed. Inventory turn reduced to 3,5 times (2013: 3,7 times) largely due to the strategic decision taken to increase stock levels of core bedding ranges. See the Retail CEO's Report on page 41 for more detail.

CASH FLOW ANALYSIS

R'000



Trade and other receivables

Trade and other receivables increased by 28,6% to R1 504,8 million (2013: R1 169,9 million). Trade receivables in Retail increased by 26,1% to R865,5 million (2013: 686,4 million), compared to revenue growth of 16,9% (2013: 14,2%) mostly due to a slight increase in the average repayment terms to 16,5 months (2013: 14,1 months).

Loans receivable increased by 34,6% to R621,8 million (2013: R462,1 million), compared to revenue growth of 22,2% (2013: 23,8%) due to slightly longer terms of 19,2 months (2013: 18,2 months) and disbursement growth of 24,6%. The change in the treatment of debt review customers also increased the net loans receivable by R13,8 million.

Cash, cash equivalents and overdraft

The net cash balance at year-end was R62,6 million (2013: R19,1 million). However, the interim dividend of R62,1 million was not paid as planned during November 2014 as the newly formed HomeChoice International PLC required audited financial statements before declaring a dividend in terms of Maltese company law. The interim dividend will be paid together with the final dividend in May 2015.

Interest-bearing liabilities

Interest-bearing liabilities increased by 41,6% to R296,4 million (2013: R209,4 million). The group utilised the R100 million mortgage bond facility during 2014 as long-term finance, which was temporarily settled during 2013 with the proceeds from the corporate bond. The net debt to equity is fairly low and remains stable at 14,8%. The net debt to equity ratio would have been 19,5% if the interim dividend had been paid in November 2014. The group plans to increase borrowings in future and will maintain the net debt to equity ratio below 40%.

Trade and other payables

Efficient working capital management remains critically important to the group and trade and other payables increased by 17,8% to R158,5 million.

Statement of cash flows

Cash and cash equivalents increased to R62,6 million (2013: R19,1 million) as the group generated cash from operations of R233,6 million (2013: R278,0 million).

Cash generated from operations reduced in 2014 due to the higher growth of the business and the consequent investment in debtors and loan receivables. Cash conversion (cash generated from operations expressed as a percentage of EBITDA) reduced to 43,1% (2013: 61,8%) due to the higher growth, but is in line with the five-year average cash conversion rate of 45,1% (40,9% excluding the abnormally high rate in 2013).

Cash management and collections remain a focus for the group. The yield from the Retail book dropped marginally during 2014 due to the growth of the slightly longer terms of 24 months being offered to customers.

Capital management

The capital management strategy of the group continues to be focused on investing in organic growth through innovative retail and financial services offers to our customers, expanding the group's customer base and identifying opportunities in new markets to optimise returns to shareholders.

Capital expenditure of R60,1 million was incurred during 2014, down from R161,6 million in 2013 when the new distribution centre was developed. R38,8 million (2013: R26,9 million) of the capital expenditure in 2014 relates to intangibles, which is mostly the investment in the new ERP system. This will continue into 2016, together with investment in the group's e-commerce capabilities. A new call centre will be developed on land adjacent to the group's head office building.

During 2014 a final dividend for the 2013 financial year of R66 million was paid to shareholders. The 2015 interim dividend, normally paid during in November, will be paid together with the final dividend in May 2015.

Accounting policies and standards

The annual financial statements have been prepared in accordance with the group's accounting policies, which comply with International Financial Reporting Standards (IFRS), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), the requirements of the Companies Act of Malta and the JSE Listings Requirements.

The principal accounting policies applied in the preparation of these financial statements are consistent with those adopted in the previous year, except for the adoption of new standards as described on page 21 of the annual financial statements, available on the website.

Acknowledgements

As disclosed in the Chairman's letter to shareholders, Annalize Kirsten, the former Chief Financial Officer of HomeChoice Holdings, will be leaving the group to pursue other interests. I have enjoyed working with her this past year and would like to thank her for the outstanding contribution she has made, and wish her the very best in her future endeavours.

I would also like to thank my colleagues in the group's finance department for their continued commitment in maintaining such a high standard of financial reporting.

For the third consecutive year the group won the award for the top-rated integrated report by a non-listed company in the Chartered Secretaries South Africa Awards.

Paul Burnett
Financial Director
HomeChoice International PLC

MANAGING THE RISK OF CREDIT REPORT

MIKE ROUX

Challenging credit environment

Credit conditions remained challenging throughout 2014, with consumer credit health continuing to deteriorate during the year albeit at a slower rate than 2013. The latest NCR quarterly report (Q3 2014) shows the proportion of consumers with impaired records remaining flat over the last three quarters at 45%, after a substantial drop in the proportion subsequent to the removal of adverse records in March.

Unsecured credit extension reduced sharply, particularly following the collapse of African Bank, as credit providers tightened their credit criteria.

There was a higher level of regulatory activity, with the National Credit Act Amendment being promulgated, intense negotiations in respect of prescribed affordability guidelines, and proposals regarding the cost of credit life insurance. These issues are expected to be clarified in 2015. The Department of Trade and Industry implemented a credit amnesty in March 2014, removing adverse and judgement information on consumers from bureau records. This hinders the ability of credit providers to make an informed decision on consumer bad debt risk.

Kindly refer to the Group CEO's, Retail CEO's and FinChoice CEO's Reports for background on the trading conditions experienced over the past year.

Credit performance in 2014

Group	2014	2013	2012
Gross trade and loans receivables (Rm)	**1 812,6**	1 370,8	1 180,4
Growth (%)	**32,2**	16,1	36,2
Debtor costs (Rm)	**329,9**	316,5	227,8
Debtor costs as a % of revenue (%)	**16,8**	19,0	15,9
Provision for impairment as a % of gross receivables (%)	**17,9**	16,2	15,7

Group

Against the backdrop of consumer stress, industry disruption and concerns around unsecured lending, the group has delivered good credit performance due to the continued application of strict credit criteria, solid debtors' management and the consistently applied conservative provisioning policies.

Debt review adjustment

During the second half of the year the group changed the way debt review accounts were treated in the FoneChoice and FinChoice businesses. Previously, accounts that went under debt review were written off and any payments that were received while under debt review were treated as recoveries of written off debt. The changed approach was to retain the debt review accounts in the active book and to provide for expected future write-offs from the book.

This change has a number of effects on the debtors metrics: the gross book has been increased by the balances of debt review accounts; the book ageing distribution has been worsened by the inclusion of debt review accounts; the write-off values have decreased by the value of the debt review balances previously written off; and a substantial provision has been raised against these balances. Total debtor costs, together with the VAT claim referred to in the Financial Director's Report, have reduced by R12,5 million from the once-off impact of these changes. In addition, there is a substantial reallocation of costs between bad debt write-off and provisions. Where appropriate, the commentary discusses the underlying trends in performance without this once-off impact.

Group performance

Group gross receivables increased by 32% to R1,8 billion, reflecting the stronger sales growth in 2014, Financial Services' disbursement growth and the reclassification of the balances of accounts under debt review. The growth of sales and disbursements in 2013 was adversely affected by the significant credit tightening, and 2014 growth rates normalised, while maintaining strict credit policies. Apart from the debt review change, bad debt write-off policies have remained consistent with prior years.

Debtor costs for the group have been well managed, increasing by only 4,2% during 2014, compared to a trade and loans receivable growth of 32,2% and revenue growth of 17,9%. The debtor costs have benefited from the debt review change discussed above, as well as some smaller once-off adjustments. Without these unusual benefits to the debtor costs, the increase would have been 8,2%.

"Against the backdrop of consumer stress, industry disruption and concerns around unsecured lending, the group has delivered good credit performance."

The focus on collections activities has continued across the group to mitigate the risk of the credit environment. New collections processes and increased focus on debit order payments, together with underlying risk improvements, have improved the ageing distribution of the debtors' books.

The provision for impairment of receivables has been increased to 17,9% of gross receivables (2013: 16,2%) as a result of the inclusion of the debt review book. Excluding this change, provision levels have reduced, reflecting improved book performance. The group has maintained its conservative provisioning policy to ensure that expected bad debts from the current book are fully provided for. The group's provisioning process has been consistently applied over several years using Markov models. These mathematical models are used to predict the likelihood of account balances being unrecoverable based on customers' risk profile, delinquency level and payment history. The models statistically analyse risk and provides for expected default at all levels of the debtors' book, including accounts which are currently not in arrears but are expected to default in time.

The retail credit policy and debtors' book is managed independently of the FinChoice book. This allows credit decisions in the Retail business to take into account the retail margin in the profitability of a credit decision. Although separate teams of analysts monitor the books and develop appropriate credit policy, the full group data on a customer is taken into account in each credit decision.

Retail

Retail	2014	2013	2012
Gross trade and loans receivable (Rm)	**1 063,6**	845,7	716,0
Growth (%)	**25,8**	18,1	33,9
Debtor costs (Rm)	**220,7**	212,0	150,0
Debtor costs as a % of revenue (%)	**14,0**	15,8	12,7
Provision for impairment as a % of gross receivables (%)	**18,6**	18,8	18,5

Sales on credit accounted for 94,3% of sales in 2014 (2013: 93,9%). The gross debtors' book increased by 25,8% to R1 063,6 million (2013: R845,7 million), greater than sales growth due to a further increase in the proportion of 24-month contracts offered to selected retail customers. Credit sales on 24-month terms increased to 30,9% (2013: 20,2%).

Debtor costs as a percentage of revenue decreased to 14,0% (2013: 15,8%) due to improved write-off performance, better arrears distributions and consequently lower provision levels, as well as relatively small once-off benefits primarily due to the debt review change in the FoneChoice business (a total benefit of R4,7 million). Without the once-off impacts debtor costs would have increased by 6,3% compared to the actual increase of 4,1%.

Vintage curves showed strong improvement, particularly for new customers, following the credit changes made in 2013. A gradual increase in vintages from mid-2014, possibly affected by the credit amnesty, has been addressed by small policy changes. The credit policy approach has remained strict, with continued high levels of customer exclusions in the existing customer base.

The extended postal strike in the second half of the year affected our customers' ability to receive goods and statements. Although alternative methods of contacting customers were used extensively, there was nevertheless some impact on payment rates. This has caused a deterioration in the book performance in the second half of the year and has led to more caution in the provisioning levels.

The focus on collections activities and particularly the encouragement of debit order payment mechanisms has had a positive impact. Debit order payments by the end of 2014 made up 16,4% of the retail payments, compared to 10,7% the previous year.

In line with the improvement in the book, the balance of non-performing retail accounts decreased to 8,7% of the debtors' book (2013: 10,6%) by year-end and 78,0% (2013: 77,5%) of customers were eligible to purchase on credit. The provision has also decreased from 18,8% to 18,6% notwithstanding the additional provision for debt review customers with FoneChoice products.

The proportion of balances under debt review increased to 2,9% of the book (2012: 2,1%). The increase is driven primarily by the slower pay-down of customers under debt review, while volumes of debt review application have stabilised. All customers under debt review are provided for in line with our expectation of bad debt performance.

Financial Services

FinChoice	2014	2013	2012
Gross trade and loans receivable (Rm)	**748,9**	525,1	464,4
Growth (%)	**42,6**	13,1	39,9
Debtor costs (Rm)	**109,2**	104,5	77,8
Debtor costs as a % of revenue (%)	**28,3**	33,1	30,5
Provision for impairment as a % of gross receivables (%)	**17,0**	12,0	11,4
Like for like provision for impairment as a % of gross receivables (%)	**10,6**	12,0	11,4

Gross loans receivable in FinChoice increased by 42,6% to R748,9 million (2013: R525,1 million), boosted by the inclusion of debt review balances. Comparable growth was 29,5%. The growth of the book in 2013 was tempered by a focus on reducing the average loan term. As the risk improvements from policy changes in 2013 were observed, FinChoice reverted to its previous policies for term distribution. This has increased the average repayment terms from 18,2 months in 2013 to 19,2 months in 2014.

Revised new customer and repeat loan customer scorecards, introduced in the second half of 2013 and recalibrated in 2014, have proved to be effective risk assessment tools, and have maintained vintage curves at the desired risk appetite (see the accompanying vintage graph on page 57).

Debtor costs as a percentage of revenue decreased to 28,3% (2013: 33,1%), with the core risk costs of write-off and provisioning on the active loan book improving, and further benefiting from the once-off effects of the debt review changes referred to above (an improvement of R7,8 million).

Repeat loans accounted for 74,3% (2013: 75,3%) of the total value of loans disbursed, reflecting the continued loyalty of the customer base. Repeat loan customers demonstrate good payment behaviour in both the HomeChoice and FinChoice credit books and remain the lowest risk customers.

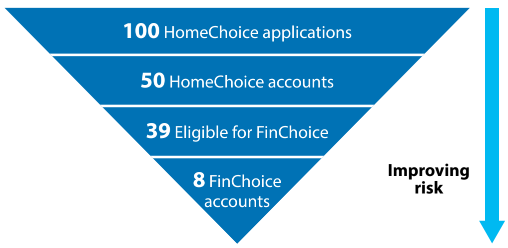
The underlying arrears distribution of the debtors' book continued the improvement seen in the last quarter of the prior year. Including the debt review book has increased the arrears distribution, and the balances of non-performing loans comprised 4,2% of the book at year-end. For accounts unaffected by the debt review change, the non-performing loan balances comprise 3,5% of the book (2013: 4,0%), demonstrating the underlying improvements in the risk profile of active customers.

Provisions on the core loan book have therefore been reduced from the prior year, but this has been more than off-set by the 80% provision held on the debt review book (previously written off). Provisioning levels have therefore increased to 17,0% (2013: 12,0%). This fully covers our expected losses from the book as a result of the arrears distribution of accounts.

Credit risk management

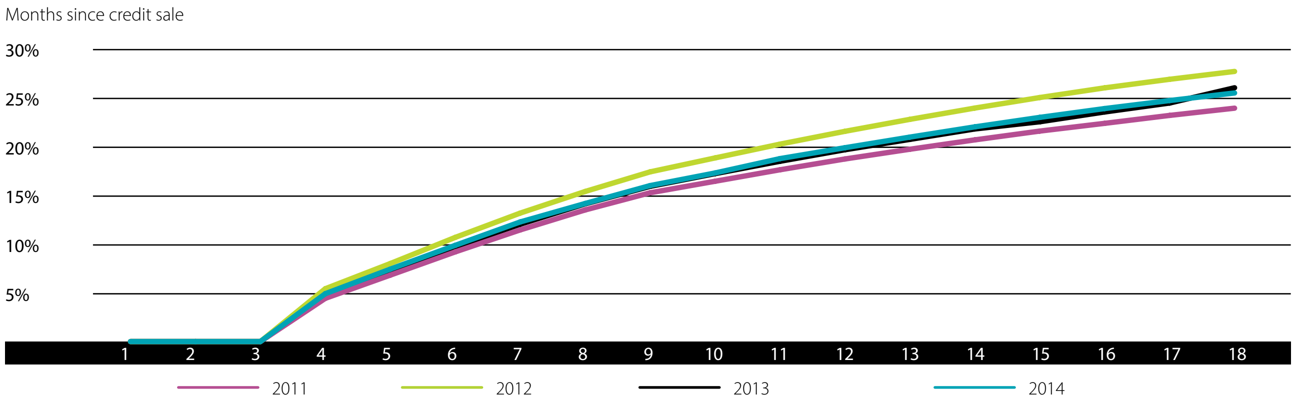
The group uses credit to facilitate merchandise sales which enables customers in the mass middle-income market to purchase higher-value products on instalment credit. Credit is offered for HomeChoice purchases in South Africa, Botswana, Namibia, Lesotho and Swaziland, while FinChoice loans are currently only available to customers in South Africa.

The risk-filtering process



RETAIL 120 DAYS+ ARREARS VINTAGES

Cumulative % of original accounts reaching arrears status



Credit risk is managed through a process of continued multiple-level risk filtering. New customers are acquired through HomeChoice and the group customer base has a female bias of 84,7%. Females, particularly those buying homeware products, have proven better credit risk than their male counterparts.

In assessing applications for credit, strict affordability criteria are applied together with in-house developed scorecards based on credit bureau data. New customers are granted a low credit exposure relative to their affordability. This allows the group to monitor payment behaviour with low exposure risk. As a customer demonstrates good payment performance and the behaviour scorecards identify her as a better risk, the purchase limit is raised closer to the maximum affordability level.

Behaviour scorecards are used to determine credit extension to good-paying customers, to drive repurchase rates and repeat loans, and reduce average bad debt. These scorecards are regularly reviewed and upgraded to ensure the group's credit policy remains in line with an acceptable level of risk for repeat business. As a direct marketer the group has the ability to manage credit risk by restricting potential customers to receive marketing offers.

FinChoice initial loans are only granted to HomeChoice customers who have demonstrated good payment behaviour. This ensures that FinChoice offers are marketed to relatively low-risk prospects. The selection criteria have enabled the business to select a profitable group of loan customers, with a stable and acceptable risk of bad debt. All group data is taken into account when considering a customer for credit extension. In this way a customer in arrears with any group product will not be granted further credit for HomeChoice or FinChoice.

Credit risk plans for 2015

In the current stressed credit environment, continued focus on collections processes remains critical in maintaining acceptable levels of bad debt. The growth of mobile phone, laptop and tablet sales to top-rated HomeChoice customers is expected to drive more customers on to regular debit order payments, which would benefit payment performance. HomeChoice will also continue to encourage the use of debit order payment methods for its customers, as this provides a more reliable payment stream and reduced arrears.

Improved collections systems in HomeChoice will be introduced in the first quarter of 2015, which will enable improved segmentation of customers in collections activities, as well as the automation of a number of currently manual processes.

The changes to regulations relating to affordability assessments require significant changes to systems. The group has tested different affordability approaches widely across its customer base to identify ways in which possible regulatory requirements can be practically implemented. As the regulations were published on 13 March, changes to the affordability processes will be planned and implemented.

The continued expansion of retail sales into other African countries will require a greater focus on credit management in less data-rich environments.

Credit outlook for 2015

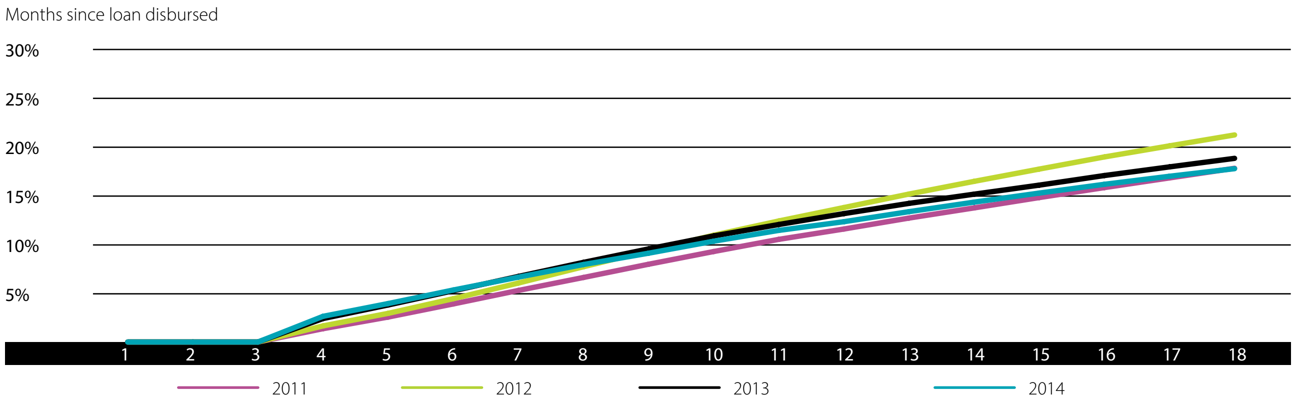
The group has experienced stable credit metrics during 2014 despite the continued challenging consumer environment. Management expects consumers to remain under stress and does not anticipate any significant relaxation of the current strict credit criteria.

Debtor costs for the group, and more specifically in the Financial Services business, are expected to increase as the once-off benefits from the debt review change will not be repeated. Excluding once-off effects, debtor costs are expected to remain stable.

Mike Roux
Head of Credit Risk

FINCHOICE 120 DAYS+ ARREARS VINTAGES

Cumulative % of original accounts reaching arrears status



GROUP OVERVIEW
BOARD AND LEADERSHIP
REPORTS TO SHAREHOLDERS
CORPORATE GOVERNANCE
SUMMARISED FINANCIAL STATEMENTS

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

Introduction

Following the restructuring of the group and the formation of HomeChoice International PLC as the new holding company based in Malta, the board and committee structure has been revised to reflect the new group structure. These changes were effected late in the financial year at the time of the restructuring and the listing on the JSE Limited in December 2014.

Application of King III principles

The directors endorse and accept responsibility for the application of legislation, regulation and governance principles necessary to ensure that effective corporate governance is practised consistently throughout the group. In discharging this responsibility, the board is committed to applying the recommendations of the King Code of Governance Principles 2009 (King III) and confirm that the group has in all material respects applied the principles of King III during the reporting period other than as set out below. Detail on the group's application of the principles of King III is available on the website at homechoiceholdings.com

King III recommends that a chairman of a board of directors is not also a member of its audit committee. The group's chairman, Stanley Portelli, is a member of the audit and risk committee. Stanley is an experienced director with extensive legal, financial services and corporate experience in Malta. The board believes he can make a valuable contribution to the deliberations of the audit committee, which will not be compromised by his role as chairman of the board. This departure from King III is permitted under the listing rules of the JSE.

King III recommends that sustainability reporting and disclosure should be independently assured. The annual financial statements are independently assured but at this stage, the audit and risk committee does not believe that independent assurance on sustainability will provide significant benefit to stakeholders.

Board of directors

The company has adopted a board charter setting out roles, functions, obligations, rights, responsibilities and powers of the board. The board is ultimately accountable and responsible for the performance and affairs of the group and its primary responsibility is setting the strategic direction of the group, monitoring investment decisions and reviewing the performance of management.

At year-end the board comprised the following directors:

- Gregoire Lartigue – Chief Executive Officer
- Paul Burnett – Finance Director
- Shirley Maltz – Executive Director
- Stanley Portelli – Independent Non-executive Director (Chairman)
- Amanda Chorn – Independent Non-executive Director
- Richard Garratt – Non-executive Director
- Eduardo Gutierrez-Garcia – Non-executive Director
- Robert Hain – Independent Non-executive Director
- Charles Rapa – Independent Non-executive Director

Director appointments are made by the board in a formal and transparent manner and are ratified at the following annual general meeting. One-third of the non-executive directors are required to retire by rotation at the annual general meeting of shareholders. Retiring directors may offer themselves for re-election.

Newly appointed directors participate in an induction programme. Non-executive directors have unrestricted access to all company information, records, documents and property, and may meet separately with management. Directors may undertake external seminars or workshops, at company expense, should they consider it necessary.

The board meets at least quarterly and all meetings are convened by formal notice. Decisions taken at board meetings are decided by a majority of votes, with all directors having one vote. Any specific issues that may arise between meetings are dealt with using electronic communication and decisions taken are recorded by way of written resolutions. The board and its committees are timeously provided with comprehensive information to enable them to have meaningful debate and discharge their responsibilities.

The roles of the independent non-executive chairman and the chief executive officer are separate and clearly defined. This division of responsibility ensures a balance of power with no individual having unrestricted decision-making authority.

Board performance appraisal and independence assessment

An annual evaluation process is conducted to assess the contributions of individual directors and the effectiveness of the board and each sub-committee. This is undertaken by means of a questionnaire completed by all directors. An assessment of the independence of the non-executive directors is also conducted. Owing to the change in the board structure no appraisal was conducted of the newly constituted board.

Governance structure

The board of directors has delegated specific responsibilities to committees to assist the board in meeting its oversight responsibilities. The committees are governed by formal charters, meet independently and formally report back to the board. Reports from these committees are included on pages 62 to 71. These structures have been replicated in-country.

Board and committee attendance

Owing to the group's restructuring and the change in the composition of the board and committees late in the financial year, attendance has not been reported.

Company secretary

The primary role of the company secretary is to ensure that the group's memorandum and articles of association and legislative requirements governing the operation of the board are observed. The company secretary also provides guidance, when required, to the board on its governance compliance and fiduciary responsibilities. The company secretary is not a director within the Group. The board is satisfied that the company secretary has

	HIL board of directors			
HIL board committees	Audit and risk committee		Remuneration and nomination committee	Social and ethics committee
Local committees (South African operations)	Audit and Risk Committee	Credit Risk committee	Remuneration committee	Social and ethics committee
Local sub-committees (South African operations)	• Risk sub-committee (operational focus) • Information technology sub-committee • Information security sub-committee • Critical utilities forum			

an arm's length relationship with the board, and has the requisite competence, qualifications and experience to carry out the required responsibilities.

Conflicts of interest and personal share dealings

In addition to a formal annual disclosure process, all board members are required to make ongoing disclosures of their shareholdings in HIL, other directorships and any potential conflicts of interest. Where a director has a conflict of interest, he or she is required to be recused from the meeting in which the matter is considered and may not vote.

Directors and employees are prohibited from dealing in the group's shares during two formal closed periods. Restrictions are also placed on share dealings at other times if directors and employees have access to price-sensitive information. All share dealings by directors and officers, as well as by employees with price-sensitive information, require prior written approval from the board.

Risk management

The group's risk management strategy aims to manage all categories of risks through a proactive approach of identifying, assessing, mitigating, monitoring, evaluating and reporting on risks to minimise the group's risk exposure while ensuring sustainable business growth.

The board is accountable for the process of risk management and the identification of sustainability issues, and regularly reviews and discusses risks that might impact the company's ability to achieve its sustainability objectives. Management is responsible for designing, implementing and monitoring the system and process of risk management, and integrating it into the day-to-day activities of the group.

A system of internal controls has been implemented and is continually reviewed. The group also has a comprehensive reporting system, monitored and reviewed monthly by management. The system facilitates budgetary control, provides reasonable assurance as to the accuracy of financial statements and safeguards the group's assets. Significant risks are identified, evaluated and managed on an ongoing basis. Senior executives and management also undertake an enterprise-wide risk assessment process that ensures all material risks are identified, evaluated and mitigated wherever possible, and compliance with laws and regulations assessed. This process is undertaken within each division of the group's trading subsidiary companies and serves to instil risk awareness and accountability throughout the group, focusing on key risk areas such as marketing, merchandise, credit, logistics, operations, information technology, human resources and financial controls. Risks are documented in a risk register, with their mitigating controls, and are rated in terms of likelihood of occurrence and impact. The results are presented to the audit and risk committee.

Risk champions monitor operational processes and report any risk incidents as they occur on a continuous basis. The causes of risk incidents are analysed, and both corrective and preventative measures are taken to manage the risks. Quarterly revision sessions are held where risk champions are required to review their progress on action plans stemming from the annual risk assessment process and revise the risk registers where deemed appropriate, taking any emerging risks into consideration.

The board believes that there is an adequate system of internal control in place to mitigate significant risks faced by the company to an acceptable level. This can, however, only provide reasonable, but not absolute, assurance. The board is not aware of any material breakdown during the past year in the functioning of these controls. The overall risk profile of the group has not changed materially in the period under review.

Internal audit

The group has established an internal audit function, reporting to the chairman of the audit and risk committee, to provide assurance on the adequacy and effectiveness of internal control and risk management practices, and to assist management by making recommendations for improvement. The audit and risk committee also utilises the services of professional audit firms to assist in evaluating internal control and business risks as and when required.

Legislative compliance

The group maintains its focus on compliance with legislation that impacts on the group. Project teams are established to review new legislation and identify any compliance requirements. The group is not aware of any material instances of non-compliance with legislation during the period and no fines were incurred. The group did not receive any requests for information in terms of the Promotion of Access to Information Act of South Africa during the period.

Tip-off facility

An anonymous tip-off facility is in place for the reporting of suspected fraudulent or unethical behaviour via an outsourced toll-free hotline. Reports are relayed to the human resources director, as well as to the chairman of the audit and risk committee. Staff awareness of this facility is promoted through posters and the induction programme undertaken by new staff.

AUDIT AND RISK COMMITTEE REPORT

The audit and risk committee is pleased to present its report for the financial year ended 31 December 2014 to the shareholders of HomeChoice International PLC.

Role of the committee

The audit and risk committee is governed by a board-approved charter that guides the committee in terms of its authority and objectives. The responsibilities of the committee include the following:

- reviewing the annual financial statements and any other financial information presented to shareholders, ensuring compliance with International Financial Reporting Standards;
- overseeing integrated reporting and considering factors and risks that could impact on the integrity of the integrated report;
- nominating the external auditors for appointment, monitoring and reporting on their independence, approving the terms of engagement and scope of the audit, and fees paid;
- overseeing the group's risk management processes, identifying and reviewing the group's exposure to significant risks and its risk mitigation strategy;
- providing assurance on the adequacy and effectiveness of the group's systems of internal financial and operational control and compliance with laws and procedures;
- monitoring and supervising the effective functioning and performance of internal audit, ensuring that it operates independently of management and approving the annual audit plan; and
- considering the appropriateness of the expertise and experience of the finance director and group's finance function.

Committee composition and meetings

The committee comprises three independent non-executive directors, namely Charles Rapa (chairman), Amanda Chorn and Stanley Portelli. Biographical details of the committee members appear on pages 28 and 29. Meetings are also attended by invitees including the finance director and heads of external audit.

King III recommends that a chairman of a board of directors is not also a member of its audit committee. As outlined above, the group's chairman, Stanley Portelli, is a member of the audit and risk committee. Stanley is an experienced director with extensive legal, financial services and corporate experience in Malta. The board believes he can make a valuable contribution to the deliberations of the audit committee, which will not be compromised by his role as chairman of the board.

This departure from King III is permitted under the listing rules of the JSE.

The committee typically meets four times during the year and has established an annual meeting plan agenda.
The chairman of the committee reports to the board after each committee meeting and also attends the annual general meeting of shareholders to answer any questions that may arise concerning the activities of the committee.

The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

Activities of the committee

The main activities undertaken by the committee are summarised as follows:

Annual financial statements

The committee reviewed the group's annual financial statements and considered matters such as the selection of accounting policies and disclosure of financial information. The committee is satisfied that the annual financial statements comply with International Financial Reporting Standards and recommended their approval to the board.

Integrated annual report

The committee has reviewed the disclosures in the integrated annual report and is satisfied that it is reliable and does not conflict with the annual financial statements. The committee also gave due consideration to the need for assurance of the report and decided not to obtain independent assurance at this time.

External audit

The committee nominated for appointment the external auditor, reviewed the audit plan, the terms of engagement and the audit fee budget. The committee has appraised the independence, expertise and objectivity of PricewaterhouseCoopers as external auditor, as well as approved the terms of engagement and the fees paid. The committee is satisfied that both the external auditor and the engagement partner are independent of the group and management, and are able to express an independent opinion on the group's annual financial statements.

The committee determined the nature and extent of any non-audit services and preapproved any proposed contracts with the auditors for the provision of non-audit services. These fees were primarily incurred on the scheme of arrangement undertaken during the year and are non-recurring in nature, and the committee is satisfied that appropriate safeguards have been adopted to maintain the independence of the external auditor when providing non-audit services.

The committee reviewed the external auditors' opinion on the financial statements and considered any reports on risk exposure and weaknesses in internal controls. The committee also met with the external auditors separately without management being present.

The committee concludes that the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and hereby recommends for approval by the shareholders the reappointment of PricewaterhouseCoopers as external auditor, and Joseph Camilleri as the engagement partner for 2015.

Internal control and risk management

The committee has assisted the board in assessing the adequacy of the risk management process and has an oversight role regarding the management of risk. Having considered, analysed, reviewed and debated information provided by management and internal audit, the committee is satisfied that the internal controls of the group have been effective in all material aspects throughout the year under review.

Compliance with laws and regulations

The committee reviewed the processes in place to ensure compliance with legal and regulatory provisions, and believes that they are appropriate. The committee was not made aware of any material breach of laws or legislation during the year.

Internal audit

The internal audit function provides assurance to the board on the adequacy and effectiveness of the group's internal control and risk management processes. The committee has ensured that the internal audit department has functioned independently and has the authority to enable it to fulfil its duties.

The committee has approved the internal audit plan and has reviewed the activities and findings of the internal audit function. The committee has reviewed reports on the controls regarding security, financial and accounting systems and reporting, and satisfied itself that management maintains an effective control environment and identifies and manages critical risk areas. The committee was not made aware of any material breach of internal controls during the year.

Expertise of the finance director and finance function

The committee has considered the appropriateness of the expertise and experience of Paul Burnett, the finance director. The committee believes that he possesses the appropriate expertise and experience to meet his responsibilities. The committee has also considered the collective expertise, resources and experience of the group's finance function and concluded that it is appropriate.

Going concern

The committee has reviewed management's assessment of the going concern and has recommended to the board that the group will be a going concern for the foreseeable future.

Election of committee members

The following members have made themselves available for election to the committee and are hereby proposed to shareholders for consideration and approval at the annual general meeting:

- Charles Rapa
- Stanley Portelli
- Amanda Chorn

Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its terms of reference and that its report to shareholders has been approved by the board.

Charles Rapa
Chairman of the audit and risk committee

Qormi, Republic of Malta
16 March 2015

GROUP OVERVIEW
BOARD AND LEADERSHIP
REPORTS TO SHAREHOLDERS
CORPORATE GOVERNANCE
SUMMARISED FINANCIAL STATEMENTS

REMUNERATION AND NOMINATION COMMITTEE REPORT

Role of the committee

The board delegates responsibility for the oversight of the group's remuneration policies and practices to the remuneration and nomination committee (the committee).

The committee is governed by a board-approved charter and the primary responsibilities of the committee are:

- assisting the board in setting and administering effective remuneration policies that are in the group's long-term interests;
- ensuring the directors are fairly rewarded based on both their individual and team contributions to overall performance;
- ensuring the disclosure of remuneration is accurate, complete and transparent; and
- reviewing the group's board structures, and identification and nomination of new directors for approval by the board.

Committee composition and meetings

The committee comprises independent non-executive directors Charles Rapa (who chairs the committee) and Stanley Portelli, and non-executive director Eduardo Gutierrez-Garcia. The group's executive directors attend meetings by invitation, but are recused when matters concerning their remuneration are considered. Stanley Portelli chairs all matters relating to the Nominations Committee.

The chairman of the committee reports to the board after each committee meeting.

Remuneration policy and philosophy

The group recognises that employees are critical in meeting business objectives and contributing to the sustainability of the business. The remuneration policy is aimed at ensuring that the group attracts, motivates and retains exceptional talent, drives a high-performance culture which is closely aligned with the group's business objectives and strategy, and achieves the following objectives:

- internal consistency to ensure that all employees are remunerated fairly in relation to one another and that this remuneration is reflective of their value and their performance;
- external consistency through participation in industry remuneration surveys to ensure that employees are remunerated fairly in relation to the market; and
- aligns employee interests with the board and shareholders through short- and long-term incentives, and focuses energy on attaining short-term goals which are not at the expense of long-term objectives and sustainability.

The group's remuneration policy will be proposed to shareholders for a non-binding advisory vote at the annual general meeting.

Guaranteed remuneration	Variable performance-related remuneration	
Basic salary • A fixed guaranteed salary given on a total cost-to-company basis and includes a defined contribution provident fund with flexibility to elect pension options.	*Short-term performance* • Call-centre employees are incentivised monthly against targets. • All other employees are eligible for an annual bonus subject to individual and company performance.	*Long-term performance and retention* • Senior employees are eligible for participation in the group's share option incentive scheme.
Salary is based on competitive market value and adjusted in accordance with performance and contribution.	Incentives based on individual performance subject to achieving financial targets.	Share-based incentives are aimed at retention and to encourage sustainable growth.

Components of remuneration

The remuneration mix includes a combination of monetary and non-monetary rewards to employees for their efforts and performance. Monetary remuneration comprises the following components:

Guaranteed remuneration

The basic remuneration comprises fixed guaranteed salaries for all permanent employees on a total cost-to-company basis. Basic remuneration is reviewed annually, benchmarked against the market and assessed against prevailing economic metrics. Annual increases are granted on 1 March and the average employee increase for 2014 was between 6% and 7%.

Membership of the group's defined contribution provident fund is compulsory for all employees and employees have the flexibility to elect 12%, 13,5% or 18% of pensionable salary. Besides retirement benefits the fund also provides a death benefit of four times annual salary (plus approximate taxable portion) as well as the member's fund credit, and an insured disability benefit equating to 75% of pensionable salary. Membership of a medical scheme is encouraged but is not compulsory.

Variable performance-related remuneration

Short-term cash incentive schemes

Sales and collections employees are incentivised through monthly cash incentive schemes based on performance against individual targets.

All other employees are eligible for an annual discretionary bonus linked to their individual performance and to the group achieving its financial targets. These targets are defined at the start of each financial year and approved by the remuneration committee and board. The annual bonus is calculated on each employee's base pay and their performance against key performance metrics. Discretionary cash awards are made to recognise employees for outstanding achievements in areas such as customer service, innovation and teamwork.

Long-term share incentive scheme

The group adopted a long-term share option incentive scheme on 21 November 2014 aimed at aligning employee remuneration with shareholder interests by rewarding senior employees for the creation of shareholder value over the medium term. In terms of the scheme a comparable offer was made to all employees holding options under the previous share option incentive scheme launched by HomeChoice Holdings Limited in 2010. The 2010 share option incentive scheme was a broad-based share scheme and enabled a number of employees to participate in the group's listing on the JSE in 2014. Participation in the current scheme will be limited to senior employees.

In terms of the rules of the scheme options are issued at the current market value of shares and vest after a period of four years. Details of share options awarded to date are disclosed under note 14 of the group's annual financial statements available on our investor website.

Directors' remuneration

Non-executive directors receive fees in recognition of their services and expertise. Non-executive directors do not receive any remuneration linked to organisational performance and do not participate in any incentive schemes. Fees are recommended to the board by the remuneration committee and proposed to shareholders for approval at the annual general meeting. Non-executive director performance is evaluated through an annual peer review process.

Executive directors are employed on the same terms and conditions as all group employees and receive salaries, benefits and performance bonuses. Performance bonuses are based on the achievement of EBITDA financial targets as well as non-financial targets that are targeted to manage the risk of buying, increase sales revenue from existing customers, expand the customer base, optimise supply chain efficiencies, manage talent and drive transformation, implement leading information systems, enhance the customer experience and manage credit risk.

Remuneration is reviewed annually by the remuneration committee, is calibrated for consistency and is proposed to the board for approval.

The average notice period of executive directors and operational directors is three months and key executives have contracts that include restraint of trade conditions. No agreements provide for ex-gratia or other lump sum payments on retirement or severance from the group.

Remuneration and benefits paid to each director for the year ended 31 December

	Directors' fees R'000	Salary R'000	Other benefits R'000	Performance bonus[1] R'000	Retirement funding contributions R'000	Total remuneration R'000	Value of equity-settled share options granted[2] R'000
2014							
Executive directors							
Gregoire Lartigue	**100**	**–**	**–**	**–**	**–**	**100**	**–**
Shirley Maltz[3]	**–**	**2 531**	**–**	**900**	**304**	**3 735**	**205**
Paul Burnett[3]	**–**	**1 100**	**–**	**–**	**132**	**1 232**	**25**
	100	**3 631**	**–**	**900**	**436**	**5 067**	**230**
Non-executive directors							
Stanley Portelli	**100**	**–**	**–**	**–**	**–**	**100**	**–**
Richard Garratt[3]	**–**	**3 738**	**1 108**	**280**	**–**	**5 126**	**–**
Amanda Chorn	**278**	**–**	**–**	**–**	**–**	**278**	**–**
Charles Rapa	**100**	**–**	**–**	**–**	**–**	**100**	**–**
Eduardo Gutierrez-Garcia	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Robert Hain	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	478	**3 738**	**1 108**	**280**	**–**	**5 604**	**–**
Total	**578**	**7 369**	**1 108**	**1 180**	**436**	**10 671**	**230**
2013							
Executive directors							
Gregoire Lartigue	–	–	–	–	–	–	–
Shirley Maltz[3]	–	2 304	–	1 729	277	4 310	144
Paul Burnett[3, 4]	–	272	50	–	33	355	8
	–	2 576	50	1 729	310	4 665	152
Non-executive directors							
Stanley Portelli	–	–	–	–	–	–	–
Richard Garratt[3]	–	3 583	1 749	1 000	–	6 332	–
Amanda Chorn	227	–	–	–	–	227	–
Charles Rapa	–	–	–	–	–	–	–
Eduardo Gutierrez-Garcia	–	–	–	–	–	–	–
Robert Hain	–	–	–	–	–	–	–
	227	3 583	1 749	1 000	–	6 559	–
Total	227	6 159	1 799	2 729	310	11 224	152

Notes:

1. *Performance bonuses are not guaranteed and will be determined by the remuneration committee after the financial year-end, based on predetermined performance criteria.*
2. *The value of equity-settled share options granted is the annual expense determined in accordance with* IFRS 2, Share-based Payment *and is presented for information purposes only as it is not regarded as constituting remuneration, given that the value was neither received nor accrued to the directors during the year. Gains made on the exercise of such share options are disclosed in the year when vesting occurs.*
3. *Remuneration was paid in their capacities as executive directors of operating subsidiaries of the group. Rick Garrett was an executive director of the group's operating subsidiaries until 30 November 2014 whereafter he assumed the role of non-executive director.*
4. *Paul Burnett's remuneration was for a three-month period.*

Share options held by the directors at the end of the year

Director	Vesting date	Number of share options ('000)	Exercise price per share (Rand)
Shirley Maltz	20 May 2015	25	7,47
	31 March 2016	25	10,64
	23 June 2016	450	10,64
	27 August 2017	50	11,00
	31 March 2018	100	14,44
		650	
Paul Burnett	27 August 2017	40	11,00
		690	

Charles Rapa
Chairman of the remuneration and nomination committee

Qormi, Republic of Malta
16 March 2015

SOCIAL AND ETHICS COMMITTEE REPORT

The social and ethics committee (the committee) is a sub-committee of the board and is governed by a formal charter.

Role of the committee

The committee monitors the company's activities in relation to legislation, regulation and codes of best practice in respect of social and economic development, good corporate citizenship (including the promotion of equality, prevention of unfair discrimination); the environment, health and public safety, (including the impact of the company's activities and of its products or services), consumer relationships, and labour and employment issues.

The responsibility of this committee is further to advise the board on all relevant aspects that may have a significant impact on the long-term sustainability of the group and which influence the group's integrated sustainability reporting. The committee will also draw to the attention of the board matters within its mandate as occasion requires and report to the shareholders at the company's annual general meeting on such matters.

Committee composition and meetings

The committee was reconstituted following the group's restructuring and at year-end comprised Eduardo Gutierrez-Garcia (chairman), Charles Rapa and Stanley Portelli, all of whom are non-executive directors. Meetings are also attended by invitees, including executive directors. Biographical details of the committee members appear on pages 28 and 29.

Activities of the committee

The following matters are addressed at committee meetings:

- Employment equity: Review diversity plan and metrics
- Training and development: Review training plan and metrics
- Corporate social investment: Monitor activities of the HomeChoice Development Trust; CSI projects; employee wellness
- Customer relations: Feedback on customer research; review customer complaints
- Labour dispute trends and successful management
- Talent management
- Facilities: Review occupational health and safety practices and impact on the environment;
- Monitor the Tip-Offs Anonymous facility

Empowerment and transformation

The group's BBBEE rating (which was assessed on HomeChoice Holdings Limited by Empowerdex, an accredited economic empowerment rating agency) declined from a level 5 to a level 6 in 2014 and the overall score on the dti scorecard decreased from 55,98 to 47,81 as outlined below. The amended BBBEE codes of good practice were gazetted in October 2013 and become effective on 30 April 2015. The social and ethics committee is assessing these amendments which are expected to have a further detrimental impact on the group's rating in the medium term.

Element	Points	2014	2013
Ownership	20	2,69	2,34
Management and control	10	0,00	3,89
Employment equity	15	7,95	5,67
Skills development	15	3,10	8,40
Preferential procurement	20	15,35	15,68
Enterprise development	15	13,72	15,00
Socio-economic development	5	5,00	5,00
Overall score	**100**	**47,81**	**55,98**

Ownership

The group 's shareholding structure remained consistent during the assessment period. The group has subsequently listed on the JSE and the current shareholding will have a negative impact on the group's ownership rating.

Management and control

Following the resignation of two directors of the operating boards during the assessment period, there is currently no black representation at top management level.

Employment equity

Whilst our black representation at a senior level has decreased, the group continues to make pleasing progress in improving the diversity of its workforce. Black staff representation improved from 86% to 87%, while females remain at 68%. Black female staff representation increased from 90% to 91% and approximately 70% of all promotions have been to black employees.

The diversity of the group continues to compare favourably to the demographics of the Western Cape in South Africa, the primary location of the group's workforce.

Race	W. Cape	Group
African	30%	36%
Coloured	52%	48%
Indian	1%	1%
White	17%	15%

Skills development

People and skills development is critical to the group's success and in 2014 the group increased its talent development investment to R4,3 million, representing 2% of payroll. Our bursary scheme, which is aimed at developing Black talent, awarded bursaries to the value of R155 000. Over 90% of bursaries were awarded to Black female employees and were all in support of accredited learning interventions.

To develop our leadership talent in the contact centre environments we developed and launched an Aspirant Team Leader Programme and will be developing a middle management development programme in 2015. We increased the average training hours per employee from 40 hours to 55 hours per employee and as a result increased the total number of training hours across the business by over 60%. In 2015 our skills development focus will be on introducing a blended learning methodology to gain efficiencies in the delivery of volume training such as contact centre training, and video-based learning for ISP and direct sales agent training.

Preferential procurement

While procurement from black-owned suppliers and black women-owned suppliers as a percentage of total procurement declined marginally in the past year, the focus of procurement has been maintained on qualifying small enterprises and exempt micro enterprises.

Enterprise development

The retail business operates a home delivery network which accounted for 54% of parcel deliveries in South Africa in 2014. Independent owner-drivers are contracted for these home deliveries.

Socio-economic development

In the past year the group donated R3,5 million to the HomeChoice Development Trust (HDT), which focuses on supporting early childhood development in disadvantaged communities.

Employment equity statistics

	Female					Male					
	A	**C**	**I**	**W**	**Total**	**A**	**C**	**I**	**W**	**Total**	**Grand Total**
Top management	0	0	0	6	**6**	0	0	0	6	**6**	**12**
Senior management	1	4	1	8	**14**	0	2	1	25	**28**	**42**
Middle management	1	14	1	43	**59**	2	21	3	35	**61**	**120**
Junior management	6	69	2	18	**95**	7	43	3	8	**61**	**156**
Semi-skilled	331	313	4	3	**651**	93	124	0	4	**221**	**872**
Unskilled	2	1	0	0	**3**	2	3	0	0	**5**	**8**
Total	**341**	**401**	**8**	**78**	**828**	**104**	**193**	**7**	**78**	**382**	**1 210**

HomeChoice Holdings is committed to community upliftment

The HomeChoice Development Trust

HomeChoice Holdings is committed to community upliftment and through the HDT has invested R18 million in education and female empowerment projects since its formation in 2005.

Through a renewed focus on early childhood development, the HDT facilitates the upgrading of infrastructure and equipment, teacher training and nutritional support of unregistered educare centres. The HDT aims to promote the sustainability of these community-based centres and facilitates their registration with the Department of Social Development to be able to access government grants.

The support from the HDT is founded on the philosophy that quality early childhood development programmes are a powerful means of overcoming the effects of poverty. The benefits of intervention at a young age mean that children perform better at formal school and are more likely to be employed, while they are less likely to need remedial education, get involved in crime and drugs or fall pregnant while at school.

Over the last four years the HDT has supported over 7 000 children, provided training assistance to over 480 teachers and benefited more than 145 ECD centres.

The HDT undertook the following activities during 2014:

SASDI Foundation: The foundation is a key partner and the HDT is assisting with a three-year project focusing on the training and development of ECD principals and staff and the upgrade of the physical ECD environment. The HDT has also provided FinChoice tablets and laptops to assist in a pilot project where tablet and smartphone technology is being used to assist with the developmental needs of young children.

Community Chest of the Western Cape: The HDT has established a strategic partnership with the Community Chest and assisted in hosting the second Annual ECD Conversation, bringing together stakeholders within the field of ECD.

Early Learning Services Organisation (ELSO): The HDT assisted with the funding of six pre-schools in the Samora Machel community in the Western Cape, provided training to 24 early childhood development practitioners and assisted with extensive infrastructure upgrades of these centres which was required to enable the ELSO to qualify for government grants.

Grassroots Educare Trust: This charity facilitates access to quality early childhood development services in order to achieve a safe, secure and stimulating environment for all young children. The HDT was the first company to fund the Site Learning Programme (SLP) in the Atlantis and Worcester areas in 2013/2014.

Sikhula Sonke: The HDT supports the Emthonjeni outreach playground programme in Khayelitsha.

Goedgedacht Trust: Their Path out of Poverty programme aims to help the poor rural children of the area find ways out of the cycle of poverty that has prevailed in the farming communities for generations. The HDT donated R100 000 to the farm's educare facility.

Staff involvement in CSI

HomeChoice staff participate in the Community Chest "Give As You Earn" programme which encourages staff to make a small monthly donation which is then matched by the company. 720 staff, family and friends supported the annual Blisters for Bread walk in Cape Town to raise R82 000 in funds for the Peninsula School Feeding Association. The group continues to support the Buckets of Love campaign and 270 "buckets" were donated by staff.

Community upliftment has also been achieved through employee team-building initiatives such as the painting of dormitories at a local place of safety looking after children who have been removed from their home environment.

Staff wellness

A comprehensive employee assistance programme, ChoiceCare, provides staff with all-hours toll-free telephonic support on legal, financial and psycho-social issues. Staff and their dependants also have access to free personal counselling. In 2014 we expanded this service to include an online e-Care portal to enable staff to access an online health and wellness programme to optimise their well-being through a range of resources including personalised weekly e-mails and monthly newsletters and access to a medical encyclopedia and panel of experts. Educational sessions were conducted to increase awareness of the service.

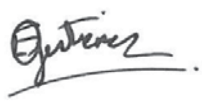
Stakeholder engagement

Stakeholder engagement is critical to the group's economic, social and environmental sustainability. Engagement aimed at establishing and maintaining mutually beneficial relationships not only limits risks to the business but creates opportunities to enhance performance, ensuring longer-term sustainability. The primary stakeholders that are most likely to influence the sustainability of the business are customers, staff and shareholders, with secondary stakeholders including suppliers, regulatory bodies and the communities served by the business.

Detail on the group's engagement with these stakeholders is included on our website.

Conclusion

This report of the committee will be presented to shareholders at the annual general meeting and a member of the committee will be present to respond to questions from shareholders.



Eduardo Gutierrez-Garcia
Chairman of the social and ethics committee

Qormi, Republic of Malta
16 March 2015


textbooks
- files
uni!
WATER

SUMMARISED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF HOMECHOICE INTERNATIONAL PLC

Report on the summary financial statements for the year ended 31 December 2014

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2014, and the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, as set out on pages 76 to 86, are derived from the audited consolidated financial statements of HomeChoice International PLC for the year ended 31 December 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 16 March 2015.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of HomeChoice International PLC.

Directors' responsibility for the summary consolidated financial statements

The company's directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the basis described in note 1 to the summary consolidated financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements".

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of HomeChoice International PLC for the year ended 31 December 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with the basis described in note 1 to the summary consolidated financial statements.

Joseph Camilleri
Partner

PricewaterhouseCoopers
78 Mill Street
Qormi, Malta

16 March 2015

SUMMARISED GROUP

STATEMENT OF FINANCIAL POSITION at 31 December 2014

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

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

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

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

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

	Stated and share capital R'000	Share premium R'000	Treasury shares R'000	Reorgan-isation reserve R'000	Other reserves R'000	Retained earnings R'000	Equity attributable to owners of the parent R'000
Balance at 1 January 2013	30 980	–	(11 331)		1 084	1 049 589	1 070 322
Changes in equity							
Profit and total comprehensive income for the year	–	–	–		–	309 323	309 323
Conversion to no par value shares	–	–	(2 536)		–	–	(2 536)
Profit and total comprehensive income for the year	–	–	134		–	2 396	2 530
Purchases of treasury shares by share trust	–	–	–		–	(94 733)	(94 733)
Share option scheme	–	–	–		818	–	818
Total changes	–	–	(2 402)		818	216 986	215 402
Balance at 1 January 2014	30 980	–	(13 733)		1 902	1 266 575	1 285 724
Changes in equity							
Profit and total comprehensive income for the year	**–**	**–**	**–**		**–**	**355 320**	**355 320**
Treasury shares cancelled	**(11 067)**	**–**	**11 067**	**–**	**–**	**–**	**–**
Shares issued on incorporation of HomeChoice International PLC	**183**	**–**	**–**	**–**	**–**	**–**	**183**
Shares repurchased	**(183)**	**–**	**–**	**–**	**–**	**–**	**(183)**
Shares issued in exchange for shareholding in HomeChoice Holdings Limited	**1 014**	**2 979 539**	**(2 666)**	**–**	**–**	**–**	**2 977 887**
Net assets acquired	**(19 913)**	**–**	**2 666**	**(2 960 639)**	**–**	**–**	**(2 977 886)**
Shares issued	**4**	**2 663**	**–**	**–**	**–**	**–**	**2 667**
Dividends paid	**–**	**–**	**–**		**–**	**(66 514)**	**(66 514)**
Share option scheme	**–**	**–**	**–**	**–**	**1 128**	**–**	**1 128**
Total changes	**(29 962)**	**2 982 202**	**11 067**	**(2 960 639)**	**1 128**	**288 806**	**292 602**
Balance at 31 December 2014	**1 018**	**2 982 202**	**(2 666)**	**(2 960 639)**	**3 030**	**1 555 381**	**1 578 326**

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

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

SUMMARISED GROUP
SEGMENTAL ANALYSIS for the year ended 31 December 2014

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

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

Property			Other			Eliminations			Total		
2014 R'000	% change	2013 R'000	**2014 R'000**	% change	2013 R'000	**2014 R'000**	% change	2013 R'000	**2014 R'000**	% change	2013 R'000
28 556		18 689	**–**		2 905	**–**		–	**1 986 390**		1 682 357
–		–	**–**		–	**–**		–	**1 082 473**	16,4	929 730
–		–	**–**		–	**–**		–	**745 179**	20,2	619 848
28 556		18 689	**–**		–	**–**		–	**158 738**	22,2	129 874
–		–	**–**		2 905	**–**		–	**–**		2 905
(27 815)		(17 500)	**–**		(2 905)	**–**		–	**(27 815)**		(20 405)
741	(37,7)	1 189	**–**		–	**–**		–	**1 958 575**	17,8	1 661 952
27 681	56,6	17 681	**2 032**	(56,3)	4 651	**(14 973)**	94,8	(7 685)	**541 750**	20,3	450 174
(1 269)		(1 189)	**–**		–	**–**		–	**(22 774)**		(13 629)
–		–	**35 622**		29 232	**(35 504)**		(23 222)	**327**		6 169
–		–	**(9 553)**		(1 545)	**28 344**		23 222	**(9 557)**		(7 316)
26 412		16 492	**28 101**		32 338	**(22 133)**		(7 685)	**509 746**		435 398
26		17				**–**		(5 767)	**1 621**	(139,1)	(4 141)
(14 415)		(4 284)				**7 159**		5 767	**(12 326)**	5 070,1	(238)
12 023	(1,7)	12 225	**28 101**	(13,1)	32 338	**(14 974)**	94,8	(7 685)	**499 041**	15,8	431 019
(3 366)		(3 420)	**(7 667)**		(8 366)	**–**		–	**(143 721)**		(122 324)
8 657	(1,7)	8 805	**20 434**	(14,8)	23 972	**(14 974)**	94,8	(7 685)	**355 320**	15,1	308 695
233 779		228 649	**17 833**		6 470	**(3 500)**		(8 467)	**2 164 682**		1 767 996
162 629		62 360	**110 167**		110 962	**(3 500)**		(8 467)	**586 356**		482 272
27 681	56,6	17 681	**(9 966)**	(4 235,3)	241	**(13)**	(99,5)	(2 396)	**546 177**	20,9	451 910
(313)		3 105	**3 261**		313	**3**		–	**(312 612)**		(173 900)
27 368	31,7	20 786	**(6 705)**	(1 310,3)	554	**(10)**	(99,6)	(2 396)	**233 565**	(16,0)	278 010
									49,8		49,1
92,5		88,2	**–**		1 113,2	**–**		–	**26,0**		26,2
5 845		78 804	**–**		–	**–**		–	**21 188**		134 700
–		–	**136**		–	**–**		–	**38 906**		26 883
–		–	**35 622**		29 232	**(35 504)**		(23 222)	**327**		6 169
–		–	**(9 553)**		(1 545)	**28 344**		23 222	**(9 557)**		(7 315)
			(2 556)		(1 818)				**(2 556)**		(1 818)
–		–	**–**		–	**–**		–	**166 244**	19,8	138 808
–		–	**1 718**	(7,6)	1 858	**–**		–	**231 600**	33,2	173 850
1 269	6,7	1 189	**–**		–	**–**		–	**22 774**	66,6	13 671
900	(12,6)	1 030	**12 636**	(638,2)	(2 348)	**(23 506)**	34,3	(17 500)	**142 261**	31,2	108 410
2 169	(2,3)	2 219	**14 354**	(3 029,3)	(490)	**(23 506)**	34,3	(17 500)	**562 879**	29,5	434 739
–		–	**–**		–	**–**		–	**329 902**	4,2	316 463
2 169	(2,3)	2 219	**14 354**	(3 029,3)	(490)	**(23 506)**	34,3	(17 500)	**892 781**	18,8	751 202

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

1. Basis of presentation and accounting policies

The group annual financial statements for the year ended 31 December 2014 and these summarised financial statements have been prepared by the group's finance department, acting under the supervision of P Burnett, CA(SA) and financial director of the group, and have been audited by the company's auditors, PricewaterhouseCoopers. Their unqualified audit opinions on both such financial statements are available at the company's registered office for inspection.

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

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

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

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

	2014 R'000	% change	2013 R'000
3. Trade and other receivables			
Trade receivables – Retail	**1 063 645**	25,8	845 730
Provision for impairment	**(198 179)**	24,4	(159 355)
	865 466	26,1	686 375
Loans receivable – Financial Services	**748 907**	42,6	525 116
Provision for impairment	**(127 103)**	101,6	(63 036)
	621 804	34,6	462 080
Other receivables	**17 503**	(18,5)	21 466
Total trade and other receivables	**1 504 773**	28,6	1 169 921
Trade and loan receivables	**1 812 552**	32,2	1 370 846
Provision for impairment	**(325 282)**	46,3	(222 391)
Other receivables	**17 503**	(18,5)	21 466

	2014 R'000	% change	2013 R'000
3. Trade and other receivables (continued)			
Movements in the provision for impairment were as follows:			
Retail			
Opening balance	**(159 355)**	20,3	(132 478)
Movement in provision	**(38 824)**	44,5	(26 877)
Debtor costs charged to profit and loss	**(220 725)**	4,1	(212 002)
Debts written off during the year, net of recoveries	**181 901**	(1,7)	185 125
Closing balance	**(198 179)**	24,4	(159 355)
Financial Services			
Opening balance	**(63 036)**	19,4	(52 792)
Movement in provision	**(64 067)**	525,4	(10 244)
Debtor costs charged to profit and loss	**(109 177)**	4,5	(104 461)
Debts written off during the year, net of recoveries	**45 110**	(52,1)	94 217
Closing balance	**(127 103)**	101,6	(63 036)
Retail			
Debtor costs as a % of revenue	**14,0**		15,8
Debtor costs as a % of gross receivables	**20,8**		25,1
Non-performing receivables as a % of gross receivables*	**8,7**		10,6
Provision for impairment as a % of gross receivables	**18,6**		18,8
Financial Services			
Debtor costs as a % of revenue	**28,3**		33,1
Debtor costs as a % of gross receivables	**14,6**		19,9
Non-performing receivables as a % of gross receivables*	**4,2**		4,0
Provision for impairment as a % of gross receivables	**17,0**		12,0
Group			
Debtor costs as a % of revenue	**16,8**		19,0
Debtor costs as a % of gross trade receivables	**18,2**		23,1
Provision for impairment as a % of gross receivables	**17,9**		16,2

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

4. Contingent liabilities

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

5. Events after the reporting date

No event material to the understanding of these summarised financial statements has occurred between the end of the financial year and the date of approval.

NOTES TO THE **SUMMARISED GROUP ANNUAL FINANCIAL STATEMENTS** for the year ended 31 December 2014 (continued)

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

7. Basic and headline earnings per share

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

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

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

9. Group segmental analysis

The group's operating segments are identified as being Retail, Financial Services, Property and Other. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, being HomeChoice International PLC's executive directors. The group's reportable segments are unchanged from the previous reporting date.

Retail consists mainly of the group's HomeChoice and FoneChoice operations, whereas Financial Services represents the group's FinChoice operations. The group's property companies, which own commercial properties utilised mainly within the group, are included in the Property segment. The Other segment relates mainly to the holding company's standalone results, as well as those of its associates.

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

10. Fair value of financial instruments

The carrying amounts reported in the statement of financial position approximate fair values. Discounted cash flow models are used for trade and loan receivables. The discount yields in these models use calculated rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, credit risk, collateral and interest rates. Fair values of debt instruments issued by the group and other borrowings, with maturities consistent with those remaining for the debt instruments being valued.

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

12. Stated capital, share capital and share premium

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

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

Share capital, share premium and treasury shares have been adjusted to include the effects of:

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

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

13. Related party transactions and balances

Related party transactions similar to those disclosed in the group's annual financial statements for the year ended 31 December 2014 took place during the period and related party balances are existing at the reporting date. Related party transactions include key management personnel compensation, loans to directors and intragroup transactions which have been eliminated on consolidation.

14. Purchase of intangibles

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

15. Comparatives

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

15.1 Group statement of cash flows

The group has amended the disclosure of dividends paid in the group statement of cash flows. Dividends paid are now disclosed as a cash flow from financing activities rather than from operating activities as dividends paid to the shareholders are payments to the providers of capital.

15.2 Change in accounting estimate

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

DEFINITIONS

Adspend efficiency	Marketing material and telemarketing costs as a percentage of net sales value.
Adspend cost per new customer	The advertising spend (material, telemarketing, creative, mailing costs) incurred in attracting new customers over the period, divided by the number of new customers in the period.
Average retail sales per existing customer	Sum of the sales value (inclusive of tax, delivery and initiation fee) of all the goods despatched to existing customers over the period less goods returned, divided by the average number of existing customers over the period.
Currently active customers	All customers with a balance outstanding of > R0 that have not been transferred to legal.
Customer base	Currently active customers plus recently inactive customers.
Debt:equity ratio	Borrowings expressed as a percentage of total equity.
Net debt:equity ratio	Borrowings, less any cash on hand, expressed as a percentage of total equity.
Debtor costs	Bad debts written off, net of recoveries, plus the movement in provision for impairment.
Distribution cover	Basic earnings per share divided by share premium reduction and dividend declared per share.
Earnings per share	Profit for the period attributable to owners of the parent divided by the weighted average number of shares in issue for the year.
EBITDA	Earnings before interest received, interest paid, tax, depreciation and amortisation.
Finance charge cover	Operating profit before finance charges divided by interest paid.
Headline earnings	Earnings attributable to ordinary shareholders adjusted for the effect, after tax, of exceptional items.
Headline earnings per ordinary share	Headline earnings divided by the weighted average number of shares in issue for the year.
Health of stock	Stock with an ageing of nine months or less as a percentage of all stock on hand.
Intake	Gross sales value for orders captured.
Inventory turnover	Cost of sales for the period divided by the average inventories on hand at the end of the current and prior reporting period.
LSM	Refers to the SAARF Universal Living Standards Measure. This is a means of segmenting the South African market into LSM groups, from 1 (lowest) to 10 (highest).
Name-gathering campaign	An acquisition campaign targeting customers whose contact information we have but who have not had an order completed before. Largest contributors are catalogue requests, names gathered by sales agents and customers whose previous orders have failed, been cancelled or returned.
New customers	Customers who had their first-item-ever despatched in the period.
Net asset value per share	Net assets divided by the total number of shares in issue, net of treasury shares
Notional interest	Interest recognised on a time apportionment basis using the effective interest rate implicit in the underlying transaction.
Operating margin	Operating profit divided by revenue.
Provision for impairment of receivables	Provision held against accounts and loans receivable for expected future losses, net of expected recoveries, discounted at the interest rate implicit in the underlying transaction.
Recently inactive customers	All customers who were previously active but have paid up their accounts, i.e. currently have a balance outstanding of < = 0, and have made a payment in the last 24 months.
Retail gross profit margin	Retail gross profit divided by retail sales.
Retail sales	Sale of merchandise and associated delivery fees from direct marketing and the head office clearance store.
Return on equity	Profit for the period divided by the average of the current and prior period's total equity.
USSD	Unstructured Supplementary Services Data
Weighted average number of shares in issue	The number of shares in issue at the beginning of the period, increased by shares issued during the period, and decreased by share repurchases, weighted on a time basis for the period during which they were in issue, excluding treasury shares.

HOMECHOICE INTERNATIONAL PLC
(Registration number C66099)
(the "Company")

NOTICE TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual general meeting of shareholders (the "Shareholders") of the Company will be held at 78 Mill Street, Qormi, Republic of Malta, on Tuesday, 12 May 2015, at 09:00 to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder, which meeting is to be participated in by Shareholders recorded in the Company's securities register as at the record date.

The record date for this notice of the Shareholders' meeting is Friday, 20 March 2015. The integrated annual report sent with this notice is incorporated by reference, in so far as the information contained therein relates to the proposed resolutions. The annual financial statements are available on our website at www.homechoiceinternational.com

The record date on which Shareholders must be recorded in the securities register for purposes of being entitled to attend and vote at this meeting is Thursday, 30 April 2015. The last date to trade in order to be entitled to vote at the meeting will therefore be Wednesday, 22 April 2015.

The quorum requirement for the ordinary and special resolutions set out below is sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions, provided that at least three Shareholders of the Company are present at the annual general meeting. The percentage of voting rights required to pass the ordinary resolutions is more than 50% of the voting rights exercised and the percentage of voting rights required to pass the special resolutions is at least 75% of the voting rights exercised thereon.

Agenda

1. To receive and adopt the integrated annual report and annual financial statements of the Company and its subsidiaries (the "group"), which includes the report of the directors and the report of the audit and risk committee, for the year ended 31 December 2014.

2. To confirm the declaration of a dividend of 161 cents (one hundred and sixty-one cents) per ordinary share.

3. To elect the Company's directors in accordance with the requirements of the Company's Articles of Association.

4. To elect the members of the audit and risk committee.

5. To consider the reappointment of PricewaterhouseCoopers Malta as the external auditors.

6. To authorise the payment of the future remuneration of directors for their services as directors.

7. To consider and endorse, by way of an advisory non-binding vote, the group's remuneration policy as set out on pages 65 and 66 in the group's integrated annual report for the period ending 31 December 2015.

8. To place the authorised unissued shares in the Company under the control of the board of directors (the "Board").

9. To consider any other matters raised by Shareholders which are appropriate to be raised and discussed at an annual general meeting.

Resolutions and advisory votes

The Shareholders will be requested to consider and, if deemed fit, to pass, with or without modification, the following resolutions:

Presentation of annual financial statements and adoption of integrated annual report

Ordinary resolution number 1

"It is hereby resolved that the integrated annual report and annual financial statements of the Company and its subsidiaries, which includes the report of the directors and the report of the audit and risk committee for the year ended 31 December 2014, are hereby adopted and approved."

Explanatory information in respect of ordinary resolution number 1

The integrated annual report and the annual financial statements of the group for the year ended 31 December 2014, which incorporate the reports of the directors, the auditors and the audit and risk committee, have been distributed as required and will be presented to the Shareholders.

Approval of distribution

Ordinary resolution number 2

"It is hereby resolved that the payment of a dividend of 161 cents (one hundred and sixty-one cents) per ordinary share declared by the Board is confirmed."

Explanatory information in respect of ordinary resolution number 2

The Board intends to declare a dividend of 161 cents (one hundred and sixty-one cents) per ordinary share, payable by the end of May 2015.

Election of directors

Ordinary resolution number 3.1

"It is hereby resolved that Gregoire Lartigue is elected as an executive director of the Company."

Ordinary resolution number 3.2

"It is hereby resolved that Paul Burnett is elected as an executive director of the Company."

Ordinary resolution number 3.3

"It is hereby resolved that Shirley Maltz is elected as an executive director of the Company."

Ordinary resolution number 3.4

"It is hereby resolved that Stanley Portelli is elected as an independent non-executive director of the Company."

Ordinary resolution number 3.5

"It is hereby resolved that Amanda Chorn is elected as an independent non-executive director of the Company."

Ordinary resolution number 3.6

"It is hereby resolved that Richard Garratt is elected as a non-executive director of the Company."

Ordinary resolution number 3.7

"It is hereby resolved that Eduardo Gutierrez-Garcia is elected as a non-executive director of the Company."

Ordinary resolution number 3.8

"It is hereby resolved that Robert Hain is elected as an independent non-executive director of the Company."

Ordinary resolution number 3.9
"It is hereby resolved that Charles Rapa is elected as an independent non-executive director of the Company."

Explanatory information in respect of ordinary resolution numbers 3.1 through 3.9
It is noted that brief curricula vitae of the nominees for election are set out on pages 28 and 29 in the integrated annual report. The nomination committee is of the view that the proposed directors are suitable candidates for directorship.

Election of audit committee members

King III recommends that a chairman of a board of directors is not also a member of its audit committee. The group's chairman, Stanley Portelli, is a member of the audit and risk committee. As set out in the Audit and Risk Committee Report on page 62, the Board believes Stanley can make a valuable contribution to the deliberations of the audit committee, which will not be compromised by his role as chairman of the Board.

Ordinary resolution number 4.1
"It is hereby resolved that Charles Rapa is elected as a member of the audit and risk committee."

Ordinary resolution number 4.2
"It is hereby resolved that Stanley Portelli perform the dual role of Chairman of the Board and a member of the audit and risk committee, and is elected as a member of the audit and risk committee."

Ordinary resolution number 4.3
"It is hereby resolved that Amanda Chorn is elected as a member of the audit and risk committee."

Explanatory information in respect of ordinary resolution numbers 4.1 through 4.3
Brief curricula vitae of the nominees for election are set out on pages 28 and 29 in the integrated annual report. The nomination committee of the Board is satisfied that the nominees are suitable and satisfy the requirements of the JSE.

Appointment of auditors

Ordinary resolution number 5
"It is hereby resolved that PricewaterhouseCoopers Malta is reappointed as external auditors, to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting."

Explanatory information in respect of ordinary resolution number 5
The audit and risk committee has nominated the continuation of PricewaterhouseCoopers Malta as the external auditors, and is of the opinion that they are independent from the Company. The effect of this resolution will be to authorise the reappointment of PricewaterhouseCoopers Malta as the auditors of the Company.

Directors' remuneration

Special resolution number 1
"It is hereby resolved that payment of the following remuneration to each non-executive director for his/her services as director is hereby authorised:

1. up to a maximum amount of Euro 50 000,00 (fifty thousand Euro) per annum for the year ending 31 December 2015; and
2. up to a maximum amount of Euro 60 000,00 (sixty thousand Euro) per annum for the year ending 31 December 2016."

Explanatory information in respect of special resolution number 1
The resolution obtains the advance approval of the Shareholders for the remuneration of the non-executive directors for their services as directors of the Company.

Remuneration policy

Advisory remuneration policy endorsement
"The group's remuneration policy, as set out on pages 65 and 66 in the group's integrated annual report (excluding the remuneration of the non-executive directors for their services as directors and members of the Board committees), is hereby endorsed by way of a non-binding advisory vote."

Explanatory information re advisory vote
In accordance with the principles of King III, an advisory vote is being put to Shareholders for the approval of the group's remuneration policy. As the votes on this endorsement are non-binding, the results will not be binding on the Board. However, the Board will take cognisance of the outcome of the vote when considering its remuneration policy in future.

Issue of shares

Special resolution number 2
"It is hereby resolved that all the unissued authorised shares in the Company are placed under the control of the Board and the Board is authorised, as they in their discretion think fit, to allot, issue and grant options or any other rights exercisable for, authorised but unissued shares in the Company from time to time on such terms as may be determined by the Board in its discretion, for such monetary or other consideration (whether payable in cash or otherwise) and to such person or persons as they in their discretion deem fit, including, without limitation, to:

(i) a director, future director, prescribed officer, or future prescribed officer of the Company, or to a person related or interrelated to such directors and prescribed officers;

(ii) to persons related or interrelated to the Company; and

(iii) a nominee of a person contemplated in paragraph (i) or (ii)."

Such authority shall be valid until the next annual general meeting.

Explanatory information in respect of special resolution number 2
The resolution authorises the Board to issue, or grant rights exercisable for, the unissued authorised shares of the Company. Such authority shall endure until the forthcoming annual general meeting of the Company (at which time this authority shall lapse, unless it is renewed at the aforementioned annual general meeting), provided that it shall not extend beyond 15 months from the date of this meeting.

General

Shareholders are informed that:

- a Shareholder entitled to attend and vote at the general meeting is entitled to appoint a proxy (or more than one proxy) to attend, participate in and speak and vote at the general meeting in the place of the Shareholder, and

Shareholders are referred to the form of proxy at the back of this report;

- a proxy need not also be a Shareholder of the Company;
- the proxy may delegate the authority granted to him/her/it as proxy, subject to any restriction in the form of proxy itself;
- a Securities Holder entitled to vote may appoint more than 1 (one) proxy to exercise Voting Rights attached to different Securities held by that Securities Holder entitled to vote in respect of any Shareholders' Meeting and may appoint more than 1 (one) proxy to exercise Voting Rights attached to different Securities held by the Securities Holder which entitle him/her/it to vote;
- Shareholders who wish to appoint proxies are required to complete and return the form of proxy to reach the registered office of the Company at least 24 hours before the appointed time of the meeting, but at least before the proxy exercises any right of the appointing Shareholder at the general meeting; and
- any person attending or participating in a meeting of Shareholders must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as Shareholder or as proxy for a Shareholder) has been reasonably verified. Forms of identification include valid identity documents, driver's licences and passports.

Electronic participation:

- Shareholders are advised that they, or their proxies, will be able to participate in the meeting by way of electronic communication. A limited number of telecommunication lines will be made available for this purpose.
- Shareholders who wish to participate by way of electronic communication must register such request in writing with the company secretary by no later than 15:00 on Monday, 4 May 2015 and provide their e-mail and cell phone contact details.
- Each participant will be contacted in advance of the meeting via e-mail and/or SMS and will be provided with a code and the relevant telephone number to allow them to dial into the general meeting.
- The cost of the Shareholder's phone call will be for his/her own expense. By registering the abovementioned request, the Shareholder acknowledges that the telecommunication lines are provided by a third party and indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines whether or not the problem is caused by any act or omission on the part of the Shareholder, the Company, the third-party service provider, or anyone else.

By order of the Board

George Said
Company secretary

Republic of Malta
16 March 2015

HOMECHOICE INTERNATIONAL PLC
(Registration number C66099)
(the "Company")

FORM OF PROXY

For completion by Shareholders unable to attend the annual general meeting of the Company to be held on Tuesday, 12 May 2015, at 09:00 at 78 Mill Street, Qormi, Republic of Malta (the "AGM").

I/We (full names) ______________________________

of (address) ______________________________

being a Shareholder of the Company and entitled to ______________________________ votes (one per share)

hereby appoint ______________________ or failing him/her ______________________

or failing him/her the chairman of the meeting, as my/our proxy to attend, speak and, on a poll, vote for me/us and on my/ our behalf at the AGM, and at any adjournment thereof, and to vote or abstain from voting as follows on the resolutions to be proposed at the AGM, with or without modification, as follows*:

	Insert "X" in the appropriate box or number of votes		
	For	Against	Abstain
Ordinary resolution number 1: To adopt and approve the integrated annual report and annual financial statements			
Ordinary resolution number 2: To confirm the dividend of 161 cents (one hundred and sixty-one cents) per ordinary share			
Ordinary resolution number 3.1: To elect Gregoire Lartigue as a director of the Company			
Ordinary resolution number 3.2: To elect Paul Burnett as a director of the Company			
Ordinary resolution number 3.3: To elect Shirley Maltz as a director of the Company			
Ordinary resolution number 3.4: To elect Stanley Portelli as a director of the Company			
Ordinary resolution number 3.5: To elect Amanda Chorn as a director of the Company			
Ordinary resolution number 3.6: To elect Richard Garratt as a director of the Company			
Ordinary resolution number 3.7: To elect Eduardo Gutierrez-Garcia as a director of the Company			
Ordinary resolution number 3.8: To elect Robert Hain as a director of the Company			
Ordinary resolution number 3.9: To elect Charles Rapa as a director of the Company			
Ordinary resolution number 4.1: To elect Charles Rapa as a member of the audit and risk committee			
Ordinary resolution number 4.2: To elect Stanley Portelli as a member of the audit and risk committee and to perform the dual role of Chairman of the Board and a member of the audit and risk committee			
Ordinary resolution number 4.3: To elect Amanda Chorn as a member of the audit and risk committee			
Ordinary resolution number 5: To reappoint PricewaterhouseCoopers Malta as external auditors			
Special resolution number 1: To authorise the directors' remuneration			
Advisory remuneration policy endorsement			
Special resolution number 2: To place the unissued shares under the control of the directors			

If any modified resolutions are proposed before the meeting the proxy shall vote:	Insert "X" in the appropriate box
As indicated above:	
In the proxy's discretion:	

* *The Notes to the Form of Proxy overleaf form part of this proxy form and Shareholders are advised to read them. Please see the notice of annual general meeting for the full proposed resolution. If you return this form duly signed without specifying a proxy you will be deemed to appoint the chairman of the general meeting as your proxy. Any forms of proxy not lodged by this time must be handed to the chairperson of the annual general meeting immediately prior to the annual general meeting.*

Signed this ______________________ day of ______________________ 2015.

Signature ______________________ assisted by ______________________ (where applicable)

NOTES TO THE FORM OF PROXY

1. A Shareholder entitled to attend and vote at the abovementioned meeting is entitled to appoint a proxy or two alternative proxies of the Shareholder's choice (who need not be a Shareholder of the Company) to attend, speak and vote thereat in his/her/its stead, by inserting his/her/its name/s in the space/s provided, with or without deleting "the chairman of the meeting" but the Shareholder must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. This proxy form and power of attorney (if any) under which it is signed must be addressed to the company secretary and reach the registered office of the Company not less than 24 hours before the appointed time of the meeting.

3. A Shareholder's instructions to the proxy regarding voting should be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided. Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the meeting as he/she deems fit in respect of all the Shareholder's votes.

4. A Shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held.

5. A vote given in terms of an instrument of proxy shall be valid in relation to the meeting notwithstanding the death, insanity or other legal disability of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the proxy is given, unless a notice of any of the aforementioned matters shall have been received by the Company at its registered office or by the chairperson of the meeting at the venue of the meeting before commencement of the meeting.

6. The chairperson of the meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.

7. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.

8. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded with the Company or unless the chairperson of the meeting waives this requirement.

9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by the Company or waived by the chairman of the general meeting.

10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by the Company.

11. Where there are joint holders of shares:

    (a) all joint holders must sign the form of proxy; and

    (b) the vote(s) of the senior Shareholders (for that purpose seniority will be determined by the order in which the names of Shareholders appear in the Company's securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint Shareholder(s).

12. Any proxy appointed pursuant to this form of proxy may not delegate his/her authority to act on behalf of the relevant Shareholder.

13. An appointment of a proxy pursuant to this form of proxy remains valid only until the end of the general meeting or any adjournment of the general meeting.

14. This form of proxy shall be valid at any resumption of an adjourned meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall be deemed to confer the power generally to act at the meeting in question, subject to any specific direction contained in this form of proxy as to the manner of voting.

15. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory(ies).

ADMINISTRATION

Country of incorporation
Republic of Malta

Date of incorporation
22 July 2014

Company registration number
C66099

Company secretary
George Said

Registered office
93 Mill Street
Qormi
QRM3012
Republic of Malta

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

SHAREHOLDERS' DIARY

Financial year-end
31 December

Annual general meeting
12 May 2015

Distributions to shareholders
May and November

Reports and profit statements
Publication of annual report: March
Interim report: August

HiL PLC

HOMECHOICE INTERNATIONAL