

## Group highlights

Revenue up **28%** to R499m

Operating profit\* up by **42%** to R152m

Headline earnings per share up **34%** to 102c

Net asset value up **29%** to 732c

Cash generated before working capital changes up **38%** to R154m

Interim distribution to shareholders up **75%** to 35c

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

## COMMENTARY

### Trading and financial performance

Continued good customer demand for both the group's retail and loan products has delivered pleasing results for the six month period. Group revenue increased by 28.1% to R498.9 million and operating profit increased by 75.1% to R151.7 million, resulting in a group operating margin of 30.4% (2010 22.2%). However, eliminating the effect of the disposal of the group's majority interest in a subsidiary during 2010, group operating profit increased by 42.0%. Earnings per share increased by 70.5% to 104.2c, while headline earnings per share increased by 34.2% to 102.1c.

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

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

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

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

### Financial Position

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

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

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

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

### Credit Risk

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

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

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

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

### Outlook

Continued innovation and diversification of the merchandise product range, combined with focused marketing activities, has resulted in good retail demand whilst growth in demand for the companies' loan products from the HomeChoice credit customer base continues to be very strong.

Customer demand for both our merchandise and financial services products remained good during the first 6 weeks after 30 June 2011. Credit granting criteria will be maintained, and it is anticipated that credit risk levels will continue to reflect current trends.

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

### Interim Distribution

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

### Appreciation

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

By order of the board

*RE GARRATT*

RE GARRATT  
Chairman

Cape Town  
22 August 2011



## GROUP STATEMENT OF FINANCIAL POSITION

Figures in Rand thousand	Unaudited 6 months ended		Restated* 6 months ended	
	30 June '11	30 June '10	30 June '10	31 Dec '10
<b>Assets</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	118 485	119 385	119 856	
Intangible assets	10 428	8 817	8 901	
Loans to employees	12 922	12 825	13 177	
Deferred tax	10 844	6 463	8 948	
	<b>152 679</b>	<b>147 490</b>	<b>150 891</b>	
<b>Current Assets</b>				
Available-for-sale investments	-	40 765	41 445	
Inventories	85 471	52 972	69 846	
Receiver of revenue	2 760	915	1 075	
Trade and other receivables	649 604	467 721	543 739	
Trade receivables	374 757	294 366	325 390	
Loans receivable	258 974	162 822	206 873	
Other receivables	15 873	10 533	11 476	
Cash and cash equivalents	45 178	44 541	45 630	
	<b>783 013</b>	<b>606 914</b>	<b>701 735</b>	
<b>Total assets</b>	<b>935 692</b>	<b>754 404</b>	<b>852 626</b>	
<b>Equity and Liabilities</b>				
<b>Equity Attributable to Equity Holders of Parent</b>				
Share capital	1 039	1 039	1 039	
Share premium	66 296	118 230	97 456	
Treasury shares	(8 137)	(9 230)	(8 938)	
Other reserves	336	3 142	4 113	
Distributable reserve	680 950	459 007	575 546	
	<b>740 484</b>	<b>572 188</b>	<b>669 216</b>	
<b>Non-controlling interest</b>	-	-	-	
<b>Total Equity</b>	<b>740 484</b>	<b>572 188</b>	<b>669 216</b>	
<b>Non-Current Liabilities</b>				
Interest-bearing liabilities	48 214	54 728	51 340	
Deferred tax	39 998	29 240	35 201	
Other payables	3 035	3 340	3 420	
	<b>91 247</b>	<b>87 308</b>	<b>89 961</b>	
<b>Current Liabilities</b>				
Current portion of interest-bearing liabilities	6 161	5 760	6 279	
Receiver of revenue	2 038	9 875	1 936	
Trade and other payables	81 856	70 808	61 228	
Provisions	11 744	6 600	17 400	
Bank overdraft	2 162	1 865	6 606	
	<b>103 961</b>	<b>94 908</b>	<b>93 449</b>	
<b>Total Liabilities</b>	<b>195 208</b>	<b>182 216</b>	<b>183 410</b>	
<b>Total Equity and Liabilities</b>	<b>935 692</b>	<b>754 404</b>	<b>852 626</b>	

## GROUP STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand thousand	Unaudited 6 months ended		Restated* 6 months ended	
	30 June '11	30 June '10	30 June '10	31 Dec '10
<b>Revenue</b>	<b>498 888</b>	<b>389 465</b>	<b>469 442</b>	
Retail sales	270 776	217 423	493 008	
Cost of sales	(130 776)	(101 288)	(226 680)	
<b>Gross profit</b>	<b>140 000</b>	<b>116 135</b>	<b>266 928</b>	
Finance charges earned	128 595	98 228	215 221	
Fees from ancillary services	99 123	72 264	158 153	
Other net gains and losses	4 604	(19 621)	(16 281)	
Trading expenses	(221 023)	(181 917)	(377 386)	
<b>Trading profit</b>	<b>151 299</b>	<b>85 089</b>	<b>246 635</b>	
Dividends received	394	1 550	3 060	
<b>Operating profit</b>	<b>151 693</b>	<b>86 639</b>	<b>249 695</b>	
Interest received	1 480	2 975	3 530	
Interest paid	(2 377)	(4 135)	(6 865)	
Equity loss on associate	(614)	-	(1 449)	
<b>Profit before taxation</b>	<b>150 182</b>	<b>85 479</b>	<b>244 911</b>	
Taxation	(44 778)	(29 495)	(27 572)	
<b>Profit for the period</b>	<b>105 404</b>	<b>55 984</b>	<b>172 334</b>	
<b>Other comprehensive income:</b>				
Available-for-sale financial assets:				
(Losses)/gains arising on available-for-sale assets	(1 635)	1 423	2 099	
Less: reclassification of gains included in profit or loss	(2 183)	(455)	(455)	
Taxation related to components of other comprehensive income	-	258	258	
Other comprehensive income for the period net of taxation	(3 818)	1 226	1 902	
<b>Total comprehensive income</b>	<b>101 586</b>	<b>57 210</b>	<b>174 236</b>	
<b>Profit attributable to:</b>				
Owners of the parent	105 404	61 456	177 806	
Non-controlling interest	-	(5 472)	(5 472)	
	<b>105 404</b>	<b>55 984</b>	<b>172 334</b>	
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	101 586	62 682	179 708	
Non-controlling interest	-	(5 472)	(5 472)	
	<b>101 586</b>	<b>57 210</b>	<b>174 236</b>	

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

## GROUP NOTES TO THE INTERIM FINANCIAL STATEMENTS

### 1. Accounting policies

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

### 2. Comparative statements

Certain comparative figures for the period last year have been restated as follows:

**Reclassification**  
A bank overdraft previously netted off cash and cash equivalents has been reclassified to bank overdraft.

### Disposal of controlling interest in subsidiary

During June 2010, the group disposed of the majority of its interest in an en-commandite partnership providing passenger transportation by air. As disclosed in our 2010 annual report, this transaction resulted in an impairment charge of R19.7 million, which was primarily attributable to movements in the Rand/US Dollar exchange rate, and a group loss of R0.5 million. R4.9 million of the impairment charge was attributable to the non-interest shareholder. The impairment and subsequent loss on disposal was incorrectly disclosed in the June 2010 interim report as R10.7 million and R2.8 million respectively. R2.6 million of the impairment charge was attributable to the non-interest shareholder.

Whilst all of the above matters were incorporated in the group's 2010 annual report and do not require any restatement of these audited results, the June 2010 comparative figures have been restated to give retrospective effect as follows:

	Reclassification	Disposal
<b>Statement of comprehensive income</b>		
Decrease in other net gains and losses	-	(6 702)
Impairment of subsidiary asset on disposal - restated	-	(19 708)
Impairment of subsidiary asset on disposal - previously reported	-	10 683
Group loss on disposal - restated	-	(455)
Group loss on disposal - previously reported	-	2 778
Attributable to non-controlling interest holder	-	2 234
Impairment of subsidiary asset on disposal - restated	-	4 878
Impairment of subsidiary asset on disposal - previously reported	-	(2 644)
Decrease in total comprehensive income for the period	-	(4 468)
<b>Statement of financial position</b>		
Increase in bank overdraft	(1 865)	-
Increase in cash and cash equivalents	1 865	-
Increase in investment in associate	-	(3 105)
Increase in trade and other payables	-	(1 363)
	-	(4 468)

### 3. Segment information

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

### 4. Events after the reporting period

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

### 5. Related party transactions

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

## SUPPLEMENTARY INFORMATION

	Unaudited 6 months ended 30 June '11	Restated* 6 months ended 30 June '10	Audited 12 months ended 31 Dec '10
Operating margin %	30.4	22.2	28.7
Operating profit/average shareholder's funds (%)	21.5	15.8	41.9
Operating profit/average total assets (%)	17.0	11.8	31.9
Taxed profit/revenue (%)	21.1	14.4	19.8
Effective taxation rate	29.8	34.5	29.6
Earnings per share - owners of the parent	104.2	61.1	176.2
Headline earnings per share - owners of the parent	102.1	76.1	190.9
Distributions to shareholders per ordinary share (cents)			
Interim distribution proposed/paid	35.0	20.0	20.0
Final distribution paid	-	-	30.0
Total	35.0	20.0	50.0
Distribution to shareholder cover (times)	3.0	3.1	3.5
Return on equity (annualised)	29.9	20.5	28.9
Interest paid cover (times)	63.8	21.0	36.4
Current ratio (1)	7.5	6.4	7.5
Acid test ratio (1)	6.7	5.8	6.8
Debt-equity ratio (1)	0.07	0.11	0.09
N/A per share including intangibles (total shares)	731.7	565.2	661.3
N/A per share excluding intangibles (total shares)	721.4	556.5	652.5
Weighted average number of shares (000)	101 199	100 554	100 896
Number of shares in issue (000)	103 869	103 869	103 869
Number of shares in issue, net of treasury shares (000)	101 199	101 239	101 199
Depreciation - property, plant and equipment and intangible assets (R'000)	5 220	4 008	9 459
Capital expenditure (R'000)	5 766	4 447	9 562
Capital commitments (R'000)			
- authorised	844	1 300	-
- authorised and contracted	-	1 300	-

## GROUP STATEMENT OF CASH FLOWS

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