Lewis Group Limited

Integrated Annual Report 2016

Lewis Group Ltd

Contents

Year in review

Merchandise sales up
2.9%
to R 2.7 billion

Revenue up
2.2%
to R 5.8 billion

Gross profit margin up
140 bps to 38%

Operating profit margin at
14.1%
LY 19.4%

Headline earnings per share
622 cents
LY 845 cents

Total dividend maintained at
517 cents per share

Acquired 56 stores
in neighbouring countries

Introducing the report

Lewis Group aims to provide shareholders and the broader investment community with accurate, balanced and transparent reporting. The directors and management have pleasure in presenting the 2016 Integrated Report to enable stakeholders to make an informed view of the group's ability to create and sustain value.

Reporting boundary

This report covers the integrated performance and activities of the Lewis Group (the group) which includes the main operating company, Lewis Stores (Proprietary) Limited, and its subsidiaries for the period 1 April 2015 to 31 March 2016. The companies operate in South Africa, Namibia, Botswana, Swaziland and Lesotho, with 86% of the group's revenue being generated in South Africa.

Following the 2015 Annual general meeting, the board requested the Audit Committee to form a sub-committee and undertake an in-depth review of Lewis' accounting policies. The restatements and reclassifications from this review are disclosed in the summary consolidated financial statements and in the consolidated annual financial statements.

Summary consolidated financial statements have been published in the Integrated Report and the consolidated annual financial statements are available on the website **www.lewisgroup.co.za** and by request from the company secretary.

Materiality

Materiality has been applied in determining the content and disclosure in this report. Materiality is determined by the board and includes issues that affect the group's ability to create value over time and are likely to have a material impact on strategy, revenue and profitability. This excludes the disclosure of price-sensitive information or detail that could compromise the group's competitive position.

Integrated Reporting Framework

The Integrated Reporting Framework of the International Integrated Reporting Council recommends reporting to shareholders on the capital resources applied in the creation of value. These forms of capital are classified as the financial, manufactured, intellectual, human, social and relationship, and natural capitals.

Management has elected not to present the Integrated Report according to these capitals. However, the performance and activities relative to these capitals are covered throughout the report.

Forward-looking statements

The Integrated Report includes forward-looking statements relating to the financial position and results of the group's operations. 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 stakeholders are cautioned not to place undue reliance on these statements.

Assurance

The content of the Integrated Report has been reviewed by the directors and management but has not been externally assured.

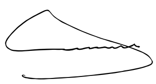
The group's external auditor, PricewaterhouseCoopers, has provided assurance on the annual financial statements and expressed an unqualified audit opinion.

Accredited service providers and agencies have verified selected non-financial indicators, including the B-BBEE rating, while management has verified the processes for measuring all other non-financial information.

Integrated Report approval

The Board acknowledges its responsibility to ensure the integrity of the Integrated Report. The directors collectively confirm the Integrated Report fairly represents the performance of the group.

The Audit Committee, which has oversight for the preparation of the Integrated Report, recommended the report for approval by the directors. The Board accordingly approved the 2016 Integrated Report for release to stakeholders on 27 June 2016.



David Nurek
Independent non-executive chairman

Johan Enslin
Chief executive officer

Creating value for our stakeholders

Group profile

Lewis Group is a leading retailer of household furniture and electrical appliances through its three trading brands: Lewis, Beares, and Best Home and Electric.

The group has 760 stores across all metropolitan areas and has a strong presence in rural South Africa, as well as an expanding footprint outside the country.

Lewis is now the country's largest furniture chain with 526 stores and is a household name in furniture retailing. Best Home and Electric was established in 2008 and sells home appliances as well as furniture ranges.

Beares, a well established brand with a history dating back 80 years, was acquired by the group in 2014. The chain has been expanded to 107 stores.

Lewis and Best Home and Electric target customers in the fast growing middle to lower income markets in the living standards measurement (LSM) 4 to 7 categories. Beares attracts customers in higher LSM markets where the group has traditionally had limited exposure.

Credit is offered to customers across all the brands and the group has a credit customer base of close to 670 000. Credit sales accounted for 64.3% of total sales in the reporting period.

Monarch Insurance, the group's short-term insurance subsidiary, provides insurance cover to customers purchasing merchandise on credit.

African expansion

Lewis was one of the first South African retailers to expand into neighbouring Southern African countries from the late 1960s. During the reporting period the group expanded its African presence with the acquisition of a portfolio of 56 Ellerines and Beares stores in Botswana, Lesotho, Namibia and Swaziland. This doubled the store presence outside of South African to 119.

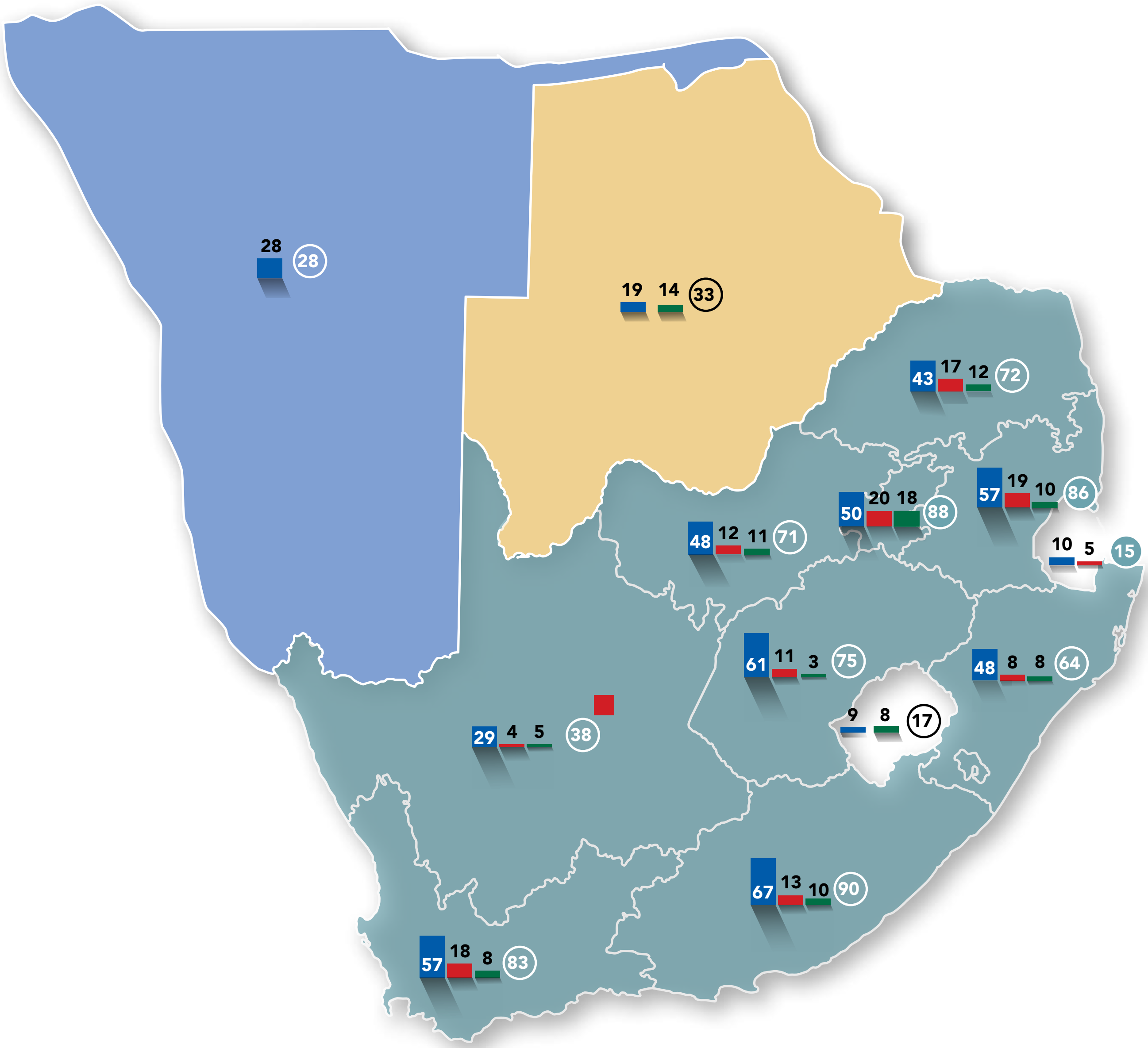
The newly acquired stores will be fully integrated early in the 2017 financial year and are expected to make a meaningful contribution to the group's profitability in the medium-term. Stores outside South Africa collectively accounted for approximately 14% of group revenue in the current financial year.

Commitment to service

The group is committed to service excellence and offering quality, exclusive merchandise. High levels of repeat sales to existing customers are evidence of service satisfaction, trust and customer loyalty. As part of the commitment to service excellence, Lewis strives to be an integral part of the communities in which it operates. Shoppers are served by staff from their local communities, with stores being located close to the places where Lewis customers live, work, shop and commute.

Founded in Cape Town 82 years ago, the Lewis Group was listed in the General Retailers sector of the JSE Limited in 2004 and has a proud record of growth. The group employs 8 400 permanent staff and is a meaningful contributor to job creation through its store opening programme and support of the local furniture manufacturing sector.

Geographic footprint



Geographic footprint	Lewis	Best Home and Electric	Beares	Total stores
Total – in South Africa	460	122	85	667
Total – outside South Africa	66	5	22	93
Total stores – 31 March 2016	526	127	107	760
Total stores – 31 March 2015	508	129	79	716

Business model

Lewis Group continues to operate a decentralised, store-based business model which has ensured sustainable performance through all market conditions. The foundation of the model has evolved over many years and is consistently applied throughout the business.

The model is based on the principle that in relation to the group's target market, the sale of furniture and the granting of credit are largely interdependent.

The business model is well suited to the group's lower to middle income target market where customers are reliant on credit to buy products.

All aspects of the customer relationship are managed by the staff in the stores, except for the granting of credit which is managed centrally to ensure consistent decision-making and prudent credit risk management.

The personal and relationship-based interaction with customers in the stores creates trust and confidence while also generating high levels of loyalty and repeat sales.

This process is supported by sophisticated IT systems which remove the administrative burden at store level and enables real-time management reporting.

Lewis Group launched a specialist call centre in April 2016 to further enhance compliance, transparency and oversight of its in-store sales and credit application process and limit any potential misunderstandings of the costs, services and fees to be paid by customers.

The new call centre is housed at the company's head office and employs 60 consultants who are able to engage with customers in English, Afrikaans, Xhosa, Zulu, Sepedi. Sesotho, Setswana and Xitsonga.

Head office

Centralised credit assessment and approval

Credit is granted centrally to ensure credit risk policies are consistently applied, removing any subjectivity in the credit granting process

After the centralised credit granting process has been completed, the manager explains the terms and conditions of the sale, pointing out the optional items and ensuring the correct insurance options are selected. Thereafter the manager ensures that the customer speaks to a call centre agent in one of eight languages. Call centre agents ensure that the customer has been explained all critical elements of the contract. The deal is only approved once this process is completed and delivery follows thereafter. All calls are recorded and stored electronically.

Credit application and granting

- Credit applications are submitted electronically to head office from stores.
- Industry-leading technology used to determine creditworthiness of a customer
- Advanced application and behavioural risk scorecards are applied
- Credit policies determine credit worthiness, term and deposit required from customer
- Refer to credit report on page 44

Store

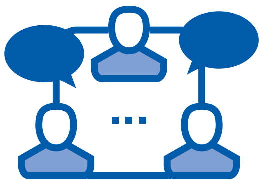
Customer relationships managed by stores

Stores are accountable for all aspects of the customer relationship.

The personal and relationship-based interaction with customers in the stores creates trust and confidence while also generating high levels of loyalty and repeat sales.

Strong relationships are developed with customers over the lifetime of a contract.

Stores are located close to where Lewis customers work, shop, live and commute.



Customers are serviced by staff from their own communities in their own language.

Store managers interview every customer and explain all aspects of the sale.

Merchandise sales and credit applications

- Furniture and appliances are sold mainly on credit
- Credit applications are completed electronically by stores and submitted to head office for approval
- Insurance is an optional offer on credit purchases

Collections

- Stores are responsible for cash collection and follow-up of defaulting customers
- Interaction with customers visiting stores monthly to pay accounts creates opportunities for repeat sales
- Store locations make it convenient for customers to pay at stores
- Collection staff make house calls on defaulting accounts

Customer re-serve programme

- High level of sales to existing customers through the re-serve programme
- Re-serve programme identifies existing customers for further credit, based on payment history
- Targeted mailings and promotional offers aimed at these customers
- Promotions are a key marketing tool

Supply chain and delivery to customers

- Merchandise is delivered directly by suppliers to stores
- The group does not operate distribution centres or centralised warehouses
- the group offers an optional delivery service and operates its own delivery fleet
- Stores are responsible for all deliveries to customers
- Average of 90% of deliveries are completed within 24 hours of sale

Strategy and targets

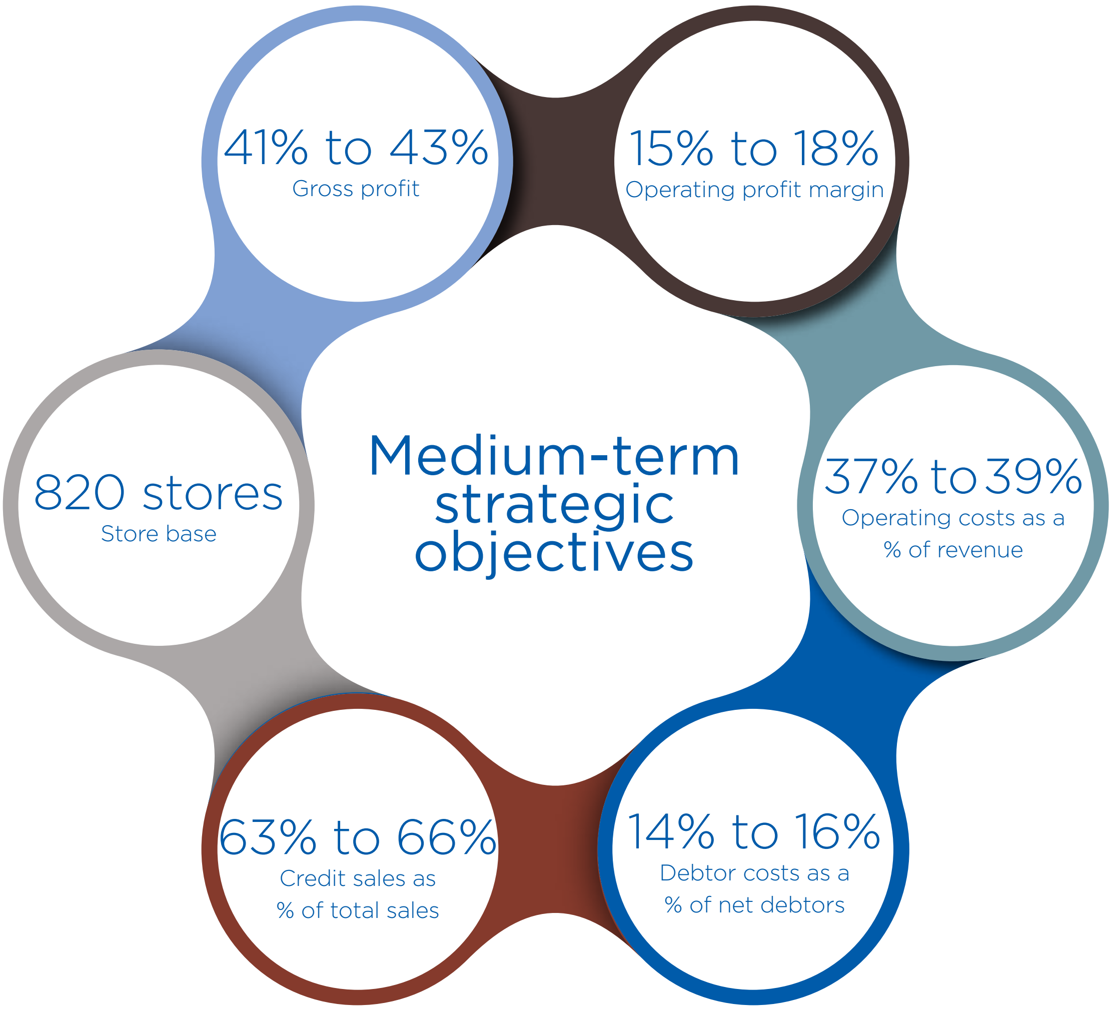
Lewis Group's strategy is to "create sustainable growth in shareholder value by offering exclusive merchandise on credit to the lower to middle income market through a network of stores in South Africa and neighbouring countries."

The strategy is reviewed annually by the Board and executive management, together with progress against the medium-term strategic objectives.

Material issues and risks that could impact on the group's strategy, its stakeholders and its ability to sustain growth are reviewed on a continuous basis as part of the strategic planning process.

Action plans are developed to achieve the strategic objectives and also to manage the material impacts on the group.

In reviewing the material impacts for the year ahead, the impact of changes to the regulatory environment was identified as a matter which could have an impact on the business in the short-to medium-term.



Performance and targets

Material impact	Performance indicators	Achieved	Targets		
		2016	2016	2017	Medium-term
Merchandising and supply chain	Gross profit margin (%)	38	37 – 38.5	39 – 41	41 – 43
Credit management	Debtor costs as a percentage of net debtors	17.1	12 – 14	16 – 18	14 – 16
	Satisfactory paid customers (%)	68.8	66 – 70	66 – 70	70 – 72
Execution of business model	Operating profit margin (%)	14.1	19 – 21	12 – 15	15 – 18
	New store openings	44	25 – 30	10 – 15	10 – 15
	Credit sales as a percentage of total sales	64.3	68 – 70	63 – 66	63 – 66
	Operating costs as a percentage of revenue (excluding debtor costs)	40.0	36.5 – 37.5	40 – 42	37 – 39
Capital management	Gearing (%)	25.5	30 – 34	25 – 30	<35
Human capital management	Skills development: number of training interventions	12 512	> 3 000	> 5 000	> 3 500
Regulatory environment	The board is responsible to oversee legislative, regulatory and governance compliance, and has a zero tolerance approach to any regulatory breaches or non-compliance				
Information technology	The IT Steering Committee reports to the Risk Committee and manages IT performance on projects and IT controls				

Strategic objectives, key risks and action plans

The executive team is focused on achieving the strategic objectives and managing the key risks relevant to the business' ability to sustain growth into the future.

Regulatory environment

18 and 58 Refer to chairman's report and corporate governance report

Strategic objective	Key risks	Management action plans
Ensure compliance with relevant legislation and regulation, and limit impact of legislative changes on margins and profitability	• Sanctions for regulatory non-compliance • Changes in legislation and regulations could adversely affect margins and profitability	• Monitor existing compliance and proposed legislation, and identify potential impacts on the business • Engage with regulators on draft legislation and regulations • Formal submissions to regulators in response to proposed changes in legislation • Ensure business is operating efficiently to maintain margins and profitability • Identify alternate sources of revenue should legislative changes impact sales and profitability

Performance indicators	2016	2015	2014
Number of referrals to regulatory bodies	2	0	0

Execution of business model

6 Refer to business model

Strategic objective	Key risks	Management action plans
Effective execution of the decentralised customer-focused business model	• Poor execution of the strategies and procedures of the business model by management • Insufficient experienced operational staff • Unsecured lending • Regulatory environment	• Focus on re-serve programme and local promotions • Offering exclusive value for money merchandise • Provide quality customer service • Focus on stable store management through training, recruitment and selection strategies • Expanding store footprint, focusing on smaller stores with electronic catalogue • New customer acquisition initiatives • Monitoring competitor activity • Engagement with various regulators

Performance indicators	Achieved	Targets		
	2016	2016	2017	Medium-term
Operating profit margin (%)	14.1	19 – 21	12 – 15	15 – 18
New store openings	44	25 – 30	10 – 15	10 – 15
Credit sales percentage	64.3	68 – 70	63 – 66	63 – 66
Operating costs as a percentage of revenue (excluding debtor costs)	40	36.5 – 37.5	40 – 42	37 – 39

Credit management

44 Refer to credit report

Strategic objective	Key risks	Management action plans
Optimise the quality of the debtors' book by reducing debtor costs through improved collections and regular updating of scorecards	Inability to maintain optimal quality of debtors' book owing to high levels of unemployment, continuing labour unrest, the impact of aggressive unsecured lending in market and the overall challenging economic environment	• Ongoing focus on collections productivity and efficiency • Customer segmentation and credit limit strategies • Reward best-rated credit customers • Focus on increasing satisfactory paying customers

Performance indicators	Achieved	Targets		
	2016	2016	2017	Medium-term
Debtor costs as a percentage of net debtors	17.1	12 – 14	16 – 18	14 – 16
Satisfactory paid customers (%)	68.8	66 – 70	66 – 70	70 – 72

Merchandising and supply chain

38 Refer to merchandising and trading brands report

Strategic objective	Key risks	Management action plans
Maintain competitive advantage and targeted margin by sourcing exclusive, quality merchandise both locally and offshore	• Suppliers and distribution partners performing below standard • Lack of depth in supplier base • Volatility of exchange rate impacting on margin, pricing and planning	• Develop new products and offers for regular launches • Ensure reliable back-up supplier channel • Increase exclusive appliance brands • Continue to invest in enterprise development with local suppliers • Manage inventory turn within targeted range • Purchase forward cover to hedge against risk of foreign currency fluctuations

Performance indicators	Achieved	Targets		
	2016	2016	2017	Medium-term
Gross profit margin (%)	38	37 – 38.5	39 – 41	41 – 43

Strategic objectives, key risks and action plans continued

Capital management

30 Refer to chief financial officer's report

Strategic objective	Key risks	Management action plans
Efficient management of financial risks and the liquidity requirements of the business	• Inefficient capital management could impact on profitability and returns to shareholders • Share market underperformance	• Ensure access to capital at all times • Efficient allocation of capital • Invest in the organic growth of the business • Return funds to shareholders through dividend payments • Manage investment portfolio together with financial advisors to optimise returns • Manage currency exposure and risk

Performance indicator	Achieved	Targets		
	2016	2016	2017	Medium-term
Gearing (%)	25.5	30 – 34	25 – 30	<35

Human capital management

50 and 70 Refer to remuneration report and social ethics and transformation report

Strategic objective	Key risks	Management action plans
Ongoing development of staff for management positions; retention of current management and attract competent individuals as required	• Inability to attract, develop and retain suitable staff for executive and operational management positions.	• Training and development programmes • Remuneration Retention Schemes • Focused recruitment and selection practices • Implement a formal talent management function • Transformation through black economic empowerment

Performance indicators	Achieved	Targets		
	2016	2016	2017	Medium-term
Skills development: Number of training interventions	12 512	>3 000	>5 000	>3 500

Information technology

58 Refer to corporate governance report

Strategic objective	Key risks	Management action plans
Develop and maintain industry-leading information systems	• Availability of main operating systems • Outdated software solutions • Security of data due to exposure of systems to mobile devices and various interfacing systems	• Monitor IT governance processes across the business through the IT Steering Committee • Regular review and implementation of hardware and software solutions to improve productivity and assist management in achieving strategic objectives • Develop and implement Information Security Management System (ISMS)

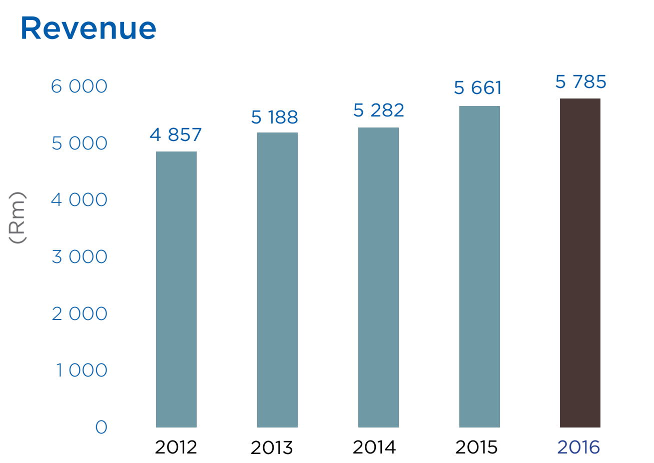
Performance indicator	Achieved	Targets		
	2016	2016	2017	Medium-term
Availability of key operating systems (%)	99.88	99.9	99.9	99.9

Investment case

Lewis Group has a proven business model, an extensive store footprint and is well positioned in a growing segment of the South African consumer market. While the current economic and regulatory environments are challenging in the short-term, the following factors should support long-term growth and sustainable returns for shareholders.

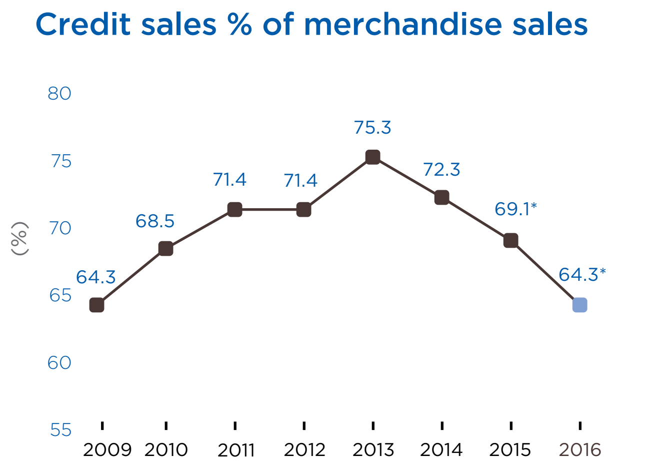
Strength of the business model

- Decentralised customer-focused business model positions the group for market share gains in the changing competitive landscape
- Focused on one business: retailing of furniture and appliances
- Operates in a growth segment of the South African population
- Credit offered across all brands to facilitate sales growth
- Customer loyalty: Approximately 47% of credit sales from existing customers
- Low-cost structure; internal culture of cost containment
- High operating margins through all economic cycles
- Attractive dividend payout ratio
- Acquisition of the Beares brand positions the group to service the higher LSM group



Proven credit risk management

- Extensive experience in managing credit risk in the lower to middle income market
- Centralised credit approval and granting
- Decentralised cash collections process at stores
- Advanced application and behavioural risk scorecards
- High proportion of credit sales: 64.3% of total sales in 2016

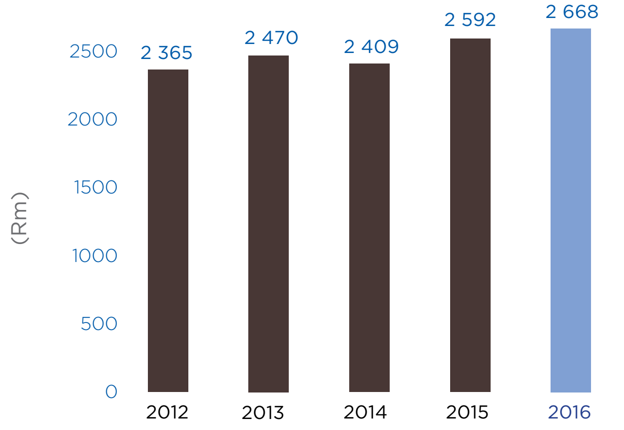


*In 2015 Lewis acquired Beares which operates on higher levels of cash sales

Differentiated and exclusive merchandise ranges

- Stores sell differentiated, exclusive and quality merchandise ranges
- Products sourced locally and offshore that appeal to needs of lower and middle income target market
- Focus on selling higher margin furniture and appliance product categories
- Customers attracted into stores by value for money product offer
- Beares offers exclusive merchandise aimed at a higher LSM group than Lewis and Best Home and Electric
- High levels of brand awareness

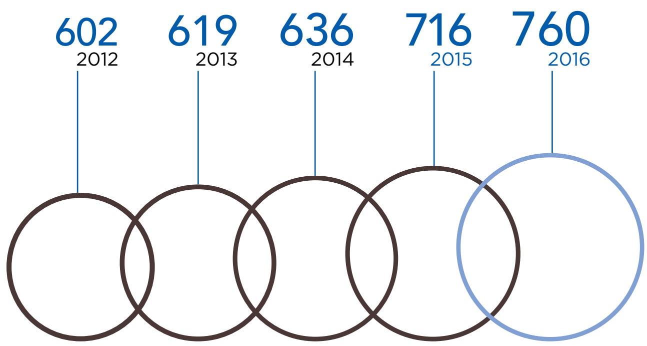
Merchandise sales



Growing store presence

- National coverage with 667 stores across urban and rural areas in South Africa
- Increased exposure to other African countries through acquisition of 56 stores in Namibia, Botswana, Lesotho and Swaziland
- 12% of stores outside South Africa at year end. This will increase to 15% over the next year
- Stores conveniently located close to places where target customers live, work and commute
- Plans to expand store base to 820 in the medium-term

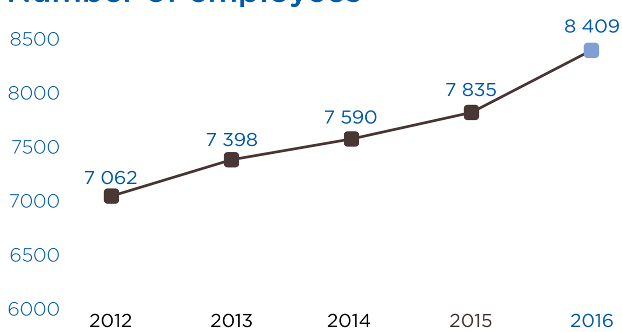
Number of stores



Experienced management team

- Stable, long-serving executive team
- Leadership continuity from strong senior management
- Good balance of company and industry experience

Number of employees



Leadership and performance

Chairman's report

> The board aims to be compliant with relevant legislation and regulation, and has a zero tolerance approach to any regulatory breaches or non-compliance.

While the economic challenges that have beset the country in recent times are well documented and contributed to a 1.2% reduction in GDP in the first quarter of 2016, two factors have had a particular impact on Lewis Group's lower to middle income target market.

Firstly, the national unemployment rate increased to 26.7% in the first quarter of 2016, the highest level since 2005, as the number of jobless South Africans increased by 10% to 5.7 million.

The weak labour market conditions are confirmed by the 29% increase in unemployment insurance claims within Monarch, the group's insurance subsidiary.

Secondly, the drought affecting the agricultural sector across large parts of the country has been particularly hard felt in rural South Africa. This is a stronghold of Lewis and customers in these areas are under increased pressure.

These factors, together with rising living costs, negative consumer sentiment and continued high levels of indebtedness, have contributed to a marked slowdown in the group's merchandise sales and revenue growth relative to 2015. This was compounded by aggressive competitor activity ahead of the closure of a substantial number of stores.

Financial performance

The slower than expected revenue growth and the integration costs for the Beares chain which was acquired in 2015 contributed to a contraction in the group's operating margin, with operating profit before investment income declining by 25.7%. Headline earnings were R 199 million lower at R 552 million, with headline earnings per share 26.5% lower.

On the positive side it is pleasing that the gross profit margin expanded and operating costs were well managed. The business remains strongly cash generative with low levels of gearing at 25.5%, reflecting the strength of the balance sheet. Collection levels were stable and the debtors' book remains adequately provided.

The acquisition of the 56 stores in four neighbouring countries, which is covered in the Chief Executive's Report, has increased the group's non-South Africa footprint to 119 stores. This will reduce our dependence on the domestic market and further diversify the group's risk profile.

The directors demonstrated their confidence in the longer term outlook of the group and maintained the annual dividend at 517 cents.

The change from term to monthly insurance policies in all three trading brands will significantly reduce the capital required by Monarch. The additional capital will be redeployed into the business.

In a move to further de-risk the business, against the background of higher levels of market volatility and a potential sovereign rating downgrade, a large portion of the equity and bond portfolio in Monarch was realised. This resulted in a once-off gain of R 453 million in investment income.

Following a review of accounting policies undertaken by the Audit Committee at the request of the board in August 2015, various accounting restatements and reclassifications have been made by the group. The impact of the restatements on the performance in the 2015 and 2016 financial years is detailed in the chief financial officer's report on page 30 and in the notes to the annual financial statements.

Regulation and compliance

The board aims to be compliant with relevant legislation and regulation, and has a zero tolerance approach to any regulatory breaches or non-compliance. Management are accountable for compliance and the directors support executives in their efforts to reduce the incidence or risk of non-compliance..

The regulatory environment is, however, proving challenging.

Affordability regulations

The affordability assessment regulations introduced by the National Credit Regulator (NCR) have had a profound impact on the group and contributed directly to the muted merchandise sales growth in the past year.

These regulations require customers to provide their three latest pay advices or bank statements as part of the credit application process. While these regulations apply to all credit providers in the country, they are proving a major challenge for many consumers in the group's lower to middle income target market that are self-employed.

Rather than imposing financial limitations, these regulations are denying access to credit to people in the informal sector, several of whom are existing customers with good payment records.

National Consumer Tribunal

In July 2015, the NCR referred both Lewis and Monarch Insurance to the National Consumer Tribunal (NCT) for alleged breaches of the National Credit Act (NCA) relating to the sale of loss of employment insurance and disability cover to customers who were pensioners or self-employed persons.

Lewis and Monarch have opposed this referral on a number of procedural and substantive grounds. The NCT hearing has been set for 28 July 2016.

Following an internal investigation launched by management and independently of any involvement from the Regulator, the group identified a number of

cases where loss of employment policies were invalidly sold to pensioners and self-employed customers since 2007. These cases represented approximately 2% of all transactions entered into by the group in that period. This was the result of human error at store level and contrary to company policy. The board took a decision to refund all premiums and interest totaling R 67.7 million to the affected customers.

In April 2016, the NCR referred Lewis to the NCT for alleged breaches of the NCA relating to club fees and extended maintenance contracts entered into with customers. Lewis has opposed this second referral and disputes the allegations. A date for this second hearing has not yet been set.

Increased focus on compliance

The board has taken decisive action to prevent further potential breaches of compliance. This includes the introduction of a compliance call centre which reviews proposed transactions with all potential customers to ensure that all aspects of contracts are understood. No transactions may be concluded until the interview with the customer has been concluded by the call centre.

IT systems have been upgraded to more readily identify potential regulatory issues, additional internal reviews have been introduced while training for managers and staff has been enhanced, including the establishment of a national training centre in Bloemfontein.

The management team has also been strengthened with the appointment of senior executives responsible for legal services and insurance.

In light of the regulatory challenges, we believe the sustained attacks on the Lewis Group's reputation are not warranted and we are taking substantial steps to protect and restore the company's good name and reputation.

Appreciation

On behalf of the board I thank the executive management team under CEO Johan Enslin and am confident in their ability to deliver the group's strategy.

Thank you to our management and staff of over 8 400 across South Africa and in the neighbouring countries for their dedication in meeting the needs of our customers.

Our board is strong and stable, and I thank my fellow directors for their active participation and governance oversight in the past year.

Thank you to our shareholders, customers, industry regulators, suppliers and manufacturers for their continued support.

David Nurek
Independent non-executive chairman

Board of directors

David Nurek (66)

Diploma in Law, Grad Dip Company Law

Independent non-executive chairman

Chairman of the Nomination Committee. Member of the Audit, Risk, Remuneration and Social, Ethics and Transformation Committees

Appointed July 2004

Other directorships include: Clicks Group (chairman), Distell Group (chairman), Monarch Insurance Company Ltd and Trencor Limited.

David serves as the regional chairman of Investec in the Western Cape and as global head of legal risk. Prior to joining Investec he practised as a commercial attorney at ENS, previously known as Sonnenberg Hoffmann Galombik, for more than 30 years, ultimately serving as chairman.

Fatima Abrahams (53)

BEcon (Hons), MCom, DCom

Independent non-executive director

Chairperson of the Social Ethics and Transformation Committee Member of the Audit, Risk, Remuneration and Nomination Committees

Appointed September 2005

Other directorships include: Clicks Group, The Foschini Group, Iliad Africa and chairperson of TSiBA Education.

Fatima is a senior professor in industrial psychology at the University of the Western Cape (UWC) and a registered industrial psychologist. She was previously Dean of the Faculty of Economic and Management Sciences at UWC. She is an acknowledged academic who has presented papers at international and national conferences and published a number of accredited articles and academic works on human resources issues. In addition, she was also a non-executive director of Transnet, B2B Africa (Pty) Ltd and chairperson of Victoria & Alfred Waterfront Holdings and has built up sound business acumen over the years.

Les Davies (60)

CA (SA)

Chief financial officer

Member of the Risk Committee and attends the Audit Committee by invitation.

Appointed as director in April 2007

Other directorships include: Lewis Stores (Pty) Ltd and Monarch Insurance Company Ltd.

Les is the chief financial officer of Lewis Group and chief executive officer of Monarch Insurance. Les has over 30 years' experience in financial management within the retail industry and has been the financial director of Lewis Stores since 1989. Prior to joining the group Les spent five years as the financial director of AMC Classic. His experience covers a wide range of financial, administrative, legal, contractual, insurance and statutory compliance matters.

Johan Enslin (42)

Chief executive officer

Member of the Risk, Social Ethics and Transformation Committee and attends the Audit Committee by invitation.

Appointed as chief executive officer and director in October 2009

Other directorships include: Lewis Stores (Pty) Ltd.

Johan is the chief executive officer of Lewis Group. Prior to this appointment he was chief operating officer with responsibility for the retail operations of the group. He joined the Lewis Group as a salesman in 1993 and rose rapidly through the ranks, holding positions including branch manager, regional controller, divisional general manager, general manager operations and operations director of Lewis Stores (Pty) Ltd where he was responsible for all facets of Lewis and Best Home and Electric.

Hilton Saven (63)

BCom, CA (SA)

Independent non-executive director

Chairman of the Audit and Risk Committees. Member of the Remuneration and Nomination Committees.

Appointed June 2004

Other directorships include: Truworths International (chairman), Life Vincent Pallotti Orthopaedic Centre, Monarch Insurance Company Ltd.

Hilton is chairman of Mazars South Africa and serves as Co-CEO of Mazars International, an international audit firm operating in 73 countries. He is also the vice-chairman of Praxity, a global alliance of independent accounting firms represented in 96 countries.

Ben van der Ross (69)

Diploma in Law

Independent non-executive director

Chairman of the Remuneration Committee. Member of the Audit, Risk and Nomination Committees.

Appointed June 2004

Other directorships include: Distell Group, FirstRand, MMI Holdings, Naspers and Pick n Pay Stores Ltd.

Ben currently serves as the chairman of Strategic Real Estate Management Proprietary Limited, the managers of the Emira Property Fund. He practised as an attorney for 18 years and continues to consult to Van der Ross Motala attorneys. Ben is a former director of the Urban Foundation, the Independent Development Trust and CEO of Business South Africa. He was a commissioner of the Independent Electoral Commission for the first democratic elections in South Africa in 1994.

Alan Smart (71)

Independent non-executive director

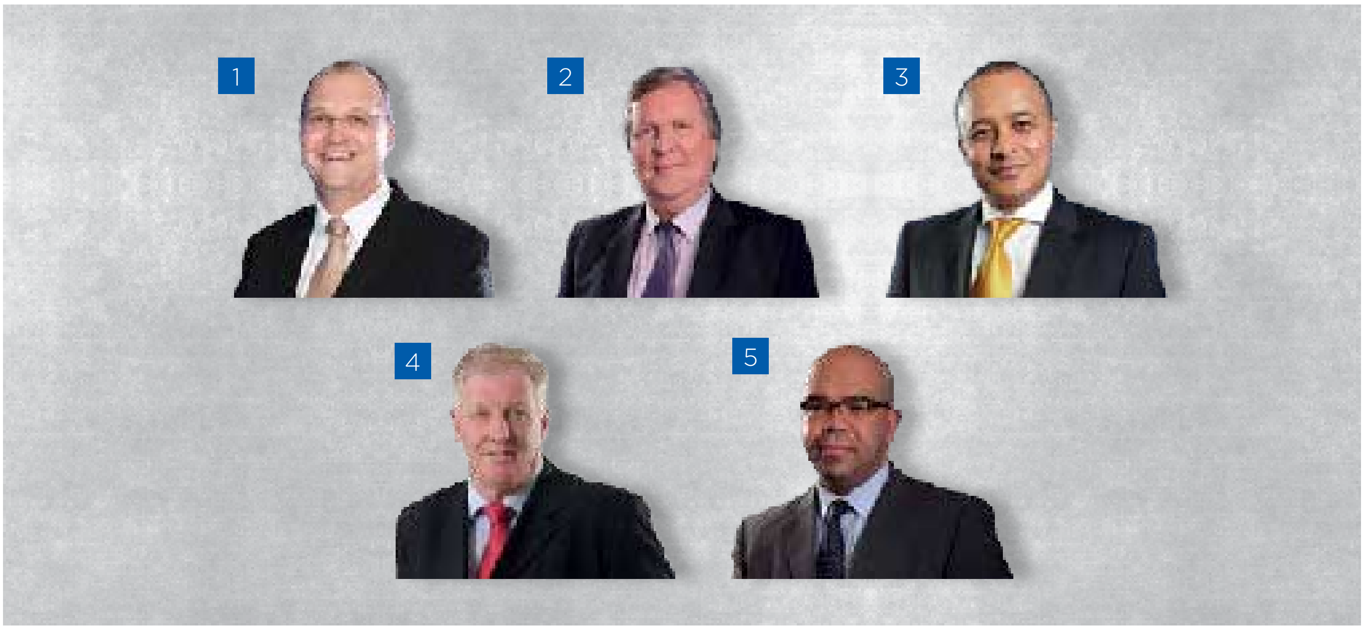
Member of the Risk, Remuneration, Nomination and Social, Ethics and Transformation Committees.

Appointed as a non-executive director in 2009

Other directorships include: Monarch Insurance Company Ltd.

Alan served as the chief executive officer of the Lewis Group from 1991 until his retirement in 2009 when he was appointed as a non-executive director. Alan started his career with Lewis in 1969. During this period he held various financial and operational positions including credit director and joint managing director. From 1995, in addition to his Lewis responsibilities he was chairman of GUS Canada Inc, a retail furniture group of 65 stores in eastern Canada and oversaw a turnaround programme. Alan served on the board of GUS plc from 1996 to 2004.

Executive team



Directors

1 Johan Enslin (42)

Chief executive officer and executive director of Lewis Group

23 years' service

2 Les Davies (60) CA (SA)

Chief financial officer and executive director of Lewis Group

30 years' service

3 Neil Jansen (44) MBL, Diploma in Labour Law

Human resources director

8 years' service

4 Derek Loudon (53)

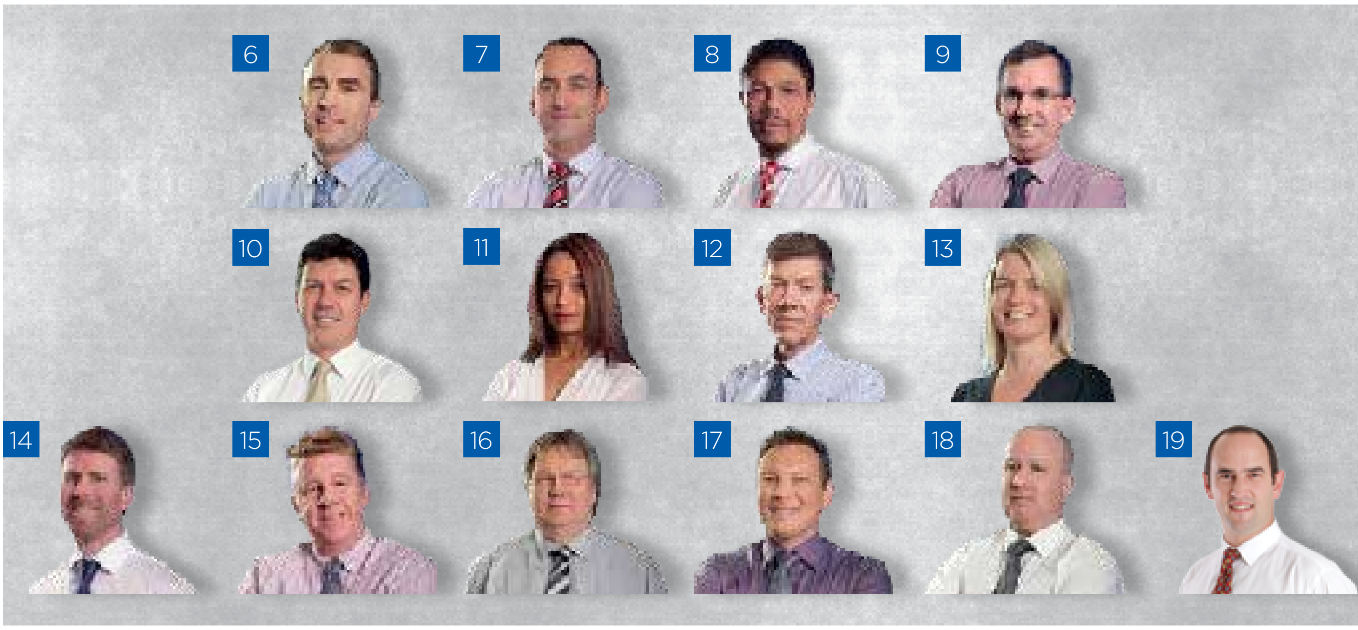
Merchandising director

16 years' service

5 Rinus Oliphant (41)

Credit director

18 years' service



Senior executives

6 Gregg Abrahams (37)
General manager: Information Technology
15 years' service

7 Jacques Bestbier (43) CA (SA)
General manager: Administration
4 years' service

8 Justin Bouwer (45) CA (SA)
General manager: Administration and Chief Risk Officer
4 years' service

9 Faan Fick (51) BCom (Hons)
General manager: Property
12 years' service

10 Lambert Fick (43) CA (SA)
General manager: Credit
6 years' service

11 Marlene McConnell (39) BProc, LLB, LLM, Admitted Attorney
Company secretary
8 years' service

12 Johan Meyer (52)
General manager Operations: Lewis Stores
31 years' service

13 Claire Morrissey (36) BProc, LLB, LLM, Admitted Attorney
General manager: Legal Services
1 year's service

14 Morne Mostert (43) CA (SA)
General manager: Finance
16 years' service

15 Gary Nuttal (52)
Marketing manager
19 years' service

16 Johan Steenkamp (57)
General manager Operations: Best Home and Electric
36 years' service

17 Andre Strydom (44)
General manager: Lewis Stores
17 years' service

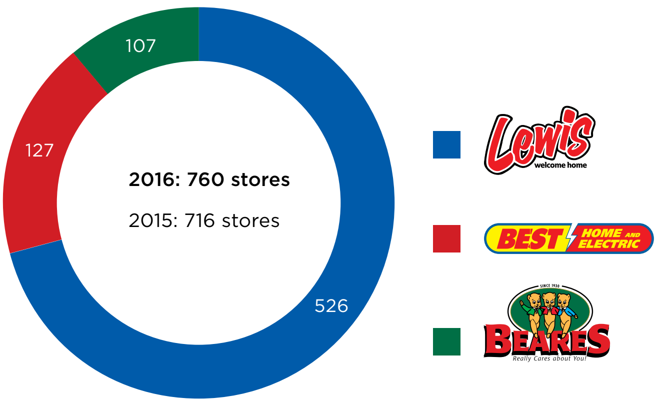
18 Vince van der Merwe (48) BAcc (Hons), BBA (Hons)
Chief audit executive
17 years' service

19 Neels Verwey (41) CA (SA), CFP
Insurance manager
Appointed 1 March 2016

Chief executive officer's report

Even in these tough conditions the group has continued to invest for long-term growth, with the highlight of the year being the acquisition of 56 stores in Namibia, Botswana, Lesotho and Swaziland.

Retail footprint



The mounting economic headwinds facing the country have had a severe impact on retail trading conditions over the past year and particularly affected consumers in the group's lower to middle income market.

The poor trading environment was compounded by the introduction of new affordability assessment guidelines by the National Credit Regulator (NCR).

The regulatory landscape remains complex and uncertain, with the group encountering further regulatory hurdles over the past year. These issues are covered by the chairman in his report on page 18.

These factors combined to create one of the most difficult trading environments experienced in recent decades, and it is unlikely that the 2017 financial year will see any marked improvement.

Even in these tough conditions the group has continued to invest for long-term growth. The highlight of the year was the R 200 million acquisition of 56 Ellerines and Beares stores in Namibia (21), Botswana (20), Lesotho (10) and Swaziland (5). This acquisition, which included the in-country debtors' books, has doubled the group's store footprint outside of South Africa to 119 and these stores are expected to make a meaningful contribution to the group's profitability in the medium-term.

Trading performance

Group merchandise sales increased by 2.9% (2015: growth of 7.6%). After increasing by 8.8% in the first half, trading conditions became increasingly challenging and contributed to a decline of 2% in the second half.

Aggressive discounting to clear stock ahead of the closure of over 250 stores by a major competitor severely disrupted the market in the fourth quarter and further restricted sales.

The significant impact of the affordability assessment regulations is reflected in the decline of 10.3% in credit sales in the second half of the year. Group credit sales for the year were 4.5% lower than the prior year.

Furniture and appliance sales, which account for 82% of total sales, increased by 4% for the year while sales of the more discretionary electronics goods declined by 3%.

Stores outside South Africa generated 14% of the group's revenue and this augurs well for the performance of the newly acquired stores in the region.

Merchandise is a key focus and differentiates the group's offering. The launch of new merchandise ranges in the second half saw the gross profit margin expand by 140 basis points to 38.0%, at the upper end of management's targeted range. The margin for the second half was 39.5% which has resulted in the target being increased to 39% – 41% for the 2017 financial year.

The performance of the Beares chain in its first full year in the group was disappointing owing mainly to the high integration-related costs. Management remains confident in the prospects for Beares in the medium-term as the cost base is rationalised, the merchandise offer is further refined and the store base expanded to create further economies of scale.

The group's financial performance is covered in the chief financial officer's report on page 30.

Debtor management

The group continued to apply its prudent credit risk management strategy and follow its policy of not rescheduling or extending the terms of any customer loans.

The credit application decline rate at 39.3% (2015: 40.2%) reflects the tough economic conditions and high levels of indebtedness of consumers in the group's target market.

Collections from instalment sales increased by 4% to R 4.1 billion, while collections achieved, expressed as a percentage of one contract instalment per customer per month, was 73.3% (2015: 73.7%). Contractual arrears increased from 32.9% in 2015 to 36.7% in 2016.

The level of satisfactory paid customers at 68.8% is in line with last year's 68.7% owing to stable collection rates. Non-performing customers have remained constant at 15.5%.

Debtor costs for the period increased by 17.1% owing to higher bad debts and an increase in the impairment provision from 23.1% to 26.1%. Debtor costs as a percentage of net debtors increased from 15.3% to 17.1%.

Debtor costs are expected to remain within the 16% – 18% range in 2017 before moderating to 14% – 16% in the medium-term.

Refer to the credit report on page 44 for further analysis of the debtors' book.

Expanding store presence

Consolidation in the furniture retail sector through store rationalisation and the demise of competitors has resulted in an estimated 1 000 stores that traded in direct competition with Lewis being closed over the past 18 months.

Once the customers of these stores have paid down their existing debt they will need to shop at other retail outlets. Lewis is favourably positioned with its extensive store base to attract these customers and to benefit from being the "last man standing" in credit furniture retailing.

The acquisition of the portfolio of 56 stores in neighbouring countries will enable the group to replicate the Beares strategy adopted in South Africa and target higher income customers. A total of 44 stores will trade under the Beares brand and 12 under Lewis.

The conditions precedent for the Lesotho and Botswana acquisitions were met during the reporting period, with R 101 million paid to the sellers and 30 stores incorporated into the group late in the financial year. The purchase of the Swaziland and Namibia stores was finalised in April and May 2016, with the balance of R 99 million being paid in the 2016 financial year.

At year end the group traded out of 760 outlets across Lewis (526 stores), Best Home and Electric (127) and Beares (107). The store opening target for the new financial year is 10 to 15 stores across the three trading brands, excluding the 26 stores in Swaziland and Namibia that started trading in April and May 2016.

Prospects

While trading conditions described above are expected to remain challenging in the short-term, the board remains positive about the group's medium-to longer-term prospects.

Following the acquisition of the Beares chain and the 56 stores outside South Africa, together with the closure of Ellerines and the significant reduction in the footprint of a major competitor, the group is well positioned to grow market share across the three trading brands.

Appreciation

Thank you to our chairman, David Nurek, and my fellow directors for their continued support. My thanks also go to my executive colleagues for their leadership in these trying times and to all our staff at the stores and head office for their loyalty and commitment.

Johan Enslin
Chief executive officer

Chief financial officer's report

> The group remains soundly capitalised with the strength of the balance sheet reflected in the net asset value of R61.58 which has grown by 10.5% p.a. since our listing in 2004.

The group experienced a marked slowdown in performance in the second half of the financial year as trading conditions became increasingly challenging through a further deterioration in economic conditions and the introduction of the affordability assessment guidelines. Merchandise sales increased by 2.9% following a decline of 2% in the second half. Operating profit was 13.6% lower in the first half and 25.7% down in the second half.

Despite the disappointing financial performance the group remains soundly capitalised, with the strength of the balance sheet reflected in the net asset value of R 61.58 (2015: R 61.28) which has grown at a compound rate of 10.5% per annum since the listing on the JSE Limited in 2004.

Review of accounting policies

Restatements

The group undertook a review of its accounting policies in relation to insurance, reinsurance and maintenance contracts during the year. In addition, as outlined in the chief executive officer's report, the group refunded premiums and interest totaling R 67.7 million to customers who were erroneously sold loss of employment insurance. These restatements are detailed on page 95 of the summary consolidated financial statements.

The impact of the restatements in the 2015 financial year was a reduction of R 33.2 million in attributable profit and a decrease of 37.0 cents in diluted earnings per share. The cumulative effect on net asset value at 2015 was a decrease of R 375.4 million.

In the 2016 financial year the restatements resulted in an increase of R 10.7 million in attributable profit and 12.0 cents in diluted earnings per share, reducing the cumulative effect on net asset value to R 364.7 million.

Reclassifications

Following the change from term to monthly insurance in all three trading brands, the group has decided to separately disclose insurance premiums received in advance on the balance sheet. Previously, insurance premiums received in advance were included with trade receivables.

With the separate disclosure of the insurance premiums in advance, the unearned premium reserve has been reclassified with insurance and reinsurance liabilities.

Reinsurance and insurance liabilities included reinsurance assets. These reinsurance assets have been reclassified and reflected separately under current assets.

The movements in long-term and short-term borrowings in the cash flow statement have been reclassified as proceeds from borrowings and repayment of borrowings.

Financial performance

The following review of the group's financial performance for the year ended 31 March 2016 should be read in conjunction with the summary consolidated financial statements on pages 89 to 107. The audited annual financial statements are available on the Lewis Group website **www.lewisgroup.co.za**

Revenue for the 12 months increased by 2.2% to R 5 785 million (2015: R 5 661 million).

Merchandise sales increased by 2.9% to R 2 668 million (2015: R 2 592 million).

Group credit sales for the year were 4.5% lower and credit sales as a percentage of total sales declined from 69% in

2015 to 64% in 2016. Credit sales in Beares account for 50% of the brand's total sales while in Lewis and Best Home and Electric 66% of total sales are on credit.

Trading space at year end was 2.6% higher than the previous year mainly as a result of the acquisition of the 30 stores in Lesotho and Botswana late in the financial year.

Insurance revenue declined by 7.3% owing to slower credit sales and the shift from term-to lower-priced monthly insurance policies in both Beares and Best Home and Electric. Finance charges increased by 7.5% owing to higher levels of credit sales in prior periods.

The gross profit margin strengthened from 36.6% to 38.0% as new merchandise ranges were launched in the second half of the year, with all three brands reporting an improved gross margin.

Operating costs increased by 12.1% due to the integration costs of the Beares chain. Excluding Beares, operating costs were well managed to an increase of 4.7%. Beares integration costs, covering mainly store refurbishment and IT, totalled R21 million. Beares has a higher cost structure than the group's other brands and it is expected to take another two to three years to align Beares expenses with the rest of the group.

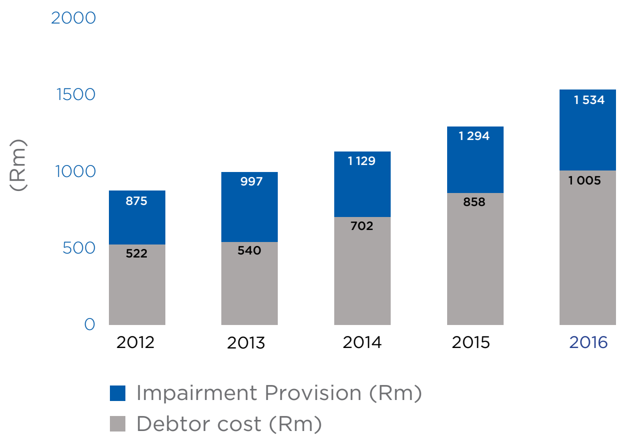
Analysis of operating costs	2016 Rm	2015 Rm	Change %
Employment costs	**946**	881	7.4
Admin and IT	**275**	241	13.9
Marketing	**192**	177	8.7
Occupancy costs	**329**	274	20.3
Transport/Travel	**224**	216	3.9
Depreciation	**86**	64	34.2
Other operating costs	**260**	208	24.7
Total	**2 312**	2 061	12.2
% of revenue	**40.0**	36.4	
Total costs excluding Beares	**2 064**	1 972	4.7%
% of revenue excluding Beares	**38.5**	36.2	

Debtor costs for the period increased by 17.1% owing to higher bad debts and an increase in the impairment provision from 23.1% to 26.1%. Debtors costs as a percentage of net debtors increased from 15.3% to 17.1%.

Analysis of debtor costs	2016 Rm	2015 Rm
Total debtor costs	**1 005**	858
- Bad debts written off	**766**	693
- Impairment provision	**239**	165
Debtor costs as a % of net debtors	**17.1**	15.3

The following table highlights the relationship between the provision at the end of the financial year and debtor costs in the following year. Debtor costs have never exceeded the impairment provision at the end of the preceding year, evidence that the group is adequately provided for, for future bad debts.

Debtors costs vs. Impairment provision (Rm)



The group's operating margin, impacted by slower revenue growth and the Beares integration costs, contracted to 14.1% (2015: 19.4%). Operating profit before investment income at R815 million was 25.7% lower. Headline earnings declined from R751 million to R552 million with headline earnings per share 26.5% lower at 622 cents (2015: 845 cents).

The move from term to monthly insurance policies in all three trading brands will significantly reduce the capital required by the group's wholly-owned subsidiary, Monarch Insurance. In order to further de-risk the business, in light of a potential sovereign rating downgrade, a large portion of the equity and bond portfolio within Monarch was realised. This capital gain increased investment income by R453 million to R601 million and increased earnings per share for the year by 19.3% to 1 082 cents from 908 cents.

As capital releases in Monarch this will be redeployed in the business, primarily in the growth of the debtors' book and in reducing borrowings.

Segmental performance

	Group	Lewis	Best Home and Electric	Beares
Revenue (Rm)	5 785	4 565	793	427
Revenue growth (%)	2.2	(1.7)	(1.1)	100
Operating profit (Rm)	815	700	143	(28)
Operating margin (%)	14.1	15.3	18	(6.6)

The detailed financial and operational performance of the group's brands is covered in the merchandise and brands report on pages 38 to 43.

Capital ratios benefited from the sale of the equities and bonds in the investment portfolio. Approximately 75% of the investment portfolio is now held in cash.

Capital ratios	2016	2015
Return on equity (%)	**17.6**	15.4
Return on capital employed (%)	**14.7**	13.0
Return on assets (%)	**15.9**	14.2

Enhanced disclosure of debtor payment analysis

Owing to the reclassification of insurance premiums received in advance, the group is now able to provide additional disclosure relating to instalment sale and loan receivables, and the provision for impairment. This disclosure is contained in the credit report on page 44 and in the summary consolidated financial statements on pages 100 to 104.

Gross receivables have been presented for the first time as well as the total arrears for each of the four main payment groupings. The total arrears for each payment grouping is further presented by the number of instalments in arrears. Gross receivables could not be presented in the past, as insurance premiums in advance were included in gross receivables and it was not possible to analyse insurance premiums in advance into payment rating groupings.

Cash and capital management

The group's cash and capital management strategy is focused on investing in the longer-term growth of the business and returning capital to shareholders through dividend payments.

Capital expenditure of R 104 million relates to the replacement of delivery vehicles, computer equipment and fittings at stores. Cash generated from operations was 9.8% higher.

The gearing ratio at 25.5% (2015: 24.8%) remains well below the 30% – 34% ceiling set by management.

Plans and targets for 2017

Capital expenditure of R 110 million has been budgeted for the 2017 financial year and includes R 23 million relating to the 56 stores in Lesotho, Botswana, Swaziland and Namibia. The group plans to open 10 to 15 stores in South Africa in the year ahead.

The financial targets for 2017 are as follows:

Performance metric	2017	Medium-term
Gross profit margin (%)	**39 – 41**	41 – 43
Debtor costs as a % of net debtors	**16 – 18**	14 – 16
Satisfactory paid customers (%)	**66 – 70**	70 – 72
Operating profit margin (%)	**12 – 15**	15 – 18
New store openings	**10 – 15**	10 – 15
Credit sales as a % of total sales	**63 – 66**	63 – 66
Operating costs as a % of revenue	**40 – 42**	37 – 39
Gearing (%)	**25 – 30**	<35

Appreciation

Thank you to our shareholders for your support and confidence in the group and to the broader investment community for your engagement over the past year. I also extend my gratitude to my colleagues in the finance team for their dedication and commitment.

Les Davies
Chief financial officer

Five-year review

Group income statements	2016 Rm	Restated 2015 Rm	2014 Rm	2013 Rm	2012 Rm
Revenue	5 785.0	5 660.8	5 281.7	5 187.6	4 857.3
Merchandise Sales	2 667.7	2 591.5	2 409.1	2 470.3	2 365.4
Other revenue	3 117.3	3 069.3	2 872.6	2 717.3	2 491.9
Cost of sales	(1 652.8)	(1 644.3)	(1 524.4)	(1 523.1)	(1 446.3)
Operating costs	(3 317.2)	(2 918.8)	(2 603.3)	(2 410.9)	(2 271.9)
Operating profit	815.0	1 097.7	1 154.0	1 253.6	1 139.1
Investment income	600.6	148.0	125.8	111.8	91.9
Profit before interest and taxes (EBITA)	1 415.6	1 245.7	1 279.8	1 365.4	1 231.0
Finance costs	(136.1)	(123.3)	(102.7)	(96.3)	(63.2)
Net profit before tax	1 279.5	1 122.4	1 177.1	1 269.1	1 167.8
Taxation	(318.0)	(316.2)	(334.9)	(357.4)	(367.2)
Attributable profit	961.5	806.2	842.2	911.7	800.6
Headline earnings	552.1	751.0	817.6	894.4	780.7

Group balance sheets	2016 Rm	Restated 2015 Rm	2014 Rm	2013 Rm	2012 Rm
Assets					
Non-current	1 012.5	2 206.5	1 822.6	1 594.3	1 333.3
Property, plant and equipment	370.4	352.9	327.3	332.6	311.9
Trademark	61.4	60.1	–	–	–
Deferred tax asset	85.7	0.5	0.6	0.6	16.1
Retirement benefit asset	63.0	77.4	79.7	22.8	–
Financial assets – insurance investments	432.0	1 715.6	1 415.0	1 238.3	1 005.3
Current	8 393.5	7 185.0	6 167.3	5 672.1	4 797.1
Inventories	444.5	420.3	324.6	305.8	281.4
Trade and other receivables	4 514.3	4 413.3	5 078.9	4 840.9	4 064.5
Insurance premiums in advance	1 185.4	1 485.5	–	–	–
Reinsurance assets	397.3	481.8	–	–	–
Financial assets – insurance investments	1 236.5	127.0	283.7	465.9	373.3
Taxation	28.3	34.8	–	–	–
Cash-on-hand and deposits	587.2	222.3	480.1	59.5	77.9
Total assets	9 406.0	9 391.5	7 989.9	7 266.4	6 130.4
Equity and liabilities					
Capital and reserves	5 449.4	5 448.6	5 341.8	4 847.3	4 274.6
Non-current liabilities	1 536.0	1 034.1	1 266.4	1 479.8	825.0
Long-term interest-bearing borrowings	1 375.0	825.0	1 000.0	1 250.0	650.0
Deferred taxation	60.8	102.4	173.5	154.5	111.4
Retirement benefit liability	100.2	106.7	92.9	75.3	63.6
Current liabilities	2 420.6	2 908.8	1 381.7	939.3	1 030.8
Trade and other payables	270.2	283.8	227.9	211.7	585.8
Reinsurance and insurance liabilities	1 550.4	1 876.0	388.7	472.1	–
Taxation	–	–	7.1	–	21.0
Short-term borrowings	600.0	749.0	758.0	255.5	424.0
Total equity and liabilities	9 406.0	9 391.5	7 989.9	7 266.4	6 130.4

Group cash flow statements	2016 Rm	2015 Rm	2014 Rm	2013 Rm	2012 Rm
Cash generated from operations	950.4	865.7	930.9	632.8	972.4
Dividends and interest received	119.0	113.1	104.1	100.5	76.6
Interest paid	(150.1)	(135.5)	(109.2)	(103.2)	(67.0)
Tax paid	(330.3)	(337.9)	(326.9)	(358.4)	(377.4)
Net cash retained from operations	589.0	505.4	598.9	271.7	604.6
Cash utilised in investing activities	(113.1)	(93.4)	35.3	(257.1)	(271.7)
Net effect of financing activities	(62.0)	(710.8)	(66.1)	(64.5)	(30.3)
Net cash increase/(decrease) in cash and cash equivalents	413.9	(298.8)	568.1	(49.9)	302.6

Ratios and statistics

	2016	2015	2014	2013	2012
Returns					
Return on average shareholders funds (after-tax)	17.6%	15.4%	16.5%	20.0%	20.0%
Return on average capital employed (after-tax)	14.7%	13.0%	13.6%	16.8%	16.7%
Return on average assets managed (pre-tax)	15.9%	14.2%	16.8%	20.4%	21.1%
Margins					
Gross profit margin	38.0%	36.6%	36.7%	38.3%	38.9%
Operating profit margin	14.1%	19.4%	21.8%	24.2%	23.5%
Productivity					
Number of stores	760	716	636	619	602
Revenue per store (R 000's) (note 6)	7 871	8 499	8 305	8 381	8 069
Operating profit per store (R 000's) (note 6)	1 109	1 699	1 814	2 025	1 892
Average number of employees (permanent employees only)	8409	7 835	7 590	7 398	7 062
Revenue per employee (R 000's)	688	723	696	701	688
Operating profit per employee (R 000's)	97	140	152	169	161
Trading space (sqm)	254 566	248 137	221 336	226 866	229 542
Revenue per sqm (R) (note 7)	23 799	25 504	23 863	22 866	21 161
Operating profit per sqm (R) (note 7)	3 353	5 098	5 214	5 526	4 962
Inventory turn (times)	3.7	3.9	4.7	5.0	5.1

Explanatory notes:
1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The changes in the accounting policies implemented in the current year have only been reflected in 2015 and 2016 years.
3. The arrear instalments ratios for 2012 to 2014 are based on net debtors as opposed to gross debtors for 2015 and 2016.
4. The 2012 figures have not been restated for the revised IAS 19 (Retirement Benefits)
5. Total assets exclude the deferred tax asset and reinsurance asset.
6. Revenue and operating profit per store is calculated on an average of 735 stores (2015: 671 stores) to cater for the acquisitions during the year.
7. Revenue and operating profit per store is calculated on an average of 243 079m^2 (2015: 223 621m^2) to cater for the acquisitions during the year.

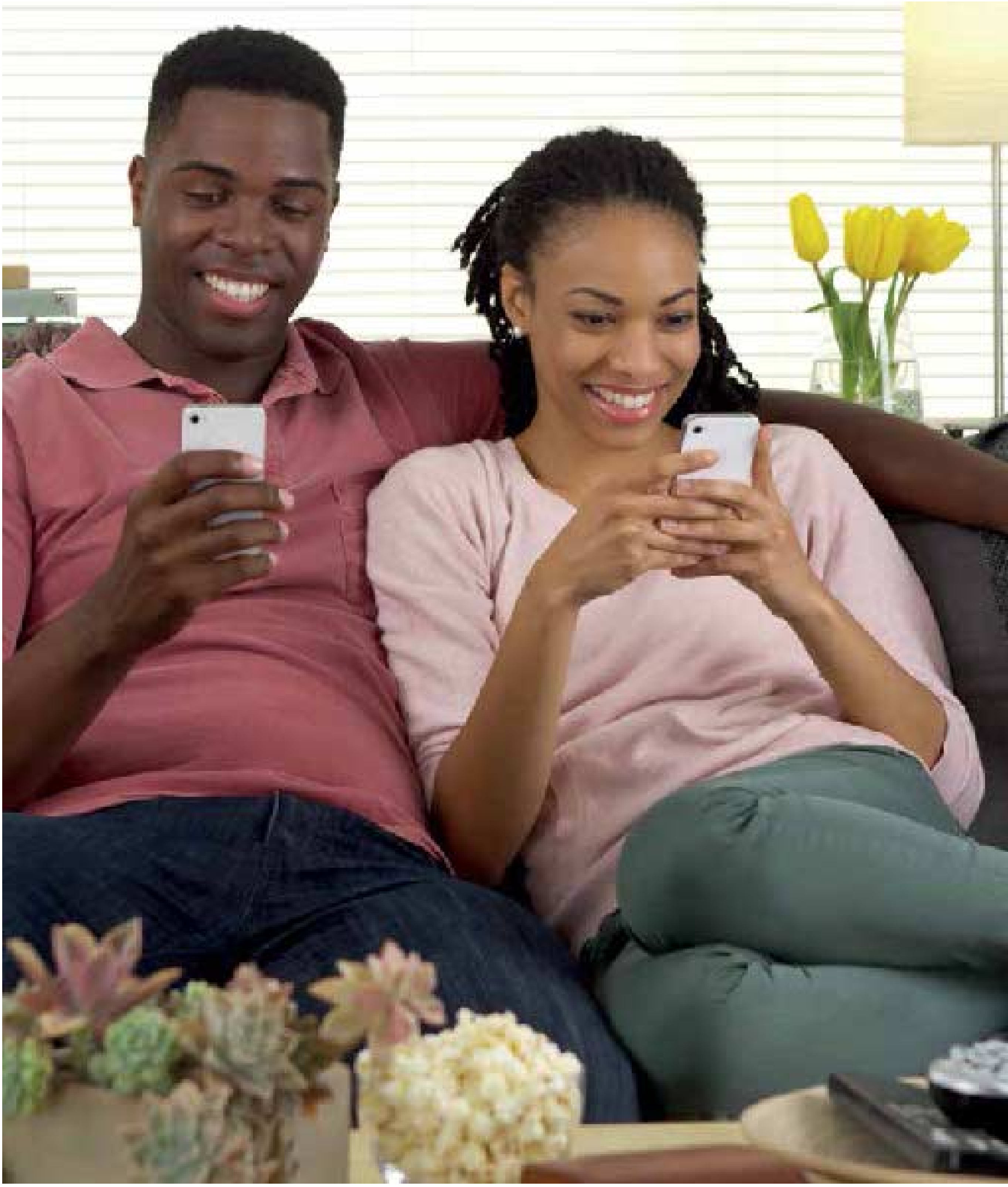
Five-year review continued

	2016	2015	2014	2013	2012
Credit ratios					
Credit sales %	64.3%	69.1%	72.3%	75.3%	71.4%
Bad debts as a % of net debtors	13.0%	12.4%	9.4%	7.3%	8.3%
Debtors' costs as a % of net debtors	17.1%	15.3%	11.6%	9.4%	10.8%
Debtors' impairment provision as a % of net debtors	26.1%	23.1%	18.6%	17.4%	18.0%
Satisfactory paid accounts as a % of net debtors	68.8%	68.7%	68.3%	69.4%	72.1%
Arrear instalments on satisfactory paid accounts as a % of gross debtors	9.9%	9.1%	8.6%	8.6%	10.3%
Arrear instalments on slow paying and non-performing accounts as a % of gross debtors	26.8%	23.8%	22.6%	21.1%	21.9%
Credit applications decline rate	39.3%	40.2%	38.4%	36.5%	33.0%
Solvency and liquidity					
Financing cover (times)	10.4	10.1	12.5	14.2	19.5
Gearing ratio	25.5%	24.8%	23.9%	29.8%	23.3%
Current ratio (times)	3.5	2.5	4.5	6.0	4.7
Share performance					
Earnings per share (cents)	1 082.6	907.5	948.8	1 027.3	905
Headline earnings per share (cents)	621.7	845.3	921.1	1 007.8	882.5
Cash flow per share (cents)	1 070.1	974.4	1 048.8	713.0	1 099.2
Net asset value per share (cents)	6 157.6	6 128.4	6 012.1	5 481.2	4 828.1
Share price:					
Closing price	47.00	77.40	58.00	64.63	76.20
High	101.62	93.43	73.00	78.84	89.00
Low	39.00	54.05	52.01	62.58	66.15
Price-earnings ratio	4.3	8.5	6.1	6.3	8.4
Dividends per share for the financial year (cents)	517	517	517	514	442
Dividend payout ratio	52.7%	62.9%	60.2%	55.5%	54.1%
Number of shares in issue (million)	98.1	98.1	98.1	98.1	98.1
Volume of shares traded (million)	128.6	116.9	88.2	79.9	79.9
Value of shares traded (million)	8 278.5	8 030.7	5 455.1	5 618.7	6 190.8
Market capitalisation (million)	4 159	6 876	5 687	6 337	7 472
Number of shareholders	2 410	3 060	3 930	4 767	4 173

Explanatory notes:

1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The changes in the accounting policies implemented in the current year have only been reflected in 2015 and 2016 years.
3. The arrear instalments ratios for 2012 to 2014 are based on net debtors as opposed to gross debtors for 2015 and 2016.
4. The 2012 figures have not been restated for the revised IAS 19 (Retirement Benefits).
5. Total assets exclude the deferred tax asset.

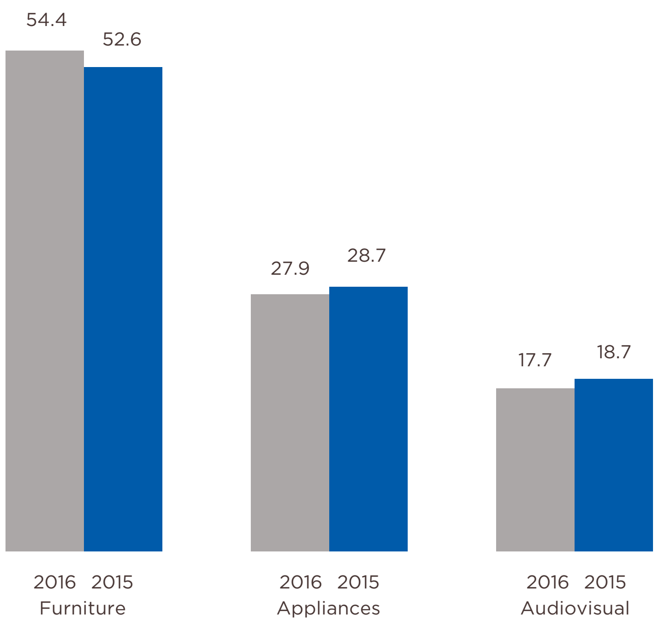
Operational review



Merchandise and brands

Lewis Group, through its three trading brands, is focused on the retailing of furniture, appliances and audiovisual household goods to customers mainly on credit. Lewis continues to create distinctive merchandise ranges through its strategic supplier relationships both locally and internationally.

Merchandise sales mix (%)



Merchandise strategy

The group's merchandise strategy is based on the philosophy that customers are attracted into stores by the product offer rather than the credit offer.

The focus is therefore on providing customers with quality, exclusive and differentiated furniture ranges. This is achieved through the following:

- Innovative product sourcing both locally and offshore enables the group to offer customers exclusive and distinctive furniture ranges at affordable prices.
- Added value features and components on products ensure differentiation and enhance the perceived value of the merchandise.
- New furniture ranges are launched twice each year to offer ongoing newness to customers.
- An electronic merchandise catalogue is displayed in all stores as the complete merchandise range cannot be stocked in stores owing to space constraints. Sales staff assist customers to navigate their way through the full range on a large touch screen, as well as view all the available colour and fabric options.

It is an active strategy to focus on increasing sales of the higher margin furniture and appliance product categories.

Merchandise sourcing

Products are sourced from a wide range of local and international suppliers to ensure that customers are offered exclusive product ranges.

Products are sourced to meet the specific needs of the group's lower to middle income group customer base. The offering includes branded merchandise which is appealing to the target market, selling more contemporary lines in each furniture category to attract younger customers and furniture ranges which are suitable for smaller homes.

The import programme ensures furniture ranges are developed using the latest designs and manufacturing techniques. International factories accommodate a broader range of developmental designs and offer a wider variety of raw materials which allows for product differentiation. Imports offer price and design advantages and mitigate the risk of disruption in local supply. Direct imports accounted for 18.4% of total purchases in the period under review.

Products are supported by local and overseas after-sales service to ensure quality standards are maintained. Before consignments are despatched from suppliers a sample of all imported products is assembled and tested for quality purposes.

Supply chain and distribution

The group's supply chain model is based on merchandise being delivered directly by suppliers to stores. The group does not operate distribution centres or centralised warehouses. Each store has a storage facility which is located close to the store, generally in an area with lower rentals than retail space. Stores have their own vehicles and are responsible for all deliveries to customers. This strategy has many benefits as it limits the build-up of obsolete stock and reduces markdowns. It also significantly improves service levels as stores are able to make an average of 90% of deliveries within 24 hours of the sale.

Lewis

Lewis is South Africa's largest furniture brand and contributes 76.5% of the group's merchandise sales. Stores sell a range of household furniture, electrical appliances and home electronics to customers in the LSM 4 to 7 target market.

Stores are generally located in main streets and town centres. Each store carries a basic range of merchandise and stores then select a further optional range to cater for specific markets and regional differences. Lewis has 526 stores, including 66 stores in Botswana, Lesotho, Namibia and Swaziland.

Conventional stores average 450m^2 and the smaller format stores 250m^2. The smaller format store, introduced five years ago, has enabled the chain to gain access to high traffic areas at more affordable rentals. This store format offers customers key merchandise lines, with the full range available on the electronic catalogue and display screens in-store. Lewis now has 187 small format stores in its portfolio, an increase of 57 stores from last year.

During the year the chain refurbished 84 stores

Financial and operating performance		**2016**	2015	2014
Revenue	Rm	4 565	4 645	4 400
Revenue growth	%	(1.7)	6.6	1.9
Merchandise sales	Rm	2 039	2 102	2 004.6
Merchandise sales growth	%	(3.0)	4.9	(1.7)
Credit sales	%	64.9	68.97	72.2
Operating profit	Rm	700	922	962.9
Operating profit margin	%	15.3	19.9	21.9
Net new stores opened and acquired		18	14	19
Total stores		526	508	494
Total trading space	m^2	191 380	188 752	198 032
Annual revenue per m^2	R'000	23.9	24.6	22.2

Best Home and Electric

Best Home and Electric is a retailer of electrical appliances, sound and vision equipment and selected furniture lines. The chain offers branded merchandise to its targeted customers in the LSM 4 to 7 group.

The electronic catalogue is used extensively to market furniture ranges and furniture accounts for 37% of sales in the chain.

Stores are smaller than Lewis stores and average 150m^2, being located mainly in high traffic areas with high trading densities.

Financial and operating performance		**2016**	2015	2014
Revenue	Rm	**793.3**	801.9	755.5
Revenue growth	%	**(1.1)**	6.1	2.5
Merchandise sales	Rm	**328.8**	347.6	336.5
Merchandise sales growth	%	**(5.4)**	3.3	(4.1)
Credit sales	%	**72.9**	73.9	74.1
Operating profit	Rm	**143.0**	169.4	175.9
Operating profit margin	%	**18**	21.1	23.3
Net new stores opened (closed)		**(2)**	0	1
Total stores		**127**	129	129
Total trading space	m^2	**17 564**	17 832	18 100
Annual revenue per m^2	R'000	**45**	45	41.7

Beares

Beares targets customers in the LSM 7 to 9 categories wanting more aspirational furniture than the group's other brands while utilising in-store credit facilities.

Beares focuses on offering exclusive and innovative ranging of aspirational furniture.

While aimed at a higher earning target market than Lewis, Beares applies the Lewis business model and utilises the group's well-established credit infrastructure. In 2016, 45 Beares stores were resized and revamped.

Stores now average 430 m^2 and are located mainly in high traffic areas.

Financial and operating performance		**2016**	*2015
Revenue	Rm	427.0	213.6
Revenue growth	%	100	69.1
Merchandise sales	Rm	299.4	141.6
Merchandise sales growth	%	111.3	108.1
Credit sales	%	50.4	58.9
Operating profit (loss)	Rm	(28.4)	6.1
Operating profit margin	%	(6.7)	2.9
Net new stores opened and acquired		28	66
Total stores		107	79
Total trading space	m^2	45 622	41 553

* Beares Stores included for 3.5 months

Monarch Insurance

The retail chains are supported by Monarch Insurance, the group's short-term insurer, which offers a range of optional short-term insurance products to customers purchasing merchandise on credit.

Monarch is registered with the Financial Services Board and operates under a short-term insurance licence.

Insurance cover is offered for the settlement of customers' outstanding debt in the event of death, permanent disability, retrenchment and the replacement of goods as a result of accidental loss, such as fire, theft or natural disaster.

The move from term to monthly insurance policies in all three trading brands will significantly reduce the capital required by Monarch. In order to further de-risk the business (in light of a potential sovereign rating downgrade) a large portion of the equity and bond portfolio within Monarch was realised in February 2016.

This capital gain increased investment income by R 452.6 million to R 600.6 million.

Regulatory Update

On 13 November 2015, draft credit life insurance regulations were published for public comment. The draft regulations propose a maximum cap on the premium that may be charged for credit life insurance ("CLI") of R 4.50 per R 1,000 of the deferred amount, or R 5.50 per R 1,000 if certain additional cover is offered.

On 6 January 2016, Monarch submitted comprehensive comments on the draft regulations to the DTI. The key submissions included:

- No detail or actuarial support has been provided as to how the proposed cap was calculated and no account has been taken of the actual risks and costs of insurers. The proposed cap appears to be arbitrary in its formulation and application.
- Monarch provided detailed schedules showing the basis upon which its CLI premium (namely R 8.75 per R 1,000 charged in 2016) is calculated, and showing that Monarch does not make excessive profits at this rate.
- The draft regulations seem to envisage a "one size fits all" type of CLI for all customers at one price, and do not appear to allow the structuring of a different CLI package that is based on the customer's specific requirements.
- "Deferred amount" is not clearly defined and clarity is needed as to whether it is a decreasing balance amount or whether it is a fixed amount calculated at the commencement of the credit agreement. Calculating a variable monthly insurance premium on a decreasing balance raises substantial practical difficulties, with regards to determining whether there is a default on the insurance premium component of the monthly instalment.

Monarch also forwarded the submissions to the FSB and to the Director of Insurance at National Treasury for their consideration. We have received no feedback on these submissions.

Credit report

South African consumers have remained under pressure from rising costs, high levels of indebtedness and a constrained employment market. The performance of the group's debtors book reflects the challenging credit collection environment.

The average ratio of household debt to disposable income of Lewis customers has increased from 47.2% in 2013 to 51.7% in 2015. The ratio declined to 47% in October 2015 but increased again to 49% in March 2016, evidence of the increasing cost pressures facing customers. This, however, compares favourably with the national average of 75% and is evidence of Lewis' conservative credit granting processes.

The group's centralised credit granting and decentralised collection processes are a core strength in managing credit risk and debtor costs in the current tight consumer environment.

Stable collection rates in the second half of the year contributed to maintaining the debtor cost growth to 17%.

The level of satisfactory paid customers was stable at 68.8% (2015: 68.7%) and non-performing customers remained at 15.5%. The group's credit customer base settled at 668 082 at year end.

Debtor costs as a percentage of net debtors moved from 15.3% to 17.1%. The impairment provision increased from 23.1% to 26.1%, evidencing the prevailing challenging credit environment.

The credit application decline rate for new customers remained high at 39.3% in comparison to the 40.2% decline rate in 2015.

Credit sales as a percentage of total sales declined from 69% in 2015 to 64% in 2016 due mainly to the new affordability regulations and the incorporation of the Beares chain, which has a higher cash sales component.

The group remains adequately provided with a 26.1% impairment provision. This compares favourably to the debtor costs of 17.1% reported this year.

Credit ratios and statistics

		2016	2015
Credit sales as % of total sales	%	64.3	69.1
Net debtors	Rm	5 876	5 597
Increase in net debtors	%	4.9	8.4
Debtors' impairment provision	Rm	1 533	1 294
Debtors' impairment provision as % of net debtors	%	26.1	23.1
Debtors' costs	Rm	1 005.1	858.1
Debtors' costs as a % of net debtors	%	17.1	15.3
Bad debts as a % of net debtors	%	13.1	12.4
Satisfactory paid accounts	%	68.8	68.7
Arrear instalments on satisfactory paid accounts as a % of net debtors	%	9.9	9.1
Arrear instalments on slow-paying and non-performing accounts as a % of net debtors	%	26.8	23.8
Credit application decline rate	%	39.3	40.2

Credit risk management

Credit risk management strategies have been consistently applied and it remains company policy never to re-schedule contracts. As a responsible provider of credit, an important factor in granting credit is the level of indebtedness of an applicant as this impacts directly on the ability to service debt. A comprehensive affordability assessment, as per the regulations issued in 2015, of the customer is made which includes Lewis data, bureau information as well as the customers priority living expenses.

The group has developed advanced credit-granting systems to properly assess the customer. The credit underwriting process flows through the following stages:

- credit scoring: this involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. Lewis deals with its new customers and existing customers differently when credit scoring takes place. The process differs as follows:
  - or new customers, application risk scorecards predict the risk with the emphasis for such an evaluation on information from credit bureaus and third-party information.
  - for existing customers, behavioural scorecards have been developed to assess the risk through predictive behaviour with the emphasis on the customer's payment record with Lewis, bureau and other information being considered.
- assessing client affordability: this process involves collecting information regarding the customer's income levels, expenses and current debt obligations. Lewis has its own priority expense model based on surveys conducted with customers in addition to the National Credit Regulator's expense table.
- determining the credit limit for the customer: the customer's risk score determined by the scorecard together with the expense assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

The credit granting systems enable the group to determine its appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit-granting system. The group monitors any variances from the level of risk that has been adopted and adjusts the credit-granting process on a regular basis.

When entering into a credit agreement, every customer is interviewed by the store manager and the cost of credit, terms and conditions of the credit sale and the benefits of the optional insurance product selected by the customer are explained. Upon completion of the process, but before finalisation of the transaction, the manager will ensure that the customer speaks to a call centre agent. The call centre agent will establish that the store manager conducted an interview to explain the contract to the customer. The employment status of the customer will be confirmed and the insurance options selected will be checked to ensure that the customer understands all critical elements of the contract, i.e. which services are optional, the actual amounts charged for initiation fees, service fees, delivery fees, maintenance contract and insurance. In addition, the total cost of credit, monthly instalment, interest amount, interest rate and credit multiple will be highlighted and reconfirmed and the customer will be asked again to confirm that they can afford the monthly instalment. Finally, the customer will be reminded that they will receive a signed copy of the contract before they leave the store and that they have a five-day cooling off period in which time the contract can be cancelled without the customer incurring any penalties.

Credit report continued

The customer will be invited to ask questions at any time during the call and again specifically asked if they have any questions at the end of the call. If at any point during the call it is evident that the customer does not understand any element of the contract, the call will be ended and the branch manager will have to explain to the customer again.

All calls will be recorded and stored to protect the interest of the customer and Lewis Group. Only once the call centre agent has successfully completed the review with the customer will the transaction be approved by the call centre. Without this approval, no transaction exists and the goods cannot be invoiced or delivered.

Credit collection

Lewis operates a decentralised credit collection process, with store-based follow-up and cash collection. A fully integrated IT system supports administration of the store collection process. This decentralised model has proven to be highly effective as stores are located close to where customers work, shop, commute and live. Customers pay their monthly accounts in the store and the convenient locations make it easy to visit the stores.

Store collection staff are often from the same community and can communicate in the language of the customer which benefits the collection rate. The focus on credit collections remained a high priority in 2016 resulting in a maintained satisfactory paid category level of the debtors' book in the challenging collection environment.

Debtor costs

Bad debt write-off's are initiated where the customer payment behaviour cannot be rehabilitated. Bad debts result where the customer's account is written off or the goods repossessed. The decision to write off will take into account where applicable, recent payment behaviour, payment ratings, age of the account, whether the customer has exceeded their contractual terms and arrears. Debtor costs are set out in note 5 of the summary consolidated financial statements on page 98.

Impairment provision

The customers payment profile is managed using payment ratings. Payment ratings are determined on an individual customer level and aggregated over all the customer's sub-accounts. Payment ratings measure the customers actual payments received over the lifetime of the account relative to the instalments due in terms of the contract. These payment ratings are used to categorise and report on customers at the store level to follow up the slow paying and non-performing customers. There are 13 payment rating categories a customer can fall into following the monthly assessment.

The payment rating is integral to the calculation of the debtor's impairment provision. Impaired receivables are carried at their net present value of the expected cash flows from such accounts, discounted at the original effective interest rate implicit in the credit agreement. Expected cash flows are projected utilising the payment ratings.

The management of the debtor book and the determination of the impairment provision utilises the payment rating as a leading indicator. Past customer behaviour as reflected in the payment ratings determine future expected collections for the purpose of the impairment provision. The impairment provision being the result of the payment ratings is a key indicator to the ultimate cash recovery expected for each individual customer.

The impairment calculation is performed on a monthly basis taking into account the payment behaviour of the debtors book having regard to the payment rating and age of the debtors account. Various profiles of the impairment provision are prepared monthly. The credit risk systems (the system that monitors the customers payment behaviour post credit granting) also produces customer payment data. The aforementioned and the key indicators are monitored by senior management to analyse and assess the state of the debtors book. Daily collection statistics are also collated to identify trends early.

The key indicators that are reviewed include, inter alia, the following:

- number of satisfactorily paid customers
  While the expectation is that the gross receivables would be the key indicator, this is not the case as there is a distortion created by the slow-paying and non-performing customer's balances growing faster than satisfactory paid customers due to longer term business settling in the base. The key operational objective is to have as many satisfactory paid customers as possible as it is the group's expectation that these customers will settle their accounts, albeit that certain categories of satisfactory paid customers may settle past their contractual term. Satisfactory paid customers are the source of future repeat business which is one of the core strengths of the business model.
- the level of impairment provision applicable to the payment rating and the trend thereof over the months. This is correlated with collection statistics and customer payment data produced by the credit risk systems.

Contractual Arrears

The key aspect of the arrear calculation is Lewis's policy not to reschedule arrears nor to amend the terms of the original contract. In other words, the contractual arrears calculated is the actual arrears in terms of the originally signed agreement.

From the onset of the agreement, contractual arrears is calculated by comparing payments made life to date with the originally calculated instalments due life to date, causing a customer who is paying less than the required contracted instalment to immediately fall into arrears. Once the customer exceeds the term of the agreement by paying less than the required contracted instalments, the full balance owing will be in arrears. The group does not consider arrears the leading indicator, but rather payment ratings for the reasons mentioned above.

Combined impairment and contractual arrears table

The table reflects the following:

- a summary of the four main groupings of payment ratings describing payment behaviour. The payment ratings categorise individual customers into 13 payment categories. For purposes of this table, the payment ratings have been summarised into four main groupings.
- for each of the four main groupings of payment ratings, the following is disclosed:
  - Number of customers
  - Gross receivables. (Note that unearned provisions have not been allocated in this amount)
  - Impairment provision allocated to each grouping
  - contractual arrears for each grouping split per number of instalments in arrears

Gross Debtor Analysis

MARCH 2016	Customer grouping		Number of Customers Total	Gross Receivables R'000	Impairment Provision R'000	Total Arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	4 R'000	> 4 R'000
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period. The provision in this category results from *in duplum* provision.	No	459 390	3 775 137	38 319	641 286	175 898	121 896	90 493	67 565	185 434
		%	68.8%	58.2%	2.5%						
Slow payers	Customers fully up to date including those who have paid 65% to 70% of amounts due over the contract period. The provision in this category ranges from 13% to 72% of amounts due and includes an *in duplum* provision.	No	54 507	558 758	176 249	313 201	37 684	36 322	33 604	30 913	174 678
		%	8.1%	8.7%	11.5%						
Non performing accounts	Customers who have paid between 55% and 65% of amounts due over the contract period. The provision in this category ranges from 24% to 86% of amounts due.	No	50 690	589 858	241 999	353 286	35 071	33 189	31 195	29 501	224 330
		%	7.6%	9.1%	15.8%						
Non performing accounts	Customers who have paid 55% or less of amounts due over the contract period. The provision in this category ranges from 34% to 100% of amounts due.	No	103 495	1 558 864	1 077 046	1 068 377	70 458	68 649	66 504	64 447	798 319
		%	15.5%	24.0%	70.2%						
Total			668 082	6 482 617	1 533 613	2 376 150	319 111	260 056	221 796	192 426	1 382 761
Unearned provisions (refer note 8 on page 100)				(606 354)							
Net instalment sale and loan receivables				5 876 263	26.1%						

Credit report continued

MARCH 2015	Customer grouping		Number of Customers Total	Gross Receivables R'000	Impairment Provision R'000	Total Arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	4 R'000	> 4 R'000
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period. The provision in this category results from *in duplum* provision.	No	473 901	3 734 088	21 090	565 057	171 459	114 831	82 851	60 838	135 078
		%	68.7%	60.0%	1.6%						
Slow payers	Customers fully up to date including those who have paid 65% to 70% of amounts due over the contract period. The provision in this category ranges from 12% to 74% of amounts due and includes an *in duplum* provision.	No	56 347	515 896	140 419	267 922	36 137	34 574	31 424	28 511	137 275
		%	8.2%	8.3%	10.8%						
Non performing accounts	Customers who have paid between 55% and 65% of amounts due over the contract period. The provision in this category ranges from 23% to 87% of amounts due.	No	52 433	535 674	199 613	293 763	33 284	30 851	28 464	26 565	174 599
		%	7.6%	8.6%	15.4%						
Non performing accounts	Customers who have paid 55% or less of amounts due over the contract period. The provision in this category ranges from 34% to 100% of amounts due.	No	107 167	1 437 358	933 224	919 049	68 722	66 159	62 982	60 396	660 790
		%	15.5%	23.1%	72.1%						
Total			689 848	6 223 016	1 294 346	2 045 790	309 602	246 415	205 721	176 310	1 107 742
Unearned provisions (refer note 8 on page 100)				(626 428)							
Net instalment sale and loan receivables				5 596 588	23.1%						

Note:
1. Due to the reclassification of insurance premiums in advance, gross receivables have been presented for the first time, analysed by payment rating grouping. This information could not be presented in the past, as insurance premiums in advance were included in gross receivables and it was not possible to analyse insurance premiumns in advance into payment rating groupings.
2. The unearned provisions have not been allocated to gross receivables.
3. Arrears have been categorised by number of instalments in arrear.

Governance

Remuneration report

The first part of the report sets out the remuneration policy as well as the details of the two new share schemes approved by shareholders in June 2015. The implementation of the policy and disclosure of executive remuneration is contained in part two of this report.

Part one

Remuneration philosophy

Lewis Group strives to create a performance-oriented culture which fairly rewards staff for their contribution in achieving the group's strategic, financial and operational objectives. Key to the group's remuneration philosophy is recognising employees' contribution to the success of the business and their commitment to the company's values. The growth and sustainability of the business is dependent on the group's ability to attract, retain and motivate competent people.

Remuneration principles

Remuneration practices are structured to encourage sustainable, long-term wealth creation through the following:

- Aligning remuneration practices with the group's strategy.
- Aligning executive reward systems with the interests of stakeholders.
- Promoting a performance-based culture across the business.
- Offering appropriate short-term and long-term performance-related rewards that are fair and achievable.
- Attracting and retaining talented individuals in the furniture retail and financial services industries.
- Rewarding, retaining and motivating talented people while still managing employment costs effectively.

Remuneration governance

The Board is accountable for the remuneration philosophy, policy and practices. Responsibility for oversight of the group's remuneration policies and practices has been delegated to the Remuneration Committee.

The responsibilities of the Committee are as follows:

- Ensuring the remuneration policy is aligned with the group's strategic objectives and encourages superior individual performance.
- Reviewing and approving compensation of executive and non-executive directors.
- Ensuring executive directors are equitably rewarded based on market trends, surveys, individual performance and contribution.
- Reviewing incentive schemes to ensure continued alignment to the enhancement of shareholder value.
- Approving the award of share incentives.
- Ensuring employee benefits are suitably disclosed.
- Recommending non-executive directors' fees for shareholder approval based on market information.
- Ensuring practices are compliant with relevant legislation and regulation.

The Committee is chaired by an independent non-executive director. The chief executive officer attends meetings at the invitation of the Committee. The Committee may at its discretion invite other executives or external advisers to attend meetings but no individual may be present during any discussion on their own performance or remuneration.

The group's remuneration policy is subject to a non-binding advisory vote by shareholders at the annual general meeting each year. This enables shareholders to express their views on the remuneration policy and for the board to take these views into account.

Remuneration benchmarking

Remuneration is market-based and competitive owing to the portability of skills in the retail and financial services sectors. External remuneration surveys are used to benchmark executive and non-executive remuneration in comparable positions. Market surveys assist in ensuring executives are competitively rewarded in line with their performance and contribution. Remuneration packages are determined by considering market trends, the importance of a position relative to the group's business, the required skills set, job-specific expertise, performance and contribution of individuals.

Remuneration structure

Remuneration is optimised through a combination of annual guaranteed pay, benefits, and short- and long-term incentives.

A. Executive directors

The remuneration structure of executive directors is closely linked to the achievement of the group's financial and operating targets, and is therefore closely aligned to the interests of shareholders.

Executive director remuneration packages comprise the following elements, with a significant portion of remuneration being performance-related:

1. Annual guaranteed pay.
2. Annual cash-based performance bonus.
3. Medium- and long-term share-based incentives.

Executive directors have service contracts and are subject to 24-month notice periods from either party.

Annual guaranteed pay

Annual guaranteed pay includes a cash salary and company contributions to retirement and healthcare funding. Cash salaries are set at the market median and are benchmarked against peers in comparable positions in similar companies. Salaries are reviewed annually by the Remuneration Committee and the level of increase is merit-based in relation to individual and group performance, and also considers market pay movements. Increases are effective from 1 April at the start of the financial year.

Annual cash-based performance bonus

Executive directors and other members of senior management (executive management) participate in a performance bonus scheme which is linked to their base salary. No portion of any executive management's bonus is guaranteed. Bonus payments are based on group performance relative to the board-approved budgeted net profit before taxation target. The performance of the executive management is evaluated against the group performance; and, on their individual performance.

The performance against the targeted net profit before tax is disclosed for the past three years on page 54.

The sustainability of the group's business is critical in determining remuneration and performance targets are designed to discourage increased risk-taking by the executives.

Achievement of between 90% and 100% of target results in the payment of a bonus increasing on a *pro rata* basis from 50% to 100% of cash salary. Where actual performance exceeds 100% up to a maximum of 110% of target, bonuses are increased on a *pro rata* basis and capped at a maximum of 150% of cash salary.

The achievement of targets is reviewed by the Remuneration Committee before any incentive payments are made to executive directors. Bonuses are paid at the end of the first quarter of the following financial year.

Medium- and long-term share-based incentives

Share incentive schemes are aimed at motivating the executive directors to contribute to the long-term growth and sustainability of the group, attracting and retaining talented people and aligning rewards with shareholder interests.

The group's share schemes are equity-settled. The total number of shares and options under the schemes may not exceed 10% in the aggregate of the group's issued share capital. Awards will only be paid if the participant is in the employ of the group at the time of vesting, other than in the event of death, ill-health, retirement or retrenchment.

Participation in the schemes is at the discretion of the Remuneration Committee and limited to the executive directors of Lewis Group and the directors, general managers and selected senior staff (executives) of Lewis Stores, the group's main operating subsidiary. Awards are made annually in June. Special awards can be made when the Remuneration Committee deems it appropriate.

Legacy long-term Retention Scheme

In 2013, the Remuneration Committee approved a new five-year long-term Retention Scheme for senior executives. The criteria for this scheme is that Lewis Group must achieve compound growth of 6% in attributable profit to ordinary shareholders for the preceding five years at the point of vesting in years three, four and five. One-third of the awards vest each year from the third anniversary date of the award to the fifth anniversary date. The executive must be employed with the group at vesting date.

Legacy three-year bonus scheme

In November 2014, the Remuneration Committee approved a one-off cash bonus scheme for senior executives. The Committee approved two targets to qualify for the bonus:

- Average return on shareholders' equity must equal or exceed 12.5% for the period 1 April 2014 to 31 March 2017.
- R 1 billion net profit attributable to ordinary shareholders for the year ended 31 March 2017. The Committee approved tiered levels of target achievement for each category of executive.

Lewis Executive Retention Scheme (LERS) (previously the co-investment scheme)

The LERS is aimed at retaining executives who play a key role in the operation of Lewis Group and can influence the performance of the business.

The Lewis Group operates a cash-based performance bonus scheme in terms of which bonuses are determined and paid annually based on Lewis Group performance relative to Board-approved targets. Executives will be offered the opportunity to invest all or part of their net after-tax annual performance bonus in the company's shares.

Executives elect the percentage of their net bonus to be invested in shares, subject to a minimum of 10% of their respective net bonuses. Shares are then purchased on the market on behalf of the executive.

These invested shares are held on the executive's behalf in a nominee capacity for a period of three years, whereafter the registered ownership of the shares is transferred to the executive.

Where invested shares are acquired, the company issues matching share options to the executive at no consideration in a pre-determined ratio such that the value of the matching share option at the date of grant is equivalent to the percentage of the gross bonus which the executive elected to invest. There are no additional performance criteria which are required to be complied with for exercise of the matching share options as executives have already met the performance targets and/or standards determined by the Committee. The matching share options vest on the third anniversary of the date of grant of the matching share options, provided that the executive remains in the employ of the Lewis Group.

The trust will purchase shares for the purpose of the LERS on the open market to avoid dilution of ordinary shareholders. It remains company policy not to allow the trust to purchase shares on the open market during prohibited periods. The company will utilise a maximum of one million shares (approximately 1% of the company's issued share capital at 31 March 2015) for purposes of the LERS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 0.4 million shares over the lifetime of the LERS.

Lewis Long-Term and Short-Term Executive Performance Share Scheme (LSPS)

(previously the Executive Performance Scheme)

The purpose of the LSPS is to:

- motivate executives to continue to contribute to the growth and sustainability of the Lewis Group and to maintain a performance-orientated culture;
- align executive rewards with the interests of stakeholders;
- attract and retain talented individuals in the furniture retail and financial services industries; and
- offer appropriate short- and long-term performance-related rewards that are fair and achievable.

Granting awards to executives provides them with the opportunity to acquire shares, thereby aligning the interests of the Lewis Group and its stakeholders.

Awards made under the LSPS offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the Committee. The following types of awards may be granted in terms of the LSPS:

Short-term awards

- Three-year awards which vest three years after the grant date.

Long-term awards

- Four-year awards which vests as follows:
  - 50% on the third anniversary of the grant date.
  - The remaining 50% on the fourth anniversary of the grant date.
- Five-year awards which vests as follows:
  - One third on the third anniversary of the grant date.
  - One third on the fourth anniversary of the grant date.
  - The remaining third on the fifth anniversary of the grant date.
- Alternate awards on such vesting dates as the Committee may determine. It is anticipated that this type of award will only be used in exceptional circumstances.

Performance targets for short-term awards

Performance targets can either be set at the grant date for the entire performance period or for each financial year during the performance period, which shall be determined by the Committee within three months after the commencement of each financial year.

The Committee shall select any or all of the following performance criteria for determining the performance targets in respect of short-term awards:

- Headline earnings per share
- Quality of the debtors book
  - satisfactory paid accounts
  - debtor costs as a percentage of net debtors
- Gross margin

Performance targets for long-term awards

Performance targets will be set for the performance period as at the grant date. The performance targets set by the Committee shall be as follows:

- Headline earnings per share and at least one of the following performance criteria:
  - Return on average shareholders' equity.
  - After tax return on average capital employed.
  - Before tax return on average capital employed.
  - Before tax return on average assets managed.
  - Gearing ratio.

The Committee has the discretion to determine what portion of an award shall relate to a particular performance target, such that if some, but not all of the performance targets are met, then only the specified portion shall vest. Furthermore, the Committee shall have the ability to allocate a greater proportion of an award to performance targets, which the executive has the ability to influence having due regard to his or her employment responsibilities.

Performance targets may be adjusted where material changes (both positive and negative) have been made to accounting policies resulting from IFRS becoming effective after the grant date. The Committee shall be entitled in exceptional circumstances (both positive and negative) to amend performance targets, having regard to all circumstances including, but not limited to, changes to international and national macroeconomic circumstances, the performance of the Lewis Group relative to the industry in which it operates and any corporate actions undertaken by the Lewis Group during the relevant performance period.

The trust will purchase shares for the purpose of the LSPS on the open market to avoid dilution of ordinary shareholders. It remains company policy not to allow the trust to purchase shares on the open market during prohibited periods. The company will utilise a maximum of 3.5 million shares (approximately 3.6% of the company's issued share capital at 31 March 2015) for purposes of the LSPS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 1.25 million shares over the lifetime of the LSPS.

B. Senior management

The directors, general managers and selected senior staff of Lewis Stores receive an annual guaranteed salary, which includes retirement and healthcare benefits. They may also participate in the annual performance bonus scheme and the medium- and long-term share-based incentive schemes described above, at the discretion of the Remuneration Committee. Salaries are reviewed annually and the level of increase is based on group and individual performance.

C. Staff

Staff receive a base salary, performance-linked incentives or a 13th cheque, retirement and healthcare funding. The group subsidises membership of designated healthcare schemes. Staff benefits include educational bursaries, discounts on staff purchases and low-cost funeral and personal accident insurance. Membership of one of the group's five retirement funds is compulsory for all permanent staff. Salaries are reviewed annually and the level of increase is based on group and individual performance.

Salespersons earn a commission on gross profit once a commission level is exceeded. Operational management are incentivised on a balanced set of targets, including sales, collections, write-offs, stock management and expense control.

D. Non-executive directors

Non-executive directors are paid a fee for their services as directors. In addition, fees are paid for serving on board committees. The fees are benchmarked externally against comparable companies and based on an assessment of the non-executive director's time commitment and increased regulatory and governance obligations.

In line with best governance and remuneration practice, non-executives do not participate in the group's incentive schemes. None of the non-executive directors have service contracts with the group and no consultancy fees were paid to non-executive directors during the period.

The remuneration of non-executive directors is reviewed annually by the Remuneration Committee and recommended to shareholders for approval at the annual general meeting.

Approval of the remuneration policy and non-executive directors' fees

The group's remuneration policy was again proposed to shareholders for a non-binding advisory vote at the annual general meeting in August 2015, and was approved by the majority of shareholders. Shareholders also approved the fees payable to non-executive directors for the 2016 financial year.

The remuneration and share awards paid to executive directors follows below. As the group's two prescribed officers in terms of the Companies Act are both executive directors, this meets the King III requirement to disclose all remuneration paid to prescribed officers.

Remuneration report continued

Part two

Remuneration reporting for the year ended March 2016

Annual guaranteed pay

The average staff increase, excluding unionised staff, was 5%. Increases to executives were merit-based and varied from 4% to 7%.

Annual cash-based performance bonus

The Remuneration Committee approved the net profit before taxation target of R 1 107 million in March 2014 for the 2015 financial year. The company achieved R 1 168.5 million for the 2015 financial year or 105.5% of target. The cash bonus amounts are disclosed for executive directors in the table on page 55.

Legacy Executive Performance Scheme

2012 three-year awards

The Remuneration Committee approved the vesting of these awards based on the achievement of the targets as follows:

	2015	2014	2013
Net profit before taxation target (Rm)	1 107	1 335	1 252
Actual result (Rm)	1 168	1 177 *	1 263
Vesting %	100	100	100

* The Remuneration Committee exercised its discretion in respect of the 2014 financial year and awarded 100% vesting despite the group not achieving its budget net profit before taxation target.

Lewis Executive Retention Scheme (LERS)

In June 2015, 13 of the 15 executives who earned a cash-based performance bonus elected to invest 100% of their respective net bonuses in the LERS.

The trust purchased the shares on the open market at an average price of R 98.88 per share. The share allocations for executive directors are disclosed in the outstanding share awards table on page 55.

Lewis Long-Term and Short-Term Executive Performance Scheme (LSPS)

Short-term awards – Three year awards

The performance targets are set by the Remuneration Committee at the beginning of the each of the three years and are based on a weighting set for each executive depending on their daily employment responsibilities, of the following:

- Headline earnings per share
- Quality of the debtors book
- Gross margin

The short-term award share allocations for executive directors are disclosed in the outstanding share awards table on page 55.

The Committee will disclose the annual performance targets set for the executive directors each year in arrears.

Long-term awards – Four year awards

The Remuneration Committee selected the measurements and set the performance criteria for long-term awards (four-year awards) under the LSPS scheme in June 2015. These performance targets have been set at the grant date in respect of the entire performance period. The weightings and performance criteria are as follows:

Weightings:

- Headline earnings per share 65%
- Gearing ratio 10%
- Return on average shareholders' equity 25%

Performance criteria:

- Headline earnings per share (HEPS)
  The target for each of the vesting date will be the 2015 HEPS compounded each year by the greater of 5% or headline CPI.
- Gearing Ratio.
- Gearing for each year cannot exceed 35%.
- Return on average shareholders' equity (ROE)
  ROE has to average 15% over each vesting period.

The four-year awards share allocations for executive directors are disclosed in the outstanding share awards table on page 55.

Executive directors' remuneration

Director (R'000)	Salary	Pension contributions	Medical aid contributions	Total guaranteed pay	Bonuses paid*	Gains on share awards: Executive Performance Scheme		Gains on share awards: Co-Investment scheme	Total Remuneration
2016						5yrs§	3yrs#	**	
J Enslin	3 348	536	116	4 000	2 936	–	3 645	2 163	12 744
L Davies	2 566	411	88	3 065	2 296	–	2 868	1 734	9 963
Total	5 914	947	204	7 065	5 232	0	6 513	3 897	22 707
2015									
J Enslin	3 125	500	105	3 730	1 568	2 620	2 034	1 818	11 770
L Davies	2 443	391	81	2 915	1 213	1 747	1 630	1 489	8 993
Total	5 568	891	186	6 645	2 781	4 367	3 664	3 307	20 764
2014									
J Enslin	3 019	483	98	3 599	1 604	2 608	2 394	1 501	11 707
L Davies	2 333	373	92	2 799	1 262	1739	1962	1 356	9 117
Total	5 352	856	190	6 398	2 866	4 347	4 356	2 857	20 824

* The bonus paid in the current year relates to the achievement of the performance targets for the 2015 financial year.
\# The gain on the share awards in the current financial year relate to shares awarded in terms of the three-year Executive Performance Scheme in June 2012, having achieved the performance targets for the financial years 2013, 2014 and 2015. (refer to page 54)
§ The gain on share awards in 2015 and 2014 relates to the shares awarded in terms of the five-year Retention Scheme in September 2009, having achieved the performance targets for the past five years.
** The gain in the current financial year under the Co-investments Scheme relates to the bonus earned for the financial year 2012, which was invested in the company's shares by the executives for the last three years to March 2015.

Outstanding share awards

2016		Long-term and short-term Executive Performance Scheme[2] – Number of shares			Executive Retention Scheme[3] – Number of shares		
Date of share awards		Johan Enslin	Les Davies	Total	Johan Enslin	Les Davies	Total
June 2013	three-year award[1]	50 232	38 819	89 051	25 917	20 390	46 307
June 2015	three-year award[2]	33 695	25 817	59 512	29 700	23 220	52 920
June 2015	four-year award[2]	120 000	90 000	210 000			–
Total		203 927	154 636	358 563	55 617	43 610	99 227

(1) Shares issued in terms of the Legacy Executive performance scheme.
(2) Shares issued in terms of the new long-term and short-term Executive Performance Scheme.
(3) The 2013 award was issued under the Legacy Co-investment Scheme and the 2015 award issued under the Executive Retention Scheme.

In terms of the Lewis Executive Retention Scheme, the trust holds 59 005 shares (2015:51 856 shares) on behalf of the above directors by virtue of the investment of their bonuses into the scheme.

The potential dilutionary effect of the outstanding awards amount to 1.6% of the shares in issue.

Shares vested during the 2016 financial year

Director		Date awarded	Shares awarded	Shares forfeited	Shares vested	Gains on share awards R'000
Executive Performance Scheme						
Johan Enslin	three-year award	June 2012	37 527	–	37 527	3 645
Les Davies	three-year award	June 2012	29 520	–	29 520	2 868
Total			**67 047**	**–**	**67 047**	**6 513**
Co-Investment Scheme						
Johan Enslin		June 2012	22 270	–	22 270	2 163
Les Davies		June 2012	17 850	–	17 850	1 734
Total			**40 120**	**–**	**40 120**	**3 897**

Non-executive director's fees (R'000s)

2016	Director's fees	Audit Committee member	Risk Committee member	Remuneration Committee member	Nomination Committee member	Social, Ethics and Transformation Committee member	Monarch Director's fees	Monarch Audit and Risk Committee member	Total Non-executive directors remuneration
David Nurek	509	107	75	59	79	59	143	60	**1 091**
Fatima Abrahams	243	107	75	59	35	119			**637**
Hilton Saven	243	249	119	59	35		143	122	**969**
Alan Smart	243	107	75	59	35	59	203	60	**841**
Ben van der Ross	243	107	75	119	35				**578**
Total	1 481	676	419	356	217	237	489	242	**4 116**

2015	Director's fees	Audit Committee member	Risk Committee member	Remuneration Committee member	Nomination Committee member	Social, Ethics and Transformation Committee member	Monarch Director's fees	Monarch Audit and Risk Committee member	Total Non-executive directors remuneration
David Nurek	486	102	71	57	77	57	136	57	1 042
Fatima Abrahams	232	102	71	57	33	113			608
Zarina Bassa*	86	38	26	21	12				183
Sizakele Marutlulle^	57	25	17	14	8				121
Hilton Saven	232	238	113	57	33		136	116	925
Alan Smart	232	102	71	57	33	57	193	57	802
Ben van der Ross	232	102	71	113	33				552
Total	1 558	710	441	374	228	226	465	230	4 232

*Resigned 15 August 2014
^Resigned 30 June 2014

Proposed non-executive director fees for 2017

Board / Committee position (R'000)	% Increase	Proposed fees for 2017	Approved fees for 2016
Non-executive chairman	3.9%	535	515
Non-executive director	3.7%	255	246
Audit Committee chairman	4.0%	262	252
Audit Committee member/invitee	3.7%	112	108
Risk Committee chairman	5.0%	126	120
Risk Committee member	3.9%	79	76
Remuneration Committee chairman	5.0%	126	120
Remuneration Committee member	5.0%	63	60
Nomination Committee chairman	6.3%	85	80
Nomination Committee member	5.7%	37	35
Social, Ethics and Transformation Committee chairman	5.0%	126	120
Social, Ethics and Transformation Committee member	5.0%	63	60

Directors' Shareholding

At 31 March 2016, the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

	2016		2015	
Director	Direct	Indirect	Direct	Indirect
David Nurek	–	20 000	–	20 000
Hilton Saven	–	6 440	–	6 440
Alan Smart	319 070	–	319 070	–
Johan Enslin	131 380	33 072	106 239	28 912
Les Davies	281 289	25 933	242 157	22 944
Total	731 739	85 445	667 466	78 296

Corporate governance report

Lewis Group has continued to apply high corporate governance standards based on the principles of integrity, transparency and accountability in its dealings with all stakeholders.

Governance structures and processes across the group are regularly reviewed to not only meet legislative and regulatory compliance, but to ensure ongoing sustainability and the creation of long-term shareholder value and benefits for all stakeholders.

King III governance code

The directors confirm that the group has consistently applied the principles of the King Report on Corporate Governance (King III). A detailed schedule of the application of the King III principles is available on the group's website. In line with the "apply or explain" philosophy of King III the group has elected not to apply the following principles and is satisfied that alternate governance processes have been implemented:

Principle 6.4 recommends the appointment of an independent compliance officer. Responsibility for compliance has been assigned to the company secretary to identify legislative impacts on the group; business unit heads are responsible for compliance with the legislation; legal specialists support the group in ensuring legislative compliance. The Board is satisfied that the legal and compliance framework operates effectively.

Principle 9.3 requires sustainability reporting and disclosure to be independently assured. Specific sustainability elements, including the B-BBEE scorecard and carbon emissions, have been verified by accredited agencies.

Board of directors

Board charter

A formal board charter confirms that the directors are accountable to shareholders and are responsible for the following:

- contributing to and approving the strategy;
- providing oversight of performance against targets and objectives;
- assessing the group as a going concern;
- approving the annual and interim financial statements;
- providing effective leadership on an ethical foundation;
- overseeing key performance and risk areas;
- ensuring effective risk management and internal control;
- responsibility for overseeing IT governance;
- overseeing legislative, regulatory and governance compliance;
- ensuring appropriate remuneration policies and practices;
- overseeing director selection, orientation and evaluation;
- ensuring balanced and understandable communication to stakeholders;
- overseeing relationships with stakeholders of the company along sound governance principles;
- ensuring that the company is playing its role as a responsible corporate citizen;
- matters considered crucial for business success.

A clear division of responsibility is embedded in the board charter, with the Board chaired by an independent non-executive chairman. The Board has delegated authority to the chief executive officer for the implementation of the strategy and the ongoing management of the business.

Board composition

In line with the recommendations of King III, Lewis Group has a unitary board structure consisting of five non-executive directors and two full-time, salaried executive directors. There were no changes to the board of directors during the period under review. Background information on the directors appears on page 22 of this report.

The composition of the Board for the year was as follows:

Independent non-executive Directors	Executive directors
David Nurek	Johan Enslin
Fatima Abrahams	Les Davies
Hilton Saven	
Alan Smart	
Ben van der Ross	

Directors do not have a fixed term of appointment and non-executive directors are subject to retirement by rotation and re-election by shareholders at least every three years. Directors appointed during the year are required to have their appointments ratified at the following AGM. The chairman is elected by the Board after the AGM each year. Executive directors are subject to a 24-month notice period.

Non-executive directors are invited to serve on the Board based on their knowledge, experience, independence and ability to contribute to board level debate.

Independence of directors

The independence of long-serving non-executive directors is reviewed annually by the nominations committee, as recommended by King III. Based on the outcome of this review, the Board was satisfied that these directors exercise independent judgement and act in an independent manner.

The five non-executive directors, including the chairman, all met the independence criteria for the 2016 financial year.

Board evaluation

All directors participate in the annual evaluation of the Board's performance. The questionnaire-based evaluation covers the Board's role and agenda setting; the size, independence and composition of the Board; director orientation and development; board meetings; board committees; board accountability and governance practices. The process also includes an assessment of the performance of the chairman, chief executive officer and the company secretary. In addition the chairman has individual sessions with each director.

The evaluation concluded that the Board's overall functioning and governance met the required standards and areas for improvement are being addressed.

Chief financial officer and finance function evaluation

The Audit committee reviewed the appropriateness of the expertise and adequacy of the resources in the finance function and the experience of the senior members of management responsible for the financial function.

The Committee is satisfied that the expertise and experience of the chief financial officer and the finance function is appropriate to meet the required responsibilities.

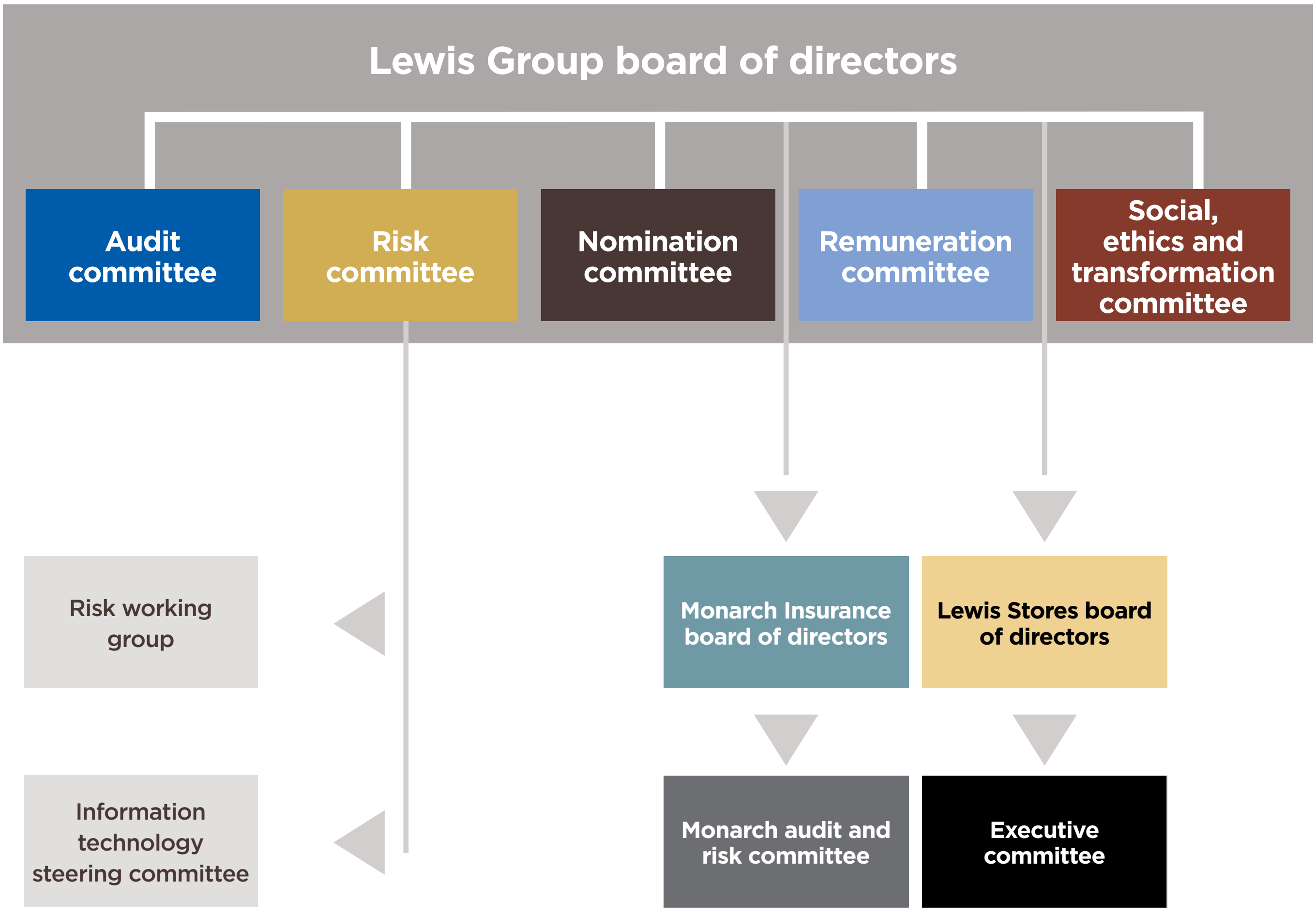
Company secretary

The company secretary acts as adviser to the Board and plays a pivotal role in ensuring compliance with regulations, the induction of new directors and providing advice to directors on governance, compliance and their fiduciary responsibilities. The company secretary acts as secretary for all board committees.

The directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the Board. No directors exercised this right during the year. Directors also have unrestricted access to all company information and may meet independently with management.

The Board conducted a formal evaluation of the company secretary, as required by the JSE Listings Requirements. The directors are satisfied that the company secretary has the requisite competence, qualifications and experience to perform the role.

The Board is comfortable that it meets the King III principle of having an arms-length relationship with the company secretary and confirms that the company secretary is not a director of any of the group companies and is not related to any of the directors. As such, the Board confirms that an arms-length relationship has been maintained between the Board and the company secretary.


Lewis Group board of directors
Audit committee
Risk committee
Nomination committee
Remuneration committee
Social, ethics and transformation committee
Risk working group
Information technology steering committee
Monarch Insurance board of directors
Lewis Stores board of directors
Monarch audit and risk committee
Executive committee

Board committees

The board of directors has delegated specific responsibilities to five board committees. The Committees are all chaired by independent non-executive directors. Each committee has a charter and terms of reference and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

Lewis Group Audit Committee

Purpose and function

- Approving the Internal Audit plan and reviewing the activities and findings of the department.
- Evaluating the performance of the Internal Audit function.
- Reviewing the audit plan of the external auditors, providing guidance on non-audit services.
- Assessing the independence and objectivity of the external auditors.
- Considering significant differences of opinion between management and internal or external auditors.
- Reviewing the adequacy of internal controls and internal financial controls.
- Ensuring regulatory compliance.
- Overseeing the integrated reporting process, which include:
  - Reviewing the financial reporting system, evaluating and approving accounting policies and the financial information issued to stakeholders in terms of IFRS.
  - Reviewing disclosure on sustainability to ensure it is reliable and does not conflict with the financial information.
- Reviewing the expertise, resources and experience of the company's financial function and financial director.
- Assessing the effectiveness of internal financial controls based on assurance gained from management and written assessment from Internal Audit.
- Monitoring the ethical conduct of the company, its directors and senior officials.

Composition

Chair – Hilton Saven

The Committee consists of three independent non-executive directors. The directors are financially literate and suitably qualified to perform their role. The remaining non-executive directors attend by invitation.

Meetings are also attended by the chief executive officer, chief financial officer, company secretary, Internal Audit executive, chief risk officer and the external auditors.

Meetings

Four per year

Refer to the Audit Committee report on pages 82 to 85.

Lewis Group Risk Committee

Purpose and function

- Annually reviewing the risk management policy and plan and recommending these for approval to the Board.
- Making recommendations on risk tolerance and appetite.
- Annually reviewing the risk register of strategic and key operational risks. Monitoring implementation of the risk management policy and plan.
- Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.
- Reviewing and advising on the adequacy of insurance cover for recommendation to the Board.
- Overseeing IT governance and the function of the IT Steering Committee by:
- Ensuring that an IT charter and policies are established and implemented;
- Ensuring that an IT internal control framework is adopted and implemented;
- Receiving independent assurance on the effectiveness of the IT internal controls.

Composition

Chair – Hilton Saven

The Committee consists of five independent non-executive directors and two executive directors

Meetings are also attended by the company secretary, Internal Audit executive, the chief risk officer and the information technology general manager.

Meetings

Four per year

Lewis Group Nomination Committee

Purpose and function

- Establishing a formal process for the appointment of directors.
- Overseeing a formal induction programme for new directors and continuing development programmes for all directors.
- Ensuring directors receive regular briefings on changes in risks, laws and the environment in which the group operates.
- Ensuring succession plans are developed for the chief executive officer and senior management.
- Confirming annually that none of the directors have become disqualified (fit and proper test).
- Ensuring the Board has the required skills, experience and qualities.

Composition

Chair – David Nurek

The Committee consists of five independent non-executive directors.

The chief executive officer attends meetings at the invitation of the Committee.

Meetings

Two per year

Lewis Group Remuneration Committee

Purpose and function

- Ensuring the remuneration policy is aligned with the group's strategic objectives and encourages superior individual performance.
- Reviewing and approving compensation of executive directors, non-executive directors and senior executives.
- Ensuring executive directors are fairly rewarded based on market trends, surveys, individual performance and contribution.
- Reviewing incentive schemes to ensure continued alignment to the enhancement of shareholder value.
- Approving the award of share incentives.
- Ensuring employee benefits are suitably disclosed.
- Recommending non-executive directors' fees for shareholder approval.
- Ensuring practices are compliant with relevant legislation and regulation.

Composition

Chair – Ben van der Ross

The Committee consists of five independent non-executive directors.

The chief executive officer attends meetings at the invitation of the Committee.

Meetings
Two per year

Refer to the Remuneration Report on pages 50 to 57.

Lewis Group Social, Ethics and Transformation Committee

Purpose and function

- Monitoring the group's activities relating to social and economic development, good corporate citizenship, community upliftment, the environment, health and public safety, consumer relationships, labour and employment.
- Maintaining a transformation strategy and approving the transformation programme.
- Setting and monitoring of progress against transformation targets, including the annual evaluation of performance against the DTI scorecard.
- Reviewing of reports from verification agencies.
- Transformation related legislative compliance.

Composition

Chair – Fatima Abrahams

The Committee consists of three independent non-executive directors and one executive director. Members of management attend the meetings by invitation.

Meetings
Two per year

Refer to the Social Ethics and Transformation Report on pages 70 to 76.

Lewis Stores (Proprietary) Limited

Lewis Stores (Proprietary) Limited is the main trading subsidiary of the group and operational responsibility has been delegated to the Lewis Stores Board for the ongoing management of the business.

Lewis Stores Board

Purpose and function

- Adoption of strategic plans.
- Providing strategic direction to senior management.
- Monitoring operational performance and management
- Preparation and integrity of financial statements and all related information.
- Maintaining adequate accounting records.
- Adequately safeguarding, verifying and maintaining accountability of assets.
- Monitoring key performance indicators of the business.
- Ensuring regulatory and legislative compliance.
- Risk management.
- Overseeing the corporate code of conduct.

Composition

Chair – Johan Enslin

The Board consists of five executive directors, namely the chief executive officer, chief financial officer, directors of merchandising, human resources and credit.

Meetings
Three per year

Governance committees of Lewis Stores

- **Executive Committee** consists of 19 members, including the five directors of Lewis Stores, and the heads of key areas of operation within Lewis. The Committee meets three times a year in conjunction with the Lewis Stores Board meetings.
- **Risk Working Group** consists of the 19 members of the Executive Committee. The group meets three times a year in conjunction with the Lewis Stores Board meetings. Refer to page __ for their responsibilities, which are supervised by the Risk Committee.
- **Information Technology Steering Committee** meets quarterly and comprises the chief executive officer, chief financial officer, IT general manager as well as business systems and IT operations executives. The Committee reports into the Risk Committee. The Committee is responsible for:
  - Ensuring that the implementation of the IT policy and plan conforms to the objectives of the IT charter;
  - Aligning IT with the business needs of the group;
  - Prioritising investment decisions relating to IT resources;
  - Sourcing decisions relating to IT services;
  - Identifying and exploiting IT opportunities;
  - Administrative and contractual decisions which have a significant impact;
  - Monitoring IT costs and capital expenditure;
  - A process to monitor, prioritise and co-ordinate the IT project portfolio;
  - Reporting to the Risk Committee on the performance of its duties;
  - Business continuity planning;
  - Implementing COBIT as its principle IT internal control framework; and
  - Implementing ISO 27000 as the Information Security Management System ("ISMS") standard.

Monarch Insurance Company Limited (Monarch)

Monarch is the group's short-term insurer. Knowledge and experience of short-term insurance is considered in appointing directors to the board. Robert Shaw, a non-executive director, provides insurance advisory services to Monarch.

A formal report on the investment portfolio by Sanlam Investment Management, who manage the portfolio on Monarch's behalf, is presented at each Board meeting, covering market conditions and expectations, asset allocation, investment returns, review of the investment portfolios and recommendations on the investment strategy.

Monarch Board

Purpose and function	Composition
• Approval and oversight of strategic plans for the insurer within the parameters of the overall strategic direction of the group. • Approval of budgets. • Providing oversight of performance against targets and objectives. • Providing effective leadership on an ethical foundation. • Overseeing relationships with stakeholders. • Regular review of underwriting criteria. • Adoption of asset allocation strategies for the investment portfolio, based on recommendations from Sanlam Investment Management. • Review of the performance of the investment portfolio against benchmarks. • Ensuring regulatory compliance. • Overseeing key performance and risk areas. • Ensuring effective risk management and internal control. • Assessing director selection, orientation and evaluation. • Approving significant accounting policies. • Approving the annual financial statements.	Chair – Alan Smart The Board consists of four independent non-executive directors, one non-executive director and one executive director. **Meetings** Four per year

Monarch Audit and Risk Committee

Purpose and function	Composition
• Reviewing the internal and external audit plans relative to the group's audit plan. • Providing guidance on non-audit services. • Considering significant differences of opinion between management and internal or external auditors. • Ensuring regulatory compliance. The Committee is also responsible for the group's compliance with the Financial Advisory and Intermediary Services Act. • Reviewing the financial reporting system, evaluating and approving accounting policies and approving the financial statements. • Reviewing the adequacy of internal controls and internal financial controls. • Annually reviewing the risk register of strategic and key operational risks. Monitoring implementation of the risk management policy and plan. • Addressing risks specific to the company that have been identified in the group risk management process. • Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.	Chairman – Hilton Saven The Committee consists of three independent non-executive directors. Meetings are attended by the chief financial officer, company secretary, the group's Internal Audit executive, the chief risk officer and external auditors. **Meetings** Four per year

In terms of the Companies Act, non-executive director, Robert Shaw, is deemed to be a material supplier to Monarch and is therefore precluded from being a member of the Audit and Risk Committee.

Board and Committee attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
Number of meetings	4	4	4	3	2	2
Non-executive directors						
DM Nurek	4+	4	4	3	2+	2
F Abrahams	4	4	4	3	2	2+
H Saven	4	4+	4+	3	2	–
AJ Smart	4	4	4	3	2	2
BJ van der Ross	4	4	4	2+	2	–
Executive directors						
J Enslin	4	4°	4	3°	2°	2°
LA Davies	4	4°	4	–	–	–

\+ Chair
° By invitation

Internal accountability

Risk management

The Board is responsible for the oversight of the risk management process and has delegated specific responsibility to the Risk Committee. The Committee is responsible for ensuring the group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant.

A risk management process is followed to identify, assess and manage potential risks and opportunities that may affect group strategies and objectives. The risk management framework includes the risk management policy, relevant responsibilities and the risk management plan.

The Risk Working Group (RWG) is responsible for designing and implementing the risk management process and monitoring ongoing progress. Senior executives and line management within each business unit are accountable for managing risk in achieving their financial and operating objectives.

The focus of the risk management process is on strategic and key operational risks. A top-down approach is applied by the business units in the group in assessing the risks twice a year. The RWG reviews the registers with a focus on:

- completeness of risks identified across the group;
- causes of the risks;
- the residual risk ratings;
- the tolerance levels based on the risk indicators; and
- the need for further management action.

The risks identified by the business units are consolidated by category of risk into a group register and the results of the group risk assessment are reported to the Risk Committee of Lewis Group and the Audit and Risk Committee of Monarch Insurance.

The key risks are documented in Strategy and Targets on pages 8 to 12.

The group's external insurance and self-insurance programmes cover a wide range of risks. The insurance levels and insured events are reviewed annually to ensure adequate cover and amended after taking into account changed processes and emerging risks.

Internal control

A well-established control environment, which incorporates risk management and internal control procedures, exists to provide reasonable but not absolute assurance that assets are safeguarded and the risk facing the business is being adequately managed. The Board confirms that during the period under review the group has maintained an efficient and effective process to manage key risks. The directors are not aware of any current or anticipated key risks that may threaten the sustainability of the business.

Going concern

The Board is satisfied that the group will be a going concern for the foreseeable future, based on the budget and cash flows for the year to 31 March 2017, as well as the current financial position. The financial statements have therefore been prepared on the going concern basis. The Board is apprised of the group's going concern status at the board meetings coinciding with the interim and final results.

Internal audit

The Internal Audit function provides information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business. Internal audit has performed a written assessment confirming the effectiveness of the company's system of internal control and risk management, including internal financial controls. The role of Internal Audit is detailed in the Internal Audit charter which has been approved by the Audit Committee. Refer to the Audit Committee Report in the annual financial statements.

Information technology governance

Information technology (IT) governance is integrated into the group's operations, and governance practices and frameworks are reviewed as part of the annual Internal Audit plan. The IT Steering Committee is responsible for IT governance and reports to the Risk Committee.

Personal share dealings

An insider trading policy restricts directors and specific staff from dealing in the shares of Lewis Group during closed periods. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS. Embargoes are also placed on share dealing when the group is trading under a cautionary statement.

Directors are required to obtain written clearance from the chairman of the Board prior to dealing. The chairman is required to obtain written permission from the chairman of the Audit Committee. It is mandatory to notify the company secretary of any dealings in the company's shares within three business days. This information must be published on SENS within 24 hours of the notification of such dealing. A register of share dealings by directors is maintained by the company secretary and reviewed by the Board.

Corporate governance report continued

Compliance and codes of conduct

Referral by the National Credit Regulator to the National Credit Tribunal

As shareholders are aware in July 2015, the National Credit Regulator ("NCR") referred both Lewis and Monarch to the National Consumer Tribunal ("NCT") for alleged breaches of the National Credit Act ("NCA") in relation to the sale of loss of employment insurance, and also the sale of disability cover to customers who were pensioners or self-employed persons.

Following an internal investigation the group identified approximately fifteen percent of cases where loss of employment insurance policies were invalidly sold to pensioners and self-employed customers as a result of human error at store level and contrary to company policy. Lewis is currently refunding the premiums and interest totalling approximately R 67.7 million to the affected customers. (Refer note 2.1 (a))

Lewis and Monarch have opposed the Referral, filing detailed answering affidavits which address both issues. The Tribunal has set the date of hearing for the matter as 28 July 2016. Shareholders will in due course be advised of the outcome of the hearing, once the ruling of the Tribunal has been made available.

In April 2016, the NCR referred Lewis to the NCT for alleged breaches of the NCA relating to club fees and extended maintenance contracts charged to its customers. Lewis has opposed the second Referral and filed a comprehensive answering affidavit disputing the NCR's allegations. A date of hearing will be set in due course by the NCT.

Customer Action

In February 2016 Lewis was served with a summons by 15 plaintiffs and in April 2016 a second summons was served by 13 plaintiffs, all being current or previous Lewis customers. The summonses were issued at the direction of Summit Financial Partners. The quantum of both claims is R 85 082 plus interest for damages for alleged breaches of the NCA in relation to delivery charges and extended maintenance contracts. Lewis disputes the allegations and is contesting the action.

Shareholder action

In May 2016, Mr David Woollam addressed a letter to the Lewis board of directors demanding that Lewis commences with proceedings to declare Johan Enslin, Les Davies, David Nurek and Hilton Saven, delinquent directors in accordance with the provisions of section 165 of the Companies Act.

The directors of the Board of Lewis, who had not been made the subject of the demand, considered the demand, and also consulted the company's attorneys. Having done so, the directors were satisfied that the demand of Mr Woollam was frivolous, vexatious and of no merit and they resolved that the company launch proceedings in terms of section 165(3) of the Companies Act to set the demand aside. Those proceedings were launched on 8 June 2016, in the Western Cape Division of the High Court, in Cape Town and the matter will be heard on 18 August 2016. Once the court has delivered its judgment in the matter, shareholders will be advised of the outcome.

Section 103(5) of the National Credit Act

Lewis has continued to charge its defaulting credit customers the cost of their monthly credit insurance premium under certain circumstances of default by them, which may potentially be in contravention of section 103(5) of the NCA, based on an Supreme Court of Appeal Judgment. Lewis has engaged with the NCR and made a submission to the Department of Trade and Industry. This matter has been placed on the NCA Policy review framework document and is on the agenda of the Credit Industry forum with regard to section 103(5) and debt counselling.

Penalties and requests for information

No penalties or sanctions were imposed on the group or any of its directors or officers during the year. No requests for information were withheld by the group in terms of the Promotion of Access to Information Act.

Compliance call centre

In April 2016, Lewis Group launched a specialised call centre to further enhance compliance, transparency and oversight of its in-store sales and credit application process and limit any potential misunderstandings of the costs, services and fees to be paid by the customer.

The new call centre is housed at the group's head office and employs 60 consultants who will operate independently from the company's national customer care call centre.

The normal in-store credit sale application process will remain in place. This includes a comprehensive affordability assessment and an interview with the manager during which all components of the contract are explained, including what services and fees are optional, and the total cost of credit. Upon completion of the process, but before finalisation of the transaction, the manager will ensure that the customer speaks to a call centre agent. The customer will have a choice to engage with a call centre agent in one of eight languages, namely English, Afrikaans, Xhosa, Zulu, Sepedi, Sesotho, Setswana and Xitsonga. The call will be between the customer and the call centre agent without any intervention from the store manager or store staff.

Call centre agents ensure that the customer understands all critical elements of the contract. All calls will be recorded and stored to protect the interests of customers and Lewis Stores. Only once the call centre agent has successfully completed the review with the customer will the transaction be approved by the call centre. Without this approval, no transaction exists and the goods cannot be invoiced or delivered.

Behavioural and ethical compliance

The group adheres to the highest standards of ethical conduct. The board-approved ethics framework, code of conduct and core values outline the standards of honesty, integrity and mutual respect which employees are required to observe.

A conflict of interest policy is aimed at ensuring employees act in the best interests of the group and do not profit from their position in the company. The policy governs employees' relationships with suppliers, serving as office bearers on external organisations and industry bodies, and receiving gifts and hospitality from suppliers.

The corporate fraud policy sets out the responsibility of staff and management towards the detection, prevention and reporting of fraud. A confidential hotline is available to all employees to report suspected incidents of fraud or dishonesty.

The social, ethics and transformation report

The Social, Ethics and Transformation Committee is a sub-committee of the Board operating in compliance with the Companies Act. The Committee assists the directors in monitoring the group's activities relating to sustainability, ethics, stakeholder engagement, empowerment and transformation.

Responsibilities of the Committee

Social and ethics

- Monitor activities relating to social and economic development, including the principles of the United Nations Global Compact, the Organisation for Economic Co-operation and Development recommendations regarding corruption, the Employment Equity Act and the Broad-based Black Empowerment Act.
- Good corporate citizenship, including the promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution to the development of communities, and record of sponsorship, donations and charitable giving.
- The environment, health and public safety, including the impact of the group's activities and of its products and services.
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the group's employment relationships and its contribution toward the educational development of its employees.

Transformation

- Developing and maintaining a transformation strategy.
- Approving the transformation programme.
- Determining targets in terms of the Codes of Good Practice of the Department of Trade and Industry (DTI).
- Reviewing reports from verification agencies.
- Annual evaluation of the group's performance against the DTI scorecard.
- Legislative compliance.

Composition and functioning

The Committee comprises three non-executive directors, namely Professor Fatima Abrahams (chairperson), David Nurek and Alan Smart, and an executive director, Johan Enslin. Senior management in the human resources, merchandise, socio-economic development and risk departments attend by invitation. Biographical details of the Committee members appear on pages 22 and 23. The effectiveness of the Committee is assessed as part of the annual board and committee evaluation process.

The members of the Committee believe that the group is substantively addressing the issues required to be monitored by the Committee in terms of the Companies Act.

Transformation

The group supports the principles and objectives of B-BBEE contained in the DTI Codes of Good Practice on B-BBEE. The board acknowledges its oversight role in driving transformation and empowerment across all seven elements of the DTI scorecard. The Committee has noted that the amended codes of good practice came into effect on 1 May 2015.

The group was assigned a level four B-BBEE contributor status in April 2015 based on the previous codes of good practice. The 2015 rating was verified by AQRate, an accredited empowerment rating agency. The 2016 B-BBEE rating will be verified in June 2016.

Summary B-BBEE scorecard

BEE element	Maximum	2015	2014	2013	2012	2011
Equity ownership	20	**6.13**	9.33	11.1	10.5	0
Management control	10	**4.38**	5.08	4.7	4.7	4.5
Employment equity	15	**6.04**	5.77	6.1	5.9	8.3
Skills development	15	**11.69**	12.0	11.7	11.5	7.9
Preferential procurement	20	**18.73**	17.4	18.0	16.6	18.5
Enterprise development	15	**15.0**	15.0	15.0	15.0	15.0
Socio-economic development	5	**5.0**	5.0	5.0	5.0	5.0
Total	100	66.97	69.58	71.6	69.2	59.1
B-BBEE contributor status		Level 4	Level 4	Level 4	Level 4	Level 5

Employment equity

Management is committed to ensuring that the group's employee profile is representative of the customer base it serves and the communities in which it trades.

The group's employment equity plan focuses on increasing the representation of designated groups, mainly in the senior management and professionally qualified areas. Strategies have been developed to achieve internal employment equity targets, including the implementation of a comprehensive learning and development plan, in-service training of retail management students, granting bursaries, job profiling and performance assessments.

Black staff account for 93% of the staff complement, with females comprising 56.7%.

The employment equity profile of the workforce in South Africa (excluding neighbouring countries) at 31 March 2016 is contained in the following table:

Employee profile

Occupational levels	Male				Female				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top management	0	2	0	3	0	0	0	0	5
Senior management	4	1	0	29	1	2	0	8	45
Professionally qualified	34	17	4	66	25	17	9	36	208
Skilled technical	217	59	10	45	273	150	18	121	893
Semi-skilled	2 120	504	13	29	2 589	703	41	166	6 165
Unskilled	18	3	0	0	2	2	0	0	25
Non-permanent	0	0	0	0	0	0	0	0	0
Total	2 393	586	27	172	2 890	874	68	331	7 341

The social, ethics and transformation report

Skills development

A total of 12 512 training interventions were completed in 2016. Black staff accounted for 87.5% of total employees trained. In the past year the internship programme was extended to include 376 students.

As part of the commitment to staff development, a central learning and development centre was opened in Bloemfontein. The centre will be utilised for the development of management for store operations in the five countries in which the group operates.

The group's training department is accredited with the Wholesale and Retail Sector Education and Training Authority and offers a range of classroom based and e-learning programmes.

Preferential procurement and enterprise development

The group's merchandise strategy is to offer exclusive, differentiated and value-for-money products to customers. Large volumes of locally sourced merchandise, goods and services are bought from small businesses which are mainly black-owned. These businesses have continued to benefit from the group's preferential procurement and enterprise development initiatives. This continued investment in enterprise development strengthens the local supply base and stimulates job creation in the domestic economy.

The support provided to enterprise development partners includes raw material sourcing, product development and design, quality control, and administrative business support.

In 2016 the group made a strategic decision to increase its spend on local merchandise, which has increased its investment in enterprise development and contributed to further job creation locally.

Socio-economic development

The group is committed to contributing to the communities where customers live. Many of these communities are affected by a lack of education, poverty and poor health.

Community investment is focused on educational infrastructure, educational bursaries, nutrition, upliftment of disadvantaged communities and long-term sustainable community upliftment programmes. The group has committed R 10 million to socio-economic development in 2016.

Primary projects

Afrika Tikkun undertakes projects mainly to support orphans and vulnerable children that allow the community to take ownership within five years and ensure the projects are self-sustaining. Lewis has funded the building of an early childhood development centre in Mfuleni. Over 250 children from the Mfuleni community attend the Lewis Group Early Childhood Development centre and Lewis has committed to contribute to the operating costs for five years, escalating by 10% a year.

Rotary Club/Early Development Centres

Lewis is now in its third year of partnering with the Rotary Club of Claremont to upgrade early learning development centres and assist them in becoming sustainable. During 2016, three early learning development centres were upgraded. The project includes a holistic approach, whereby principals and educators are trained and assessed regularly. In addition to this, the team assists in registering these centres with the Department of Social Development and achieving their qualifying criteria for ongoing funding.

Peninsula School Feeding Association provides daily meals to children in primary, secondary and special-needs schools across the Western Cape. Lewis has adopted 11 schools and provides meals to over 1 245 children each school day.

Red Cross War Memorial Children's Hospital

Lewis has provided funding towards the new medical imaging and radiology complex at the Children's Hospital. Lewis was granted naming rights to the main reception and waiting area of this new complex which was officially handed over in August 2015.

Lasedi La Batho

The Lesedi la Batho centre in Mobopane was created to address unemployment in the area and now provides basic skills training in sewing and beadwork, baking and computer studies. One of their divisions manufactured teddy bears for the Beares Brand and Lewis has taken over in supporting the project, which supports 20 women from the Mabopane community.

The group's socio-economic development programmes also extend to Namibia, Botswana, Lesotho and Swaziland.

Employee community engagement

Employees are encouraged to propose deserving local community projects. This ensures that staff are involved in assisting communities that support the company and creates staff awareness of CSI projects. These projects included AIDS orphans homes, shelters for abused/vulnerable children, disabled children's homes, educational support for the underprivileged, feeding schemes/soup kitchens for the underprivileged, homes for the aged/hospices/home-based care programmes, and informal organisations which support communities in terms of shelter, medical assistance, education, training and development.

The social, ethics and transformation report continued

Bursaries

Internal bursaries

Bursaries are granted to the children of staff for school and university education. School children receive R 500 each and the top 20 university student applications are awarded full study bursaries covering tuition, residence and books.

TSiBA

TSiBA Education is a private provider of higher education in business. TSiBA targets scholars and potential students that would otherwise not have access to tertiary level education, by offering full tuition scholarships. Lewis funds scholarships for the top ten students from their first year to the final year at an annual cost of R 750 000.

In addition, Lewis provided five-month internships for three final year students and in January 2016 appointed all three in full-time positions.

Environmental sustainability

The group recognises the need to introduce and maintain environmentally sustainable business practices to ensure that it meets its responsibilities in maintaining the environment in which it operates.

The group's environmental practices will evolve, guided by environmental principles, economic drivers and the commitment to being a responsible corporate citizen.

Practices are guided by the group's environmental policy and the environmental management system implemented over the past two years.

Carbon footprint

A carbon footprint assessment was performed by independent environmental specialists. The footprint was calculated for Scope 1, 2 and selected Scope 3 Greenhouse Gas (GHG) emissions utilising the GHG protocol.

- Scope 1 is the direct impact of the group's activities – fuel combustion in company vehicles.
- Scope 2 is indirect emissions resulting from electricity consumption.
- Scope 3 is the measure of the corporate value chain. This year's carbon footprint assessment was expanded to include the following selected Scope 3 categories:
  - Upstream distribution focused on South African road logistics.
  - Business travel – domestic and international flights and car hire.
  - Employee commuting.
  - The consumption of paper, printing materials and recycling of paper.

Carbon footprint results – 2016

Carbon footprint results for Scope 1 and 2 Emissions

Scope	Source	2016 Emissions (tonnes CO_2e)	% Change	2015 Emissions (tonnes CO_2e)	% Change	2014 Emissions (tonnes CO_2e)
Scope 1	South African fuel	23 603	7.0%	22 050	5.6%	20 886
	International fuel	2 881	9.1%	2 640	3.5%	2 550
	Total Scope 1	26 484	7.3%	24 690	5.4%	23 436
Scope 2	South African electricity	27 183	8.6%	25 020	4.7%	23 890
	International electricity	1 789	8.1%	1 655	1.4%	1 632
	Total Scope 2	8.6%	26 675	4.5%	25 522	
Total Scope 1 and 2		55 456	8.0%	51 365	4.9%	48 958
Average number of stores		730	8.5%	673	5.8%	636
Scope 1 and 2 emissions per store		75.97	(0.5%)	76.32	(0.9%)	76.98

Even though the total scope 1 & 2 emissions have increased by 8%, the emissions per store has shown a slight decrease from 76.32 in 2015 to 75.97 in 2016.

Carbon footprint results for selected Scope 3 emissions

Scope 3 Category	Emission Source	Comments	2016 Emissions (tonnes CO_2e)	% Change	2015 Emissions (tonnes CO_2e)	% Change	2014 Emissions (tonnes CO_2e)
Fuel and Energy	Upstream emissions from synfuel production	Complete assessment	26 116	8.1%	24 150	7.2%	22 538
Upstream transportation and distribution	Outsourced road distribution within South Africa	Partial assessment – excludes shipping	3 798	5.5%	3 600	5.6%	3 410
Business travel	Domestic and international flights	Complete assessment	415	16.9%	355	51.7%	234
	Car hire	Complete assessment	215	4.9%	205	130.3%	89
Employee commuting	Staff transport emissions travelling to and from work	Average data method used	5 012	5.5%	4 750	6.7%	4 450

The carbon footprint for business travel increased significantly in 2015, due mainly to the purchase and integration of the Beares brand.

Partial assessment of Scope 3 emissions is accepted practice and is compliant with the GHG protocol, as conducting a comprehensive Scope 3 assessment is often prohibitively data-and resource-intensive. The implication, however, is that the total of these figures should not be interpreted as the complete Scope 3 carbon footprint.

The group is committed to improving the direct impact of its business activities in the areas of fuel consumption, electricity and water consumption, material usage reduction, and recycling paper and packaging materials.

The social, ethics and transformation report continued

Values and ethics

The group's values are core to its business philosophy and guides the way the group conducts its business practices. A formalised policy details the group's code of ethical and acceptable conduct in line with the Principles of the United Nations Global Compact. This policy, together with the group's behavioural code and code of conduct, is made available to all employees.

In addition, the group has a written policy regarding the acceptance of gifts from current or prospective suppliers and participation in recreational events sponsored by these suppliers.

Lewis have implemented an ethical awareness campaign which includes anti-corruption awareness focusing on ethical conduct and behaviour and reporting.

Employees and suppliers have the responsibility to report observed or suspected unethical behaviour via a toll-free number, an ethics email address, by post and telephone.

Suppliers and supplier contracts

The supplier code of conduct includes the Ten Principles of the United Nations Global Compact. This code of conduct is implemented with suppliers as the agreements are renewed.

Political party support and lobbying activities

The group supports the multi-party democratic process but does not make donations to any political parties in South Africa or elsewhere. The group does not provide corporate resources to political candidates or parties.

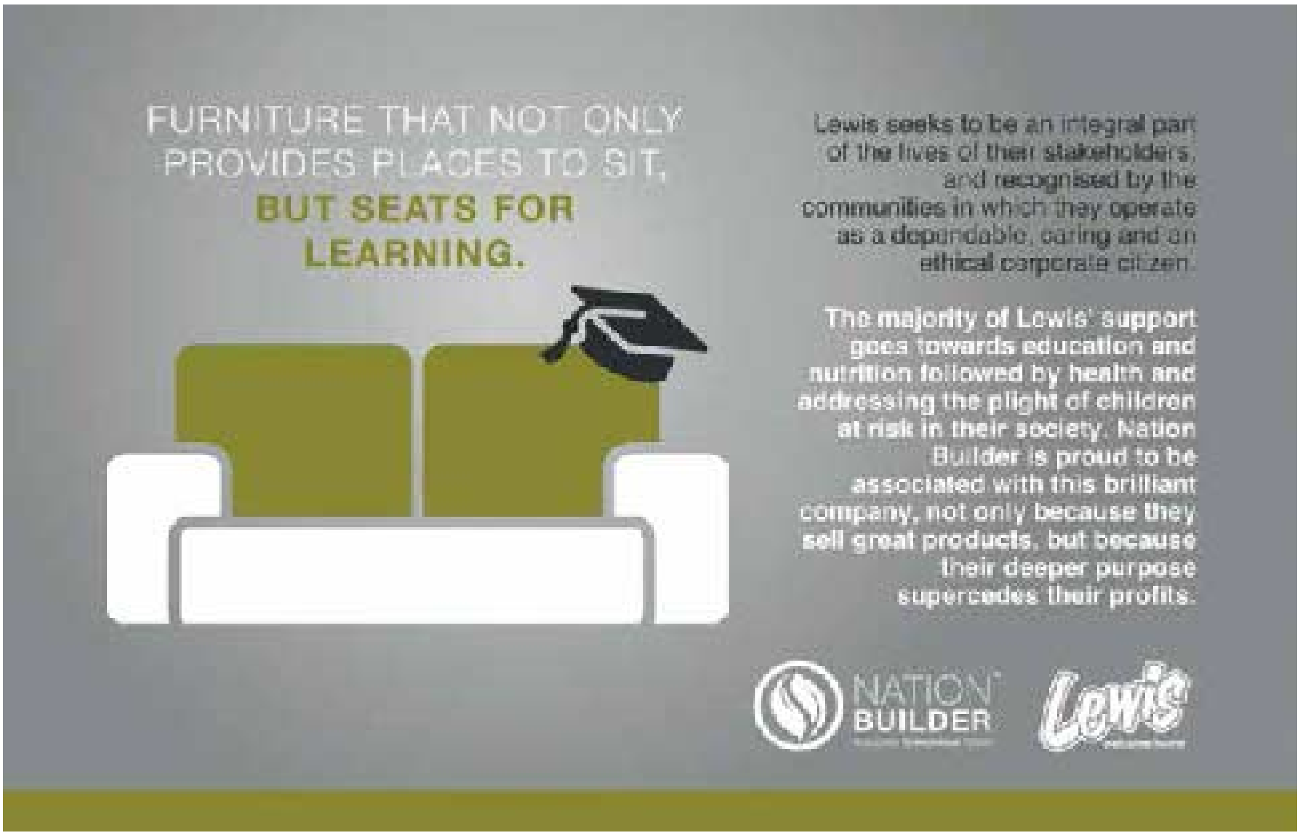
Engaging with stakeholders

Stakeholder engagement is central to the group's sustainability. Engagement aimed at establishing and maintaining mutually beneficial relationships not only limits risks to the business, but creates opportunities to enhance revenue and performance, and ultimately ensures longer-term sustainability.

Lewis Group focuses primarily on stakeholders who have an interest in the business or who could influence the business in a positive or negative manner.

The group has identified the following primary stakeholders who have an interest in the business or who could influence the business in a positive or negative manner:

- **Customers** across the three trading brands
- **Shareholders** and the broader investment community
- **Employees** throughout the group
- **Suppliers** of merchandise and services
- **Communities** in which the group operates
- **Industry** regulators



Engaging with stakeholders continued

Stakeholder	Rationale for engaging	Means of engaging	Issues of engagement
Customers	• Customer loyalty and retention • Brand and product awareness • Sustainable revenue stream to generate returns to shareholders	• Customer contact in stores • Media advertising • In-store promotions • Market research	• High levels of customer retention • Improved credit offerings • Improved service levels
Shareholders and analysts	• Ensure access to capital by attracting investors • Provide relevant and timeous information • Balanced analysis of the company	• Interim and annual results presentations • Integrated annual report • Investor website • Shareholder meetings • SENS announcements • Brokers' conferences • Meetings with local and international investors and analysts	• Strategy • Regulation • Trading environment • Performance • Credit management • Store expansion • Capital management • Prospects
Employees	• Attract and retain talent • Employee motivation • Increase productivity • Engender loyalty	• Regular communication through electronic media • Monthly in-store review meetings • Regular meetings with unions • Induction and training courses	• Highly trained and skilled staff • Performance-linked incentives and awards • Reduced staff turnover • Employment equity
Suppliers	• Securing reliable and sustainable supply of goods and services • Consistent quality of exclusive merchandise	• Regular supplier meetings • Factory visits • Supplier audits • Service level agreements	• Quality standards • Product availability • Product exclusivity • Pricing • Delivery lead times
Communities	• Responsible corporate citizen	• Community investment and upliftment through CSI programme and local support through stores	• Continued investment in CSI programme • Store and staff involvement in CSI projects
Regulatory bodies	• Legislative and regulatory compliance • Sound governance	• Statutory reporting • Regulatory submissions • Liaison with regulators • Membership of industry bodies and forums	• Insight into regulatory changes • Submissions to draft regulation • Compliance • Statutory reporting and returns

Summary consolidated financial statements

Summary consolidated financial statements

Introduction

The summary consolidated financial statements on pages 89 to 107 are derived from the audited consolidated financial statements for the year ended 31 March 2016. The group has applied the provisions of the Companies Act 71 of 2008, as amended, which allows for summary financial statements to be published in the Integrated Annual Report.

The summary consolidated financial statements should be read in conjunction with the group's audited consolidated financial statements which are available at **www.lewisgroup.co.za,** or on request from the company secretary.

The audited consolidated financial statements have been prepared under the supervision of the chief financial officer, Les Davies CA (SA).

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the summary consolidated financial statements, comprising the summary consolidated balance sheet as at 31 March 2016, and the summary consolidated income statement, changes in equity and cash flows for the year then ended, and related notes in accordance with the requirements of Section 8.57 of the JSE Limited listing requirements.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The directors believe that the group has adequate resources to continue in operation for the foreseeable future and the audited consolidated financial statements have therefore been prepared on a going concern basis.

The auditors are responsible for reporting on whether the summary consolidated financial statements, derived from the audited consolidated financial statements, are consistent, in all material respects, with those audited consolidated financial statements.

Approval of the summary consolidated financial statements

The audited consolidated financial statements, including these summary consolidated financial statements set out on pages 89 to 107, were approved by the board of directors of the Lewis Group and are signed on its behalf by:

David Nurek
Independent non-executive chairman

Johan Enslin
Chief executive officer

Les Davies
Chief financial officer

Audit committee report

The Audit Committee ("the Committee") has pleasure in submitting its report for the year ended 31 March 2016 in compliance with the Companies Act 71 of 2008, as amended.

Introduction

The committee has an independent role with accountability to the board. The committee operates in accordance with a documented charter and complies with all relevant legislation, regulation and governance codes. The committee's terms of reference are reviewed annually and approved by the board.

The committee's role and responsibilities includes its statutory duties and further responsibilities as assigned by the board. The committee executed its duties in terms of the requirements of King III.

The committee acts as the Audit Committee for all the subsidiaries in the Lewis Group except for Monarch Insurance Company Limited ("Monarch") which has its own Audit and Risk Committee.

Objectives

The objectives of the committee are:

- To assist the board to discharge its duties relating to the safeguarding of assets, the operation of adequate systems and controls, overseeing integrated reporting, reviewing of financial information and the preparation of interim and annual financial statements in compliance with all applicable legal requirements and accounting standards.
- To facilitate and promote communication and liaison between the board of directors and the company's management in respect of the matters referred to above.
- To recommend the introduction of measures which the committee believes may enhance the credibility and objectivity of financial statements and reports concerning the affairs of the company.
- To perform their statutory functions under section 94 of the Companies Act.
- To advise on any matter referred to the committee by the board of directors.

Relationship with the Monarch Audit and Risk Committee

- Due to the integrated nature of the group's systems and processes, the Lewis Group Audit Committee has responsibility relating to:
- Internal and external audit management
- Maintenance of an effective internal control system
- In order for the Monarch Audit and Risk Committee to discharge its responsibilities under the Short-term Insurance Act, the Lewis Group Audit Committee refers any issues relating to these matters to the Monarch Audit and Risk Committee where such issues impact on Monarch.
- The duty and scope of the Monarch Audit and Risk Committee in monitoring the compliance with legal and regulatory requirements has been extended to include the Financial Advisory and Intermediary Services Act due to its interrelationship with the insurance activities of the group.
- The minutes of all Monarch Audit and Risk Committee meetings are submitted and reviewed by the Lewis Group Audit Committee.

Membership

The committee consists of three independent non-executive directors:

H Saven (chairman)

D Nurek

BJ van der Ross

Biographical details of the committee members are provided on page 22 of the integrated report. Fees paid to the committee members are outlined in the table of directors' remuneration on page 55 of the Remuneration Report.

The chief executive officer, chief financial officer, certain of the other non-executive directors and representatives of the internal and external auditors attend the meetings as invitees.

The chairman of the committee also meets separately with the external and internal auditors, without members of executive management being present. The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

Committee activities

The committee met four times during the year under review. Attendance of the members has been set out on page 66 of the Corporate Governance Report.

The committee attended to the following material matters:

Financial statements

- the committee appointed a working group to perform a review of the appropriateness of the group's accounting policies. This working group comprised of three non-executive directors, the two executive directors and senior finance staff.

  The working group identified the following restatements during the first half of the year, which were disclosed in the interim results for the six months ended 30 September 2015:
  - The refund of loss of employment insurance premiums and interest thereon to customers;
  - Unearned premium reserve in Monarch – elimination of the 12.5% intercompany commission;
  - Maintenance contracts – deferral of income until expiry of the suppliers warranty (one year) and in the subsequent two years, to recognize revenue from the maintenance contracts on the expected cost basis;
  - Income from reinsurance contracts revised to defer 100% of the unearned reinsurance premiums on a straight line basis over the period of the related reinsurance contract;
  - The contingency reserve in Monarch was no longer required by the Short-term Insurance Act.

  The working group identified the following reclassifications during the second half of the year:
  - the insurance premiums received in advance by Monarch with respect to term business has been separately disclosed in the balance sheet. Previously, insurance premiums received in advance were included with trade receivables;
  - with the separate disclosure of the insurance premiums in advance, the unearned premium reserve has been reclassified with insurance and reinsurance liabilities;
  - the reinsurance and insurance liabilities included reinsurance assets. These reinsurance assets have been reclassified and reflected separately under current assets;
  - the movements in long-term and short-term borrowings in the cash flow statement have been reclassified as proceeds from borrowings and repayments of borrowings.

  The restatements and reclassifications have been disclosed in the summary consolidated financial statements and in the annual financial statements. The group's auditors attended the working group meetings and audited the restatements and reclassifications.
- the committee reviewed the interim results and year-end financial statements, including the public announcements of the company's financial results, and made recommendations to the board for their approval. In the course of its review, the committee :
  - took appropriate steps to ensure that the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS);
  - considered the appropriateness of accounting policies and disclosures and material judgements applied.
  - completed a detailed review of the going concern assumption and confirmed that the going concern assumption was appropriate in the preparation of the financial statements.

Integrated report

The committee fulfills an oversight role regarding the company's integrated report and the reporting process.

- considered the company's integrated report and has assessed its consistency with operational, financial and other information known to the audit committee members, and for consistency with the annual financial statements. The committee is satisfied that the integrated report is materially accurate, complete and reliable and consistent with the annual financial statements.
- the committee has recommended the integrated report for the year ended 31 March 2016 for approval by the board of directors.

External auditors

- reviewed the independence of PricewaterhouseCoopers Inc., the company's external auditors, and the nominee for the appointment of the designated auditor, before recommending to the board that their re-election be proposed to shareholders (refer section on Independence of External Auditors);
- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2016 financial year. The fees paid to the auditors are disclosed in note 21 to the annual financial statements;
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services. It is the policy of the group that the auditor is restricted from rendering accounting, IT consulting services, company secretarial, internal audit and human resource services.
- reviewed and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable; and
- reviewed the external audit reports and management's response, considered their effect on the financial statements and internal financial control.

Audit committee report continued

Internal audit

- reviewed and approved the existing internal audit charter which ensures that the group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties;
- satisfied itself as to the credibility, independence and objectivity of the internal audit function.
- internal audit has direct access to the committee, primarily through the committee's chairman.
- reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of significant business processes was acceptable;
- reviewed the quarterly internal audit reports, covering the effectiveness of internal control, material fraud incidents and material non-compliance with group policies and procedures. The committee is advised of all internal control developments and advised of any material losses, with none being reported during the year;
- considered and reviewed with management and internal auditors any significant findings and management responses thereto in relation to reliable financial reporting, corporate governance and effective internal control to ensure appropriate action is taken.
- oversaw the co-operation between internal audit and external auditors, and the committee is satisfied that the company has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model.
- assessed the performance and qualification of the internal audit function and found them to be satisfactory.

Internal financial control and compliance

- reviewed and approved the group's existing treasury policy and reviewed the quarterly treasury reports prepared by management;
- reviewed the quarterly legal and regulatory reports setting out the latest legislative and regulatory developments impacting the group;
- reviewed the quarterly report on taxation;
- reviewed information technology reports; and
- considered and, where appropriate, made recommendations on internal financial control.

Internal audit has performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This written assessment by internal audit, as well as other information available to the committee, formed the basis for the committee's recommendation to the board, on the effectiveness of the system of internal controls to be included in the Integrated Report and the Annual Financial Statements.

Governance of risk

The board has assigned oversight of the company's risk management function to the Risk committee. The minutes of the Risk committee are made available to the Audit committee to assist them in fulfilling its oversight role with respect to financial reporting risks arising from internal financial controls, fraud and information technology risks.

Evaluation of expertise and experience of the chief financial officer and finance function

In terms of the JSE Listings Requirements, the committee satisfied itself as to the appropriateness of the expertise and experience of the group's chief financial officer.

The committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

Independence of External Auditors

The committee is satisfied that PricewaterhouseCoopers Inc. are independent of the group. This assessment was made after considering the following:

- confirmation from the external auditors that they, or their immediate family, do not hold any significant direct or indirect financial interest or have any material business relationship with Lewis. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.
- The auditors do not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from the group.
- The auditor's independence was not impaired by the non-audit work performed having regard to the quantum of audit fees relative to the total fee base and the nature of the non-audit work undertaken.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements.
- The criteria specified for independence by the Independent Regulatory Board for Auditors.
- The audit firm and the designated auditor is accredited with the JSE.

The committee confirms it has functioned in accordance with its terms of reference for the 2016 financial year.

Hilton Saven
Chairman
Audit Committee

27 June 2016

Directors' report

Nature of business

Lewis Group Limited is a holding company listed on the JSE Limited, operating through two main trading subsidiaries, Lewis Stores Proprietary Limited and Monarch Insurance Company Limited. Lewis Stores Proprietary Limited offers a selected range of furniture and appliances through 526 Lewis, 127 Best Home and Electric and 107 Beares stores. Sales are mainly on credit. Monarch Insurance Company Limited, a registered short-term insurer, underwrites Customer Protection Insurance benefits to South African customers. In addition, there are also trading subsidiaries in Botswana, Lesotho, Namibia and Swaziland operating under the Lewis, Best Home and Electric and Beares brands.

The group entered into agreements on 6 November 2015 subject to conditions precedent to acquire a portfolio of 56 Beares and Ellerines stores in Botswana, Lesotho, Namibia and Swaziland for approximately R 200 million, increasing the store presence outside South Africa to 119 stores.

During the current year, the group's subsidiaries in Lesotho and Botswana acquired the businesses trading under the Ellerines and Beares brands from the relevant in-country subsidiaries of Ellerines Services Proprietary Limited (subsidiary of Ellerines Furnishers Proprietary Limited in business rescue) as the conditions precedent were fulfilled. The businesses consisted of 30 stores, the Ellerines and Beares brands, trade receivables, inventory and fixed assets. The stores will trade either under the Lewis or Beares brands. (refer note 27.3 of the annual financial statements)

Post balance sheet event

The Beares and Ellerines businesses mentioned above have subsequently been acquired in May and April respectively and 26 stores have been integrated into the group's business. The total consideration for the Namibia and Swaziland businesses is expected to be in the region of R 100 million. (refer note 10 of the annual financial statements)

Review of financial results and activities

The financial results and affairs of the group are reflected in the summary consolidated financial statements set out on pages 89 to 107.

Segmental analysis

Segmental information is set out in the segmental report on page 90 of the summary consolidated financial statements.

Share capital

The company's authorised and issued share capital remained unchanged during the year.

Treasury shares

The group holds 9 216 928 (9.4%) of its own shares through its subsidiary, Lewis Stores Proprietary Limited. In addition, the Lewis Employee Incentive Scheme Trust effectively holds 341 666 shares, all of which will be utilised to cover share awards granted to executives. Refer to note 9.1 and 9.2 in the annual financial statements for more detail.

Dividends

The following dividends have been declared or proposed for the financial year ended 31 March 2016:

	Dividend Per share	Date Declared	Date Payable
Interim - declared	215 cents	09 Nov 2015	25 Jan 2016
Final - proposed	302 cents	25 May 2016	25 July 2016
For the year	517 cents		

Notice is hereby given that a final gross cash dividend of 302 cents per share in respect of the year ended 31 March 2016 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 98 057 959. The dividend has been declared out of income reserves and is subject to a dividend tax of 15%. The dividend for determining the dividend tax is 302 cents and the dividend tax payable is 45.3 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 256.7 cents.

The dividend tax rate may be reduced where the shareholder is tax resident in a foreign jurisdiction which has a Double Tax Convention with South Africa and meets the requirements for a reduced tax rate. The company's tax reference number is 9551/419/15/4

The following dates are applicable to this declaration:

- Last date to trade "cum" dividend — Tuesday 19 July 2016
- Date trading commences "ex" dividend — Wednesday 20 July 2016
- Record date — Friday 22 July 2016
- Date of payment — Monday 25 July 2016

Share certificates may not be dematerialised or rematerialised between Wednesday 20 July 2016 and Friday 22 July 2016, both days inclusive.

Directors

In terms of the Articles of Association of the company the following directors will retire and have offered themselves for re-election:

- Fatima Abrahams
- Hilton Saven
- Alan Smart

Company Secretary

MG McConnell remained as company secretary throughout the year. The address of the company secretary is that of the registered offices, 53A Victoria Road, Woodstock, 7925.

Directors' Interests

At 31 March 2016, the directors' beneficial direct and indirect interest in the company's issued shares were as follows:

	2016		2015	
	Direct	Indirect	Direct	Indirect
DM Nurek	–	20 000	–	20 000
H Saven	–	6 440	–	6 440
AJ Smart	319 070	–	319 070	–
J Enslin	131 380	33 070	106 239	28 912
LA Davies	281 289	25 933	242 157	22 944
	731 739	85 443	667 466	78 296

The following share awards have been made to directors:

J Enslin	379 544
LA Davies	288 246

Full details of the terms and conditions in relation to these share awards are set out in note 19.4 to the annual financial statements. During the course of the year, no director had a material interest in any contract of significance with the company or any of its subsidiaries that could have given rise to a conflict of interest. No related party transaction in terms of the JSE Limited Listing Requirements took place between the group and its directors or their associates, other than remuneration for services rendered to the company as set out in notes 19.4 and 19.5 to the annual financial statements.

Subsidiary Companies

Details of the company's subsidiaries are set out on page 70 of the annual financial statements.

The company's interest in the aggregate profits and losses after taxation of the subsidiary companies is as follows:

	2016 Rm	2015 Rm
Profit	971.0	813.6
Losses	(2.5)	–

Borrowing Powers

Borrowings were R 1 975 million at 31 March 2016 (2015: R 1 574 million). Borrowings are subject to the treasury policy adopted by the board of directors. In terms of the articles of association, the group has unlimited borrowing powers.

Independent auditors report

Independent auditor's report on summary consolidated financial statements to the shareholders of Lewis Group Limited

The summary consolidated financial statements of Lewis Group Limited, set out on pages 89 to 107 of the Integrated Report, which comprise the summary consolidated balance sheet as at 31 March 2016, and the summary consolidated income statement and summary consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Lewis Group Limited for the year ended 31 March 2016. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 25 May 2016. Our auditor's report on the audited consolidated financial statements contained an Other Matter paragraph: "Other Reports Required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Lewis Group Limited.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of a summary of the audited consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summary financial statements, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 Lewis Group Limited for the year ended 31 March 2016 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summary financial statements, set out in the notes to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Other Reports Required by the Companies Act

The "Other Reports Required by the Companies Act" paragraph in our audit report dated 25 May 2016 states that, as part of our audit of the consolidated financial statements for the year ended 31 March 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Z Abrahams
Registered Auditor
Cape Town

27 June 2016

Income statement

for the year ended 31 March 2016

	Notes	Audited 2016 Rm	Audited Restated 2015 Rm
Revenue		5 785.0	5 660.8
Merchandise sales		2 667.7	2 591.5
Finance charges and initiation fees earned		1 426.3	1 326.4
Insurance revenue		908.2	979.9
Gross earned insurance premiums		896.8	1 033.6
Reinsurance commission		256.7	279.4
Reinsurance premiums		(245.3)	(333.1)
Ancillary services		782.8	763.0
Cost of merchandise sales	3	(1 652.8)	(1 644.3)
Operating Costs		(3 317.2)	(2 918.8)
Employment costs	4	(946.3)	(880.8)
Administration and IT		(274.5)	(241.1)
Debtor costs	5	(1 005.1)	(858.1)
Marketing		(192.4)	(177.0)
Occupancy costs		(329.1)	(273.6)
Transport and travel		(224.2)	(215.8)
Depreciation and amortisation		(85.6)	(63.8)
Other operating costs		(260.0)	(208.6)
Operating profit before investment income		815.0	1 097.7
Investment income		600.6	148.0
Profit before finance costs		1 415.6	1 245.7
Net finance costs		(136.1)	(123.3)
Interest paid		(158.4)	(138.7)
Interest received		14.0	12.2
Forward Exchange Contracts		8.3	3.2
Profit before taxation		1 279.5	1 122.4
Taxation	6	(318.0)	(316.2)
Net profit attributable to ordinary shareholders		961.5	806.2
Earnings per share (cents)		1 082.6	907.5
Diluted earnings per share (cents)		1 073.9	899.9

Statement of comprehensive income

for the year ended 31 March 2016

	2016 Rm	2015 Rm
Net profit for the year	961.5	806.2
Items that may be subsequently reclassified to income statement:		
Movement in other reserves	(456.7)	119.3
Fair value adjustment to available-for-sale investments	(71.2)	156.8
Disposal of available-for-sale investments	(406.3)	(40.6)
Foreign currency translation reserve	20.8	3.1
Items that may not be subsequently reclassified to income statement:		
Retirement benefit remeasurements	(2.3)	(10.4)
Other comprehensive income	(459.0)	108.9
Total comprehensive income for the year attributable to equity shareholders	502.5	915.1

Earnings and dividends per share

for the year ended 31 March 2016

	Audited 2016 Rm	Audited Restated 2015 Rm
1. Weighted average number of shares		
Weighted average	88 811	88 840
Diluted weighted average	89 532	89 585
2. Headline earnings (Rm)		
Attributable earnings	961.5	806.2
Profit on disposal of fixed assets	(2.7)	(2.7)
Profit on disposal of available-for-sale investments	(406.3)	(40.5)
Gain on acquisition of Beares	(0.4)	(12.0)
Headline earnings	552.1	751.0
3. Earnings per share (cents)		
Earnings per share	1 082.6	907.5
Diluted earnings per share	1 073.9	899.9
4. Headline earnings per share (cents)		
Headline earnings per share	621.7	845.3
Diluted headline earnings per share	616.7	838.3
5. Dividends per share (cents)		
Dividends paid per share		
Final dividend 2015 (2014)	302.0	302.0
Interim dividend 2016 (2015)	215.0	215.0
	517.0	517.0
Dividends declared per share		
Interim dividend 2016 (2015)	215.0	215.0
Final dividend 2016 (2015)	302.0	302.0
	517.0	517.0

Balance sheet
as at 31 March 2016

	Notes	Audited 2016 Rm	Audited Restated 2015 Rm	Audited 2014 Restated
Assets				
Non-current assets				
Property, plant and equipment		**370.4**	352.9	327.3
Trademarks		**61.4**	60.1	–
Deferred taxation		**85.7**	0.5	0.6
Retirement benefit asset		**63.0**	77.4	79.7
Financial assets – insurance investments	7	**432.0**	1 715.6	1 415.0
		1 012.5	2 206.5	1 822.6
Current assets				
Inventories		**444.5**	420.3	324.6
Trade and other receivables	8	**4 514.3**	4 413.3	4 143.3
Reinsurance assets	9	**397.3**	481.8	498.1
Insurance premiums in advance		**1 185.4**	1 485.5	1 561.2
Taxation		**28.3**	34.8	–
Financial assets – insurance investments	7	**1 236.5**	127.0	283.7
Cash on hand and deposits		**587.2**	222.3	480.1
		8 393.5	7 185.0	7 291.0
Total assets		**9 406.0**	9 391.5	9 113.6
Equity and liabilities				
Capital and reserves				
Share capital and premium		**92.1**	110.8	109.2
Other reserves		**27.5**	492.4	380.5
Retained earnings		**5 329.8**	4 845.4	4 509.9
		5 449.4	5 448.6	4 999.6
Non-current liabilities				
Long-term interest-bearing borrowings		**1 375.0**	825.0	1 000.0
Deferred taxation		**60.8**	102.4	40.6
Retirement benefit liability		**100.2**	106.7	92.9
		1 536.0	1 034.1	1 133.5
Current liabilities				
Trade and other payables		**270.2**	283.8	227.9
Reinsurance and insurance liabilities	9	**1 550.4**	1 876.0	1 987.5
Taxation		**–**	–	7.1
Short-term interest-bearing borrowings		**600.0**	749.0	758.0
		2 420.6	2 908.8	2 980.5
Total equity and liabilities		**9 406.0**	9 391.5	9 113.6

Statement of changes in equity
for the year ended 31 March 2016

	Notes	Audited 2016 Rm	Audited Restated 2015 Rm
Share capital and premium			
Opening balance		110.8	109.2
Cost of own shares acquired (treasury shares)		(53.0)	(26.5)
Share awards to employees		34.3	28.1
		92.1	110.8
Other reserves			
Opening balance		492.4	380.5
Other comprehensive income for the year		(456.7)	119.3
Share-based payment		10.3	19.7
Transfer of share-based payment reserve to retained earnings on vesting		(18.5)	(27.1)
		27.5	492.4
Retained earnings			
Opening balance		4 845.4	4 509.9
Net profit attributable to ordinary shareholders		961.5	806.2
Distribution to shareholders		(459.0)	(459.3)
Share awards to employees		(34.3)	(28.1)
Transfer from other reserves		18.5	27.1
Retirement benefit remeasurements		(2.3)	(10.4)
		5 329.8	4 845.4
Balance as at 31 March 2016		5 449.4	5 448.6

Cash flow statement

for the year ended 31 March 2016

	Notes	Audited 2016 Rm	Audited Restated 2015 Rm
Cash flow from operating activities			
Cash flow from trading		1 104.7	1 333.6
Change in working capital		(154.3)	(467.9)
Cash generated from operations		950.4	865.7
Interest received		99.3	92.0
Dividends received		19.7	21.1
Interest paid		(150.1)	(135.5)
Taxation paid		(330.3)	(337.9)
		589.0	505.4
Cash flow from investing activities			
Net disposals of insurance investments		79.6	48.2
Purchase of insurance investments		(1 574.8)	(630.5)
Disposals of insurance investments		1 654.4	678.7
Acquisition of property, plant and equipment		(104.3)	(86.7)
Purchase of businesses	10	(101.1)	(66.6)
Proceeds on disposal of property, plant and equipment		12.7	11.7
		(113.1)	(93.4)
Cash flow from financing activities			
Dividends paid		(459.0)	(459.3)
Proceeds from borrowings		1 150.0	525.0
Repayments of borrowings		(700.0)	(750.0)
Purchase of own shares		(53.0)	(26.5)
		(62.0)	(710.8)
Net increase / (decrease) in cash and cash equivalents		413.9	(298.8)
Cash and cash equivalents at the beginning of the year		173.3	472.1
Cash and cash equivalents at the end of the year		587.2	173.3

Analysis of borrowings and facilities

		Audited 2016 Rm	Audited Restated 2015 Rm
Borrowings			
Long-term			
Banking facilities		1 375.0	525.0
Domestic Medium-Term Note Program		–	300.0
Short-term			
Banking facilities		300.0	700.0
Domestic Medium-Term Note Program		300.0	–
		1 975.0	1 525.0
Cash and cash equivalents			
Short-term facilities utilised		–	49.0
Cash on hand		(587.2)	(222.3)
		(587.2)	(173.3)
Net borrowings		1 387.8	1 351.7
Unutilised facilities			
Banking facilities		1 337.2	973.3
Domestic Medium-Term Note Program		1 700.0	1 700.0
		3 037.2	2 673.3
Total banking facilities and Domestic Medium-Term Note Progamme		4 425.0	4 025.0

Segmental Report

for the year ended 31 March 2016

Reportable Segment	Lewis Rm	Best Home and Electric Rm	Beares[2] Rm	Group Rm
2016				
Segment income statement				
Total revenue to external customers				
Merchandise sales	2 039.5	328.8	299.4	2 667.7
Other revenue	2 525.2	464.5	127.6	3 117.3
	4 564.7	793.3	427.0	5 785.0
Cost of merchandise sales	(1 257.4)	(210.5)	(184.9)	(1 652.8)
Operating costs	(2 606.9)	(439.8)	(270.5)	(3 317.2)
Segment operating profit/(loss) before investment income	700.4	143.0	(28.4)	815.0
Segment operating margin	15.3%	18.0%	(6.7%)	14.1%
Segment assets[1]	3 759.8	624.1	403.3	4 787.2
Capital expenditure	84.3	6.1	17.0	107.4
Depreciation	68.1	5.7	7.2	81.0
2015 (Restated)				
Segment income statement				
Total revenue to external customers				
Merchandise sales	2 102.2	347.6	141.7	2 591.5
Other revenue	2 543.0	454.4	71.9	3 069.3
	4 645.2	802.0	213.6	5 660.8
Cost of merchandise sales	(1 332.5)	(223.5)	(88.3)	(1 644.3)
Operating costs	(2 390.5)	(409.1)	(119.2)	(2 918.8)
Segment operating profit before investment income	922.2	169.4	6.1	1 097.7
Segment operating margin	19.9%	21.1%	2.9%	19.4%
Segment assets[1]	3 864.3	650.2	208.0	4 722.5
Capital expenditure	67.7	5.0	23.7	96.4
Depreciation	54.5	5.4	2.9	62.8

(1) Segment assets include net instalment sale and loan receivables of R 4 342.7 million (2015: R 4 302.2 million) and inventory of R 444.5 million (2015: R 420.3 million).

(2) For the prior year, the Beares segment consists of the My Home brand for the full year and Beares from the effective date of acquisition of 1 December 2014.

Geographical	South Africa Rm	Namibia Rm	BLS(*) Rm	Total Rm
2016				
Revenue	4 986.4	382.3	416.3	5 785.0
Non-current assets(1)	408.0	6.8	17.0	431.8
2015 (Restated)				
Revenue	4 888.5	360.7	411.6	5 660.8
Non-current assets(1)	397.4	7.1	8.5	413.0

(*) Botswana, Lesotho and Swaziland

(1) Non-current assets are defined as property, plant and equipment and trademarks.

Notes to the financial statements

for the year ended 31 March 2016

1. **Basis of Reporting**

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) for summary financial statements, and the requirements of the Companies Act applicable to 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 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 summary 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, except for the changes in accounting policies detailed in note 2.1.

2.1. **Restatements**

The group has performed a review of the appropriateness of its accounting policies during the course of the first half of the financial year and identified the following restatements which are the result of clarifying certain accounting policies and the application thereof. These restatements were disclosed in the interim results for the six months ended 30 September 2015 released on 9 November 2015 and for purposes of clarity, there have been no further restatements since then.

(a) Two group subsidiaries, Lewis Stores (Pty) Ltd ("Lewis") and Monarch Insurance Company Limited ("Monarch") were referred by the National Credit Regulator ("NCR") to the National Consumer Tribunal in July 2015. Details of this matter has been set out in note 11.

The NCR alleged that Lewis and Monarch sold loss of employment insurance to pensioners and self-employed persons in contravention of the National Credit Act since 2007. An internal investigation determined that approximately fifteen per cent of pensioners and self-employed persons were invalidly sold such policies through human error and contrary to the group's own internal policies which explicitly prohibit the sale of such policies to such customers. Accordingly, Lewis and Monarch are in the process of refunding the premiums and interest thereon to customers.

The effect of the above was a restatement, which reduced the profit attributable to ordinary shareholders for the year ended 31 March 2015 ("2015 year") by R 3.9 million and retained income as at 31 March 2014 by R 35.4 million.

(b) The unearned premium reserve ("UPR") in Monarch Insurance Company Limited, the insurance subsidiary, has been correctly calculated in terms of the Short-Term Insurance Act by taking into account commission paid to a fellow subsidiary of 12.5%. This commission was previously not eliminated on consolidation. On calculating the group UPR, the 12.5% intercompany commission has now been eliminated to reflect the reserve at 100% of unearned insurance premiums as opposed to the 87.5% provided.

The effect of the error of not eliminating the commission was a restatement, which increased the profit attributable to ordinary shareholders for the 2015 year by R 6.0 million and reduced retained income as at 31 March 2014 by R 123.3 million.

(c) The accounting policy in respect of maintenance contracts has been amended to a more appropriate policy to recognise revenue from maintenance contracts as follows:

- income is deferred until the expiry of the suppliers warranty in terms of the group's contractual arrangement with suppliers which is one year.
- for the two years of the maintenance contract, revenue will be recognised on an expected cost basis which defers revenue in line with the expected cost of rendering the service under the maintenance contract.

2.1 Restatements (continued)

The effect of the above was a restatement, which reduced the profit attributable to ordinary shareholders for the 2015 year by R 29.6 million and retained income as at 31 March 2014 by R 92.2 million.

(d) Income from reinsurance contracts is deferred over the period of the related reinsurance contract. The basis of the deferral, which has been consistently applied, resulted in approximately 75% of the unearned reinsurance premiums being deferred on a straight-line basis over the period of the contract with the remaining balance being recognised in income.

The application of the accounting policy has been revised to defer 100% of the unearned reinsurance premiums on a straight-line basis over the period of the related reinsurance contract. The accounting policy has been updated accordingly.

The effect of the change in policy was a restatement, which reduced the profit attributable to ordinary shareholders for the 2015 year by R 5.7 million and reduced retained income as at 31 March 2014 by R 91.3 million.

(e) With effect from 1 January 2012, the group elected to retain the contingency reserve even though it was no longer required by the Short-Term Insurance Act. This policy has been withdrawn and the contingency reserve of R 55.6 million transferred to retained income as at 31 March 2014.

In terms of IAS 8, the relevant comparative information has been restated and the effect on the financial statements is as follows:

	Audited 2016 Rm	Audited Restated 2015 Rm
Effect on Comprehensive Income:		
Increase/(decrease) in insurance revenue	13.9	(1.5)
Increase/(decrease) in ancillary services	3.0	(41.0)
Increase in interest paid	(2.0)	(3.6)
Increase/(decrease) in profit before taxation	14.9	(46.1)
(Increase)/decrease in taxation	(4.2)	12.9
Effect on net profit attributable to ordinary shareholders	10.7	(33.2)
Movement in other comprehensive income (contingency reserve)	–	0.2
Effect on total comprehensive income	10.7	(33.0)
Effect on Earnings per Share:		
Increase/(decrease) in earnings per share (cents)	12.0 cents	(37.3 cents)
Increase/(decrease) in diluted earnings per share (cents)	12.0 cents	(37.0 cents)
Effect on Total Assets:		
Decrease in trade and other receivable	(352.7)	(386.6)
	(352.7)	(386.6)
Effect on Total Liabilities:		
Increase in Reinsurance and insurance liabilities	153.7	134.7
Decrease in deferred taxation	(141.7)	(145.9)
	12.0	(11.2)
Effect on Net Asset Value:		
Increase/(decrease) in comprehensive income	10.7	(33.0)
Decrease in opening retained income	(319.6)	(286.6)
Decrease in Other reserves	(55.8)	(55.8)
	(364.7)	(375.4)

	Audited 2016 Rm	Audited Restated 2015 Rm
2.1. Restatements		
Effect on Net Asset Value per Share (in cents)		
Decrease in net asset value per share (cents)	(412)	(423)
Effect on Cash Flow Statement:		
Increase/(decrease) in Cash flow from trading	16.8	(42.5)
(Decrease)/increase in Change in working capital	(14.8)	46.1
Increase in interest paid	(2.0)	(3.6)
Effect on Cash flow from operating activities	–	–

2.2 Reclassification

(a) The following reclassifications have been made in the presentation of the 2015 comparative figures:

- the insurance premiums received in advance by the group's insurance subsidiary with respect to term business has been separately disclosed in the balance sheet. It was previously included within trade receivables.
- the unearned premium reserve was previously included within trade receivables as was the insurance premium received in advance. With the separate disclosure of the insurance premiums in advance, the unearned premium reserve has been reclassified with insurance and reinsurance liabilities.
- reinsurance and insurance liabilities included reinsurance assets. These reinsurance assets have been reclassified and reflected separately under current assets.

	Currently Reported	Restated	Previously Reported
Included in the trade and other receivables note (note 8)	4 413.3	5 009.3	5 395.6
Reinsurance assets	418.8	–	–
Insurance premiums received in advance	1 485.5	–	–
Insurance and reinsurance liabilities	1 876.0	504.7	370.0

(b) The movements in long-term and short-term portion of borrowings in the cash flow statement has been reclassified as proceeds from borrowings and repayment of borrowings. The effect of these changes in the cash flow statement are as follows:

	Currently Reported	Previously Reported
Increase/(decrease) in long-term borrowings	–	(175.0)
Decrease in short-term borrowings	–	(50.0)
Proceeds from borrowings	525.0	–
Repayments of borrowings	(750.0)	–
Net movement in borrowings	(225.0)	(225.0)

2.3 Other standards, interpretations, revisions and amendments effective for the current year

The following revisions and amendments to standards and interpretations have become effective for the current financial reporting year, but have had no material impact on the group's results and financial position:

Amendment to IAS 19 - Employee Benefits.
Annual Improvements 2010-2012 cycle.
Annual Improvements 2011-2013 cycle.

Notes to the financial statements

for the year ended 31 March 2016

		Audited 2016 Rm	Audited Restated 2015 Rm
3.	**Cost of merchandise sales**		
	Purchases	1 677.0	1 740.0
	Movement in inventory	(24.2)	(95.7)
	Cost of merchandise sales	1 652.8	1 644.3
	Merchandise Gross Profit	1 014.9	947.2
	Gross profit %	38.0%	36.6%
4.	**Employment costs**		
	Salaries, wages, commissions and bonuses	865.6	800.0
	Retirement benefit costs	63.0	53.4
	Share-based payments	10.3	19.7
	Other employment costs	7.4	7.7
		946.3	880.8
5.	**Debtor costs**		
	Bad debts, repossession losses and bad debt recoveries	765.8	693.3
	Movement in impairment provision	239.3	164.8
		1 005.1	858.1
	Debtor cost as a % of net debtors	17.1%	15.3%
6.	**Taxation**		
6.1	Taxation charge		
	Normal taxation	336.8	296.1
	Deferred taxation	(18.8)	20.1
	Taxation per income statement	318.0	316.2
6.2	**Tax rate reconciliation**		
	Profit before taxation	1 279.5	1 122.3
	Taxation calculated at a tax rate of 28% (2015: 28%)	358.3	314.3
	Differing tax rates in foreign countries	5.4	6.5
	Disallowances and exemptions	(43.5)	(5.8)
	Prior years	(2.2)	1.2
	Taxation per income statement	318.0	316.2
	Effective tax rate	24.9%	28.2%
7.	**Financial assets – insurance investments**		
	Listed		
	Listed shares	–	846.5
	Fixed income securities	432.0	869.1
	Unlisted		
	Money market	1 236.5	127.0
		1 668.5	1 842.6
	Analysed as follows:		
	Non-current	432.0	1 715.6
	Current	1 236.5	127.0
		1 668.5	1 842.6

	Audited 2016 Rm	Audited Restated 2015 Rm
7. Financial assets – insurance investments (continued)		
Movement for the year		
Beginning of the year	1 842.6	1 698.7
Additions to investments	1 574.8	630.5
Disposals of investments	(1 654.4)	(678.7)
Movement in fair value transferred to equity	(94.5)	192.1
End of the year	1 668.5	1 842.6

Investments are classified as available-for-sale and reflected at fair value. Changes in fair value are reflected in the statement of comprehensive income.

The move from term to monthly insurance policies will significantly reduce the capital required by the group's insurance subsidiary. Consequently, to limit the risk, the insurance subsidiary sold the equity and a large portion of the bond portfolio realising a capital gain of R 495.6 million which was included in investment income.

In terms of the fair value hierarchy set out in IFRS 13, listed and unlisted investments are categorised as Level 1 and Level 2 respectively.

A description of the categorisation of the valuation techniques used to value the assets and liabilities at fair value is set out below:

Level 1

Financial instruments valued with reference to quoted prices in active markets where the quoted price is readily available and the price represents actual and recurring market transactions on an arms length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2

Financial instruments valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly, such as:
- quoted prices for similar assets/liabilities in an active market
- quoted prices for identical or similar assets/liabilities in inactive markets
- valuation model using observable inputs
- valuation model using inputs derived from/corroborated by observable market data

		Audited 2016 Rm	Audited Restated 2015 Rm
8.	**Trade and other receivables**		
	Instalment sale and loan receivables	6 482.6	6 223.0
	Unearned provisions	(606.3)	(626.5)
	Provision for unearned maintenance income	(376.5)	(385.0)
	Provision for unearned initiation fees and unearned finance charges	(229.8)	(241.5)
	Net instalment sale and loan receivables	5 876.3	5 596.5
	Provision for impairment	(1 533.6)	(1 294.3)
		4 342.7	4 302.2
	Other receivables	171.6	111.1
		4 514.3	4 413.3

Amounts due from instalment sale and loan receivables after 1 year are reflected as current, as they form part of the normal operating cycle. The credit terms of instalment sale and loan receivables range from 6 to 36 months.

The average effective interest rate on instalment sale and loan receivables is 22.2% (2015: 21.7%) and the average term of the sale is 32.8 months (2015: 32.3 months).

In terms of paragraph 29(a) of IFRS 7, disclosure of fair value is not required as trade receivables form part of a normal operating cycle and the carrying value of trade receivables is a reasonable approximation of fair value.

8.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the group's customers and counterparties fail to fulfill their contractual obligations with the group. The main credit risk faced is that customers will not meet their payment obligations in terms of the sale agreements concluded. The maximum credit exposure is that of accounts receivable, fixed income securities and deposits.

i) Accounts receivable

The group has developed advanced credit-granting systems to properly assess the customer. The credit underwriting process flows through the following stages:

- Credit scoring: this involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. Lewis deals with its new customers and existing customers differently when credit scoring takes places.

  The process differs as follows:
  - for new customers, application risk scorecards predict the risk with the emphasis for such an evaluation on information from credit bureaus and third-party information.
  - for existing customers, behavioural scorecards have been developed to assess the risk through predictive behaviour with the emphasis on the customer's payment record with Lewis, bureau and other information being considered.
- Assessing client affordability: this process involves collecting information regarding the customer's income levels, expenses and current debt obligations. Lewis has its own priority expense model based on surveys conducted with customers in addition to the National Credit Regulator's expense table.
- Determining the credit limit for the customer: the customer's risk score determined by the scorecard together with the expense assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

The credit granting systems enable the group to determine its appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit-granting system. The group monitors any variances from the level of risk that has been adopted and adjusts the credit-granting process on a regular basis.

The group manages its risk effectively by assessing the borrower's ability to service the proposed monthly instalment. However, collateral exists in that ownership of merchandise is retained until the customer settles the account in full.

Impairment provision

The customer's payment profile is managed using payment ratings. Payment ratings are determined on an individual customer level and aggregated over all the customer's sub-accounts. Payment ratings measure the customer' s actual payments received over the lifetime of the account relative to the instalments due in terms of the contract. These payment ratings are used to categorise and report on customers at the store level to follow up the slow paying and non-performing customers. There are 13 payment rating categories a customer can fall into following the monthly assessment.

The payment rating is integral to the calculation of the debtor's impairment provision. Impaired receivables are carried at their net present value of the estimated future cash flows from such accounts, discounted at the original effective interest rate implicit in the credit agreement. Estimated future cash flows are projected utilising the payment ratings.

The management of the debtor book and the determination of the impairment provision utilises the payment rating as a leading indicator. Past customer behaviour as reflected in the payment ratings determine future expected collections for the purpose of the impairment provision. The impairment provision being the result of the payment ratings is a key indicator to the ultimate cash recovery expected for each individual customer.

The impairment calculation is performed on a monthly basis taking into account the payment behaviour of the debtor's book having regard to the payment rating and age of the debtor's account. Various profiles of the impairment provision are prepared monthly. The credit risk systems (the system that monitors the customers payment behaviour post- credit granting) also produces customer payment data. The aforementioned and the key indicators are monitored by senior management to analyse and assess the state of the debtor's book. Daily collection statistics are also collated to identify trends early.

The key indicators that are reviewed include, inter alia, the following:

- number of satisfactorily paid customers. While the expectation is that the gross receivables would be the key indicator, this is not the case as there is a distortion created by the slow-paying and non-performing customer's balances growing faster than satisfactory paid customers due to longer-term business settling in the base. The key operational objective is to have as many satisfactory paid customers as possible as it is the group's expectation that these customers will settle their accounts, albeit that certain categories of satisfactory paid customers may settle passed their contractual term. Satisfactory paid customers are the source of future repeat business which is one of the core strengths of the business model.
- the level of impairment provision applicable to the payment rating and the trend thereof over the months. This is correlated with collection statistics and customer payment data produced by the credit risk systems.

Contractual arrears

The key aspect of the arrear calculation is Lewis's policy not to reschedule arrears nor to amend the terms of the original contract. In other words, the contractual arrears calculated is the actual arrears in terms of the originally signed agreement.

From the onset of the agreement, contractual arrears is calculated by comparing payments made life to date with the originally calculated instalments due life to date, causing a customer who is paying less than the required contracted instalment to immediately fall into arrears. Once the customer exceeds the term of the agreement by paying less than the required contracted instalments, the full balance owing will be in arrear.

The group does not consider arrears the leading indicator, but rather payment ratings for the reasons mentioned above.

8.1 **Credit risk (continued)**

Combined impairment and contractual arrears table

The table reflects the following:

- a summary of the four main groupings of payment ratings describing payment behaviour. The payment ratings categorise individual customers into 13 payment categories. For purposes of this table, the payment ratings have been summarised into four main groupings.
- for each of the four main groupings of payment ratings, the following is disclosed:
  - Number of customers
  - Gross receivables. Note that unearned provisions have not been allocated to this amount.
  - Impairment provision allocated to each grouping.
  - Contractual arrears for each grouping split per number of instalments in arrears.

The table referred to above is set out below:

Gross Debtor Analysis

MARCH 2016	Customer grouping		Number of Customers Total	Gross Receivables R'000	Impairment Provision R'000	Total Arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	4 R'000	> 4 R'000
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period. The provision in this category results from *in duplum* provision.	No %	459 390 68.8%	3 775 137 58.2%	38 319 2.5%	641 286	175 898	121 896	90 493	67 565	185 434
Slow payers	Customers fully up to date including those who have paid 65% to 70% of amounts due over the contract period. The provision in this category ranges from 13% to 72% of amounts due and includes an *in duplum* provision.	No %	54 507 8.1%	558 758 8.7%	176 249 11.5%	313 201	37 684	36 322	33 604	30 913	174 678
Non performing accounts	Customers who have paid between 55% and 65% of amounts due over the contract period. The provision in this category ranges from 24% to 86% of amounts due.	No %	50 690 7.6%	589 858 9.1%	241 999 15.8%	353 286	35 071	33 189	31 195	29 501	224 330
Non performing accounts	Customers who have paid 55% or less of amounts due over the contract period. The provision in this category ranges from 34% to 100% of amounts due.	No %	103 495 15.5%	1 558 864 24.0%	1 077 046 70.2%	1 068 377	70 458	68 649	66 504	64 447	798 319
Total			668 082	6 482 617	1 533 613	2 376 150	319 111	260 056	221 796	192 426	1 382 761
Unearned provisions (refer note 8)				(606 354)							
Net instalment sale and loan receivables				5 876 263	26.1%						

MARCH 2015	Customer grouping		Number of Customers Total	Gross Receivables R'000	Impairment Provision R'000	Total Arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	4 R'000	> 4 R'000
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period. The provision in this category results from *in duplum* provision.	No %	473 901 68.7%	3 734 088 60.0%	21 090 1.6%	565 057	171 459	114 831	82 851	60 838	135 078
Slow payers	Customers fully up to date including those who have paid 65% to 70% of amounts due over the contract period. The provision in this category ranges from 12% to 74% of amounts due and includes an *in duplum* provision.	No %	56 347 8.2%	515 896 8.3%	140 419 10.8%	267 921	36 137	34 574	31 424	28 511	137 275
Non performing accounts	Customers who have paid between 55% and 65% of amounts due over the contract period. The provision in this category ranges from 23% to 87% of amounts due.	No %	52 433 7.6%	535 674 8.6%	199 613 15.4%	293 763	33 284	30 851	28 464	26 565	174 599
Non performing accounts	Customers who have paid 55% or less of amounts due over the contract period. The provision in this category ranges from 34% to 100% of amounts due.	No %	107 167 15.5%	1 437 358 23.1%	933 224 72.1%	919 049	68 722	66 159	62 982	60 396	660 790
Total			689 848	6 223 016	1 294 346	2 045 790	309 602	246 415	205 721	176 310	1 107 742
Unearned provisions (refer note 8)				(626 428)							
Net instalment sale and loan receivables				5 596 588	23.1%						

Note:

1. Due to the reclassification of insurance premiums in advance, gross receivables have been presented for the first time, analysed by payment rating grouping. This information could not be presented in the past, as insurance premiums in advance were included in gross receivables and it was not possible to analyse insurance premiums in advance into payment rating groupings.
2. The unearned provisions have not been allocated to gross receivables.
3. Arrears have been categorised by number of instalments in arrear.

8.1 Credit risk (continued)

Satisfactory paid arrears	Audited 2016 Rm	Audited restated 2015 Rm
The ageing of satisfactory paid receivables past due but not impaired is as follows:		
1 instalment in arrear	175.9	171.5
2 instalments in arrear	121.9	114.8
3 instalments in arrear	90.5	82.9
4 instalments in arrear	67.6	60.8
5 or more instalments in arrear	185.4	135.1
Satisfactory paid receivables past due but not impaired	641.3	565.1

An *in duplum* provision of R 38.3 million (2015: R 21.1 million) has been provided across all arrear categories for satisfactory paid customers.

Debtor costs (impairment losses)

The group employs a store based collection system which allows the collection staff to deal with customers face to face, thus maximising collections and minimising debtors costs. Bad debt write-off's are initiated where the customer payment behaviour cannot be rehabilitated. Bad debts result where the customer's account is written off or the goods repossessed.

The decision to write-off will take into account where applicable, recent payment behaviour, payment ratings, age of the account, whether the customer has exceeded their contractual terms and arrears. Debtor costs are set out in note 5.

	Audited 2016 Rm	Audited Restated 2015 Rm
9. Reinsurance and Insurance Liabilities		
Unearned Premium Reserve, net of reinsurance	726.8	889.5
Unearned Insurance Premiums	1 090.8	1 345.6
Less: reinsurer's share of unearned premiums	(364.0)	(456.1)
Due to reinsurers	98.4	134.4
Other insurance and reinsurance provisions	327.9	370.3
Gross insurance and reinsurance provisions	361.2	396.0
Less: reinsurer's share of insurance provisions	(33.3)	(25.7)
	1 153.1	1 394.2
Disclosed as:		
– Reinsurance assets	(397.3)	(481.8)
– Reinsurance and insurance liabilities	1 550.4	1 876.0
	1 153.1	1 394.2

		Audited 2016 Rm	Audited Restated 2015 Rm
10.	**Purchase of Businesses**		
	Trademarks	(6.0)	(61.1)
	Property, plant & equipment	(3.1)	(9.7)
	Inventory	(26.5)	(33.6)
	Trade receivables	(77.5)	–
	Accounts payable	6.2	8.7
	Deferred tax	5.4	17.1
	Gain on acquisition of Beares	0.4	12.0
	Total consideration	(101.1)	(66.6)

During the current year, the group's subsidiaries in Lesotho and Botswana have acquired on 8 December 2015 and 8 March 2016 respectively the businesses trading under the Ellerines and Beares brands from the relevant in-country subsidiaries of Ellerines Services Proprietary Limited (subsidiary of Ellerines Furnishers Proprietary Limited in business rescue). The businesses consisted of 30 stores, the Ellerines and Beares brands, trade receivables, inventory and fixed assets. The purchase consideration was paid by cash and assumption of liabilities. The stores will trade either under the Lewis or Beares brands.

In the prior year, the wholly owned subsidiary of the group, Lewis Stores (Pty) Ltd acquired the Beares South African business from Ellerines Furnishers Proprietary Limited (in business rescue). The business consisted of the acquisition of 61 stores, the Beares brand, inventory and fixed assets. The purchase consideration was paid by cash and the assumption of liabilities.

11. Regulatory Matters

Referrals by National Credit Regulator to the National Credit Tribunal

As shareholders are aware in July 2015, the National Credit Regulator ("NCR") referred both Lewis and Monarch to the National Consumer Tribunal ("NCT") for alleged breaches of the National Credit Act ("NCA") in relation to the sale of loss of employment insurance, and also the sale of disability cover to customers who were pensioners or self-employed persons .

Following an internal investigation the group identified approximately fifteen percent of cases where loss of employment insurance policies were invalidly sold to pensioners and self-employed customers as a result of human error at store level and contrary to company policy. Lewis is currently refunding the premiums and interest totalling approximately R 67.7 million to the affected customers. (Refer note 2.1 (a))

Lewis and Monarch have opposed the Referral, filing detailed answering affidavits which address both issues. The Tribunal has set the date of hearing for the matter as 28 July 2016. Shareholders will in due course be advised of the outcome of the hearing, once the ruling of the Tribunal has been made available.

In April 2016, the NCR referred Lewis to the NCT for alleged breaches of the NCA relating to club fees and extended maintenance contracts charged to its customers. Lewis has opposed the second Referral and filed a comprehensive answering affidavit disputing the NCR's allegations. A date of hearing will be set in due course by the NCT.

High Court Summonses

In February 2016, Lewis was served with a summons issued in the name of 15 plaintiffs and in April 2016, a second summons was served by 13 plaintiffs, all plaintiffs being existing or previous customers of Lewis. The summonses were issued at the direction of Summit Financial Partners. The total quantum of both claims is R 85 082 plus interest. The plaintiffs' claims are for damages as a consequence of alleged breaches of the NCA in relation to delivery charges and extended maintenance contracts.

Lewis disputes liability on the merits and various other grounds and is contesting the action.

Section 165 of Companies Act

In May 2016, Mr David Woollam addressed a letter to the Lewis board of directors demanding that Lewis commences with proceedings to declare Johan Enslin, Les Davies, David Nurek and Hilton Saven, delinquent directors in accordance with the provisions of section 165 of the Companies Act.

The directors of the Board of Lewis, who had not been made the subject of the demand, considered the demand, and also consulted the company's attorneys. Having done so, the directors were satisfied that the demand of Mr Woollam was frivolous, vexatious and of no merit and they resolved that the company launch proceedings in terms of section 165(3) of the Companies Act to set the demand aside. Those proceedings were launched on 8 June 2016, in the Western Cape Division of the High Court, in Cape Town and the matter will be heard on 18 August 2016. Once the court has delivered its judgment in the matter, shareholders will be advised of the outcome.

	Audited 2016 Rm	Audited Restated 2015 Rm
12. Interest-bearing borrowings		
Long-term	1 375.0	825.0
Short-term	600.0	749.0
	1 975.0	1 574.0
Consisting of:		
– Bank borrowings at interest rates linked to 3-month JIBAR. The weighted average interest rate at the end of the reporting period is 9.4% (2015: 8.2%).	1 675.0	1 225.0
– 3 year floating note issued under the group's Domestic Medium-Term Note Program at 158 basis points above the 3-month JIBAR.	300.0	300.0
– Demand loans at short-term money market rates.	–	49.0
	1 975.0	1 574.0
The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are set out below in terms of financial reporting years:		
Variable interest rates:		
2016	–	700.0
2017	600.0	525.0
2018	375.0	300.0
2019	1 000.0	–
On demand	–	49.0
	1 975.0	1 574.0

The above borrowings are unsecured. The group has committed facilities with banks and financial institutions of R 2 425 million (2015: R 2 025 million) and has established a Domestic Medium-Term Note Program ("DMTN") in October 2013, under which the group can issue notes up to R 2 billion.

The fair value of borrowings approximates its carrying value.

	Audited 2016 Rm	Audited Restated 2015 Rm
13. Capital commitments		
Material capital commitments contracted for or authorised and contracted at the end of the year.		
The purchase of the Beares and Ellerines businesses in Namibia and Swaziland on 8 May 2015 and 8 April 2016 respectively.	100.00	–

Shareholders' information

Shareholders spread as at 31 March 2016:

	Number of shareholders		Number of shares	
	Total	%	Total	%
1 – 1 000 shares	1 478	61.33	575 169	0.59
1 001 – 10 000 shares	599	24.85	2 042 027	2.08
10 001 – 100 000 shares	237	9.83	7 780 900	7.94
100 001 – 1 000 000 shares	78	3.24	22 090 284	22.53
1 000 001 shares and over	18	0.75	65 569 579	66.86
Total	2 410	100.00	98 057 959	100.00

Distribution of shareholders as at 31 March 2016:

	Number of shareholders		Number of shares	
	Total	%	Total	%
Public:	2 400	99.59	87 562 163	89.30
Unit Trusts/Mutual Funds			50 673 590	51.67
Pension Funds			20 140 025	20.54
Other			16 748 548	17.09
Non-public:	10	0.41	10 495 796	10.70
Lewis Stores Proprietary Limited	1	0.04	9 216 928	9.40
Lewis Employee Incentive Scheme Trust	1	0.04	341 666	0.34
Directors:				
Lewis Group Limited	5	0.21	817 184	0.83
Lewis Stores Proprietary Limited	3	0.12	120 018	0.13
	2 410	100.00	98 057 959	100.00

Major shareholdings as at 31 March 2016:

According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 56 of the Companies Act of 2008, the following entities owned in excess of 3% of the company's shares as at 31 March 2016:

Beneficial shareholders:	%
Trimark Global Endeavour Fund	12.92
Lewis Stores Proprietary Limited	9.40
Government Employee Pension Fund	8.57
Trimark Global Balanced Fund	4.50
Pyramis Group Trust Employee Benefit Plan	3.12
Allan Gray Balanced Fund	3.10
By Fund Manager:	
Invesco Limited	17.43
Allan Gray	9.81
FMR LLC	8.24
Public Investment Corporation	8.19
Dimensional Fund Advisors	4.89
Stonehage Trust Holdings (Jersey)	4.54
LSV Asset Management	3.50

Geographical analysis of shareholders:	
Beneficial shareholders:	
South Africa	47.70
North America	39.69
Rest of World	12.61
	100.00
By Fund Manager:	
South Africa	44.77
North America	39.45
Rest of World	15.78
	100.00

Domestic Medium-Term Note Programme

Under this programme, the following notes have been issued:

– 3 year floating note maturing on 31 October 2016

In accordance with section 56(7) of the Companies Act, disclosure of beneficial holdings in excess of 5% of each class of note issued is set out below:

3 Year floating rate note:	
Nedcor Capital Treasury	50.00
Sanlam Life Insurance Limited	21.66
PT Conservative Managed Fund	13.33

Shareholder calendar

Financial year-end	31 March 2016
Final profit announcement	25 May 2016
Final dividend declared	25 May 2016
Annual report	30 June 2016
Record date for voting at the annual general meeting	7 October 2016
Annual general meeting	21 October 2016
Interim profit announcement	9 November 2016

Pending dividend	
Dividend per share	302 cents
Net dividend receivable per share (if not exempt from dividend tax)	256.7 cents
Date dividend declared	25 May 2016
Last day to trade "cum" dividend	19 July 2016
Date trading commences "ex" dividend	20 July 2016
Record date	22 July 2016
Date of dividend payment	25 July 2016

Notice of annual general meeting

Notice of annual general meeting
continued

Lewis Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2004/009817/06)
JSE Share Codes:
LEW ISIN: ZAE000058236
LEW01 ISIN: ZAG000110222
("Lewis Group" or "the Company")

Notice is hereby given that the twelfth annual general meeting of shareholders ("AGM") of Lewis Group Limited for the year ended 31 March 2016 will be held at Lewis Group head office, 53A Victoria Road, Woodstock, Cape Town at 08:30 am on Friday, 21 October 2016. **Registration will start at 08:00 am.**

The board of directors of the Company determined that the record date for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the AGM is 7 October 2016. The board of directors ("the board") has determined that the record date by when persons must be recorded as shareholders in the securities register of the Company in order to be entitled to receive the notice of AGM is 17 June 2016.

The purpose of the AGM is for the following business to be transacted, and to consider and, if approved, to pass with or without modification, the following ordinary and special resolutions, in the manner required by the Company's memorandum of incorporation ("MOI"), the Companies Act No. 71 of 2008, as amended ("the Companies Act"), as read with the Listings Requirements of the exchange operated by JSE Limited ("the JSE") ("the JSE Listings Requirements"):

1. Presentation of the Audited Annual Financial Statements of the Company, including the reports of the directors and the audit committee, for the year ended 31 March 2016

In terms of the Companies Act, the audited financial statements of the Company (including the reports of the directors and the audit committee) for the year ended 31 March 2016 as approved by the board of directors will be presented to shareholders. A summary of such annual financial statements is set out on pages 89 to 107 of the document of which this notice of annual general meeting forms part (the integrated annual report). This summary is not exhaustive and the complete annual financial statements of the Company and its subsidiaries should be read in their entirety for a full appreciation of their contents. The complete audited annual financial statements of the Company and its subsidiaries are available for inspection at the Company's registered office, and an electronic copy is available on the Company's website **www.lewisgroup.co.za**. Alternatively, shareholders can request that a complete copy of the annual financial statements of the Company and its subsidiaries be posted or e-mailed to them by contacting Diane Rafferty on diane.rafferty@lewisgroup.co.za.

2. Presentation of Social Ethics and Transformation Committee Report

3. Ordinary resolution number 1

Election of directors

Explanatory Note

In terms of the Company MOI, at each AGM, one third of the longest-serving non-executive directors of the Company must retire. In addition, any non-executive director who has held office for three years since his/her last election must retire at the AGM. The non-executive directors who are due to retire by rotation at this AGM are Prof F Abrahams, Mr H Saven and Mr A Smart.

The purpose of these ordinary resolutions is to propose the re-election of each director who retires in terms of the Company's MOI, being Prof F Abrahams, Mr H Saven and Mr A Smart. The Nominations Committee has considered the proposed re-election of each of these directors and recommends that each of them be re-elected. The election will be conducted by a series of separate votes in respect of each candidate.

Each of these directors offers himself / herself for re-election.

Brief CV's of the directors are on pages 22 to 23 of the document of which this notice of AGM forms part.

Re-election of Prof. F Abrahams as director

1.1 "Resolved that Prof. F Abrahams be and is hereby elected as a director of the Company."

Re-election of Mr. H Saven as director

1.2 "Resolved that Mr. H Saven be and is hereby elected as a director of the Company."

Re-election of Mr. A Smart as director

1.3 "Resolved that Mr. A Smart be and is hereby elected as a director of the Company."

4. Ordinary resolution number 2

Election of members of the audit committee

Explanatory Note

In terms of the Companies Act, at each annual general meeting an audit committee comprising at least three members must be elected. It is proposed that the following non-executive directors be elected as members of the Audit Committee for the ensuing year. The election of each member of the audit committee will be voted on separately.

Brief CV's of the members are on pages 22 to 23 of the document of which this notice of AGM forms part.

Election of Mr. H Saven as member of the audit committee

2.1 "Resolved that Mr H Saven be and is hereby elected as a member of the audit committee, subject to his re-election as a director in terms of ordinary resolution number 1.1."

Election of Mr. A Smart as member of the audit committee

2.2 "Resolved that Mr A Smart be and is hereby elected as a member of the audit committee, subject to his re-election as a director in terms of ordinary resolution number 1.3. "

Election of Mr.BJ van der Ross as member of the audit committee

2.3 "Resolved that Mr. BJ van der Ross be and is hereby elected as a member of the audit committee."

5. Ordinary resolution number 3

Approval of reappointment of auditors

Explanatory Note

In terms of the Companies Act, the Company must each year at its AGM appoint an external auditor. The Company's current external auditor is PricewaterhouseCoopers Inc, which has indicated that Mrs Allison Legge who is a director of the firm, a registered auditor and accredited with the JSE in accordance with the JSE Listings Requirements will undertake the audit. The Company's Audit Committee has recommended that the firm, PricewaterhouseCoopers Inc, and the designated auditor, Mrs Allison Legge, be appointed for the ensuing period.

"Resolved that the firm PricewaterhouseCoopers Inc (and Mrs Allison Legge as the designated auditor) be appointed as auditor for the Company for the ensuing year."

6. Non-Binding advisory vote

Approval of the Company's remuneration policy

Explanatory Note

In terms of principle 2.27 of the King Report on Corporate Governance in South Africa, 2009, the Company's remuneration policy should be tabled to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. Accordingly, the shareholders are requested to endorse the Company's remuneration policy on pages 30 to 53 in the Remuneration Report, by way of a non-binding advisory vote.

"Resolved that the company's remuneration policy accompanying this notice be accepted and approved."

7. Special resolution number 1

Approval of non-executive directors' fees

Explanatory Note

In terms of section 66(8) of the Companies Act, the Company may pay remuneration to its directors for their service as directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by shareholders within the previous two years.

The effect of the adoption of this special resolution number 1 will be that the non-executive directors will be entitled to be paid the fees listed below in respect of the period from 1 July 2016 until 30 June 2017, such fees to be paid in instalments at the end of each quarter. The proposed fees have been increased by approximately 5% over the corresponding fees that were approved in respect of the period from 1 July 2015 to 30 June 2016.

"Resolved that the fees of the non-executive directors as reflected below be approved for the period from 1 July 2016 until 30 June 2017:

Chairman	R 535 000
Non-Executive Director	R 255 000
If a member of the Audit Committee the following additional amount:	
Chairman	R 262 000
Member	R 112 000
If a member of the Risk Committee the following additional amount:	
Chairman	R 126 000
Member	R 79 000
If a member of the Remuneration Committee the following additional amount:	
Chairman	R 126 000
Member	R 63 000
If a member of the Nomination Committee the following additional amount:	
Chairman	R 85 000
Member	R 37 000
If a member of the Social Ethics and Transformation Committee the following additional amount:	
Chairman	R 126 000
Member	R 63 000

Invitation Fee:

All non-executive directors who attend the committee meetings by invitation at the request of the board shall be eligible to receive the same fee as if they were a member of the committee."

8. Special resolution number 2

Shareholders' authorisation of the continued issuance of Notes under the Company's Domestic Medium-Term Notes Programme

Explanatory Note

By special resolution passed on 16 August 2013, shareholders of the Company authorised the establishment of Company's domestic medium term notes programme ("DMTN Programme") and authorised the board to issue tranches of notes ("Notes") thereunder from time to time provided that the maximum nominal amount of Notes outstanding from time to time is ZAR 2 billion. The reason for this special resolution number 2 is to confirm the authorization to the board to continue to issue further Notes under the DMTN Programme from time to time in accordance with and subject to the terms and conditions of the DMTN Programme.

"Resolved that board is hereby authorized to continue to issue Notes under the Company's DMTN Programme from time to time in accordance with and subject to the terms and conditions of the DMTN Programme."

9. Special resolution number 3

Shareholders' general authorisation of financial assistance

Explanatory Note

The reason for this special resolution number 3 is to provide general authority, in terms of sections 44(3)(ii) and 45(3)(a)(ii) of the Companies Act, for the Company to provide financial assistance to its subsidiaries and other related and inter-related companies and corporations including pursuant to the Company's DMTN Programme.

Sections 44 and 45 of the Companies Act provide, inter alia, that any financial assistance to related or inter-related companies and corporations, including, inter alia, to subsidiaries of the Company, must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the board of directors must be satisfied that –

- immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test, as defined in section 4 of the Companies Act;
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company; and
- any conditions or restrictions in respect of the granting of financial assistance set out in the Company's MOI have been satisfied.

When the need arises, the Company provides loans to and/or guarantees loans or other obligations of its subsidiaries. The Company requires the ability to continue providing financial assistance, when necessary, to its current and future subsidiaries and/or any other company or corporation that is or becomes related to or inter-related with the Company, in accordance with sections 44 and 45 of the Companies Act.

In the circumstances and in order to, inter alia, ensure that the Company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the Company, it is necessary to obtain the approval of shareholders, as set out in special resolution number 2.

The passing of this special resolution will have the effect of allowing the directors of the Company to authorise the Company to provide direct or indirect financial assistance to the Company's subsidiaries and other related and inter-related companies and corporations to allow such companies or corporations to have access to financing and/or financial backing from the Company.

"Resolved that the board of directors of the Company may, subject to compliance with the requirements of the Company's MOI and the Companies Act, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related to or inter-related with the Company for any purpose or in connection with any matter. The financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending 2 (two) years after such date."

10. Special resolution number 4

General authority to repurchase shares

Explanatory note

The reason for special resolution number 4 is to grant the directors of the Company and/or subsidiaries of the Company a general authority in terms of the Companies Act and the JSE Listings Requirements to acquire no more than 3% of the Company's ordinary shares in aggregate, subject to the terms and conditions set out in the resolution. The directors require that such general authority should be implemented in order to facilitate the repurchase of the Company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the Company and its shareholders.

"Resolved that the Company hereby approves, as a general approval contemplated in sections 46 and 48 of the Companies Act (including but not limited to section 48(8)(a) of the Companies Act), the acquisition by the Company or any of its subsidiaries from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the MOI, the provisions of the Companies Act and the JSE Listings Requirements as presently constituted and which may be amended from time to time, and provided further that:

- acquisitions by the Company and its subsidiaries of shares in the capital of the Company in terms of this general authority to repurchase shares may not, in the aggregate, exceed in any one financial year 3% (three per cent) of the Company's issued ordinary share capital of the class of the repurchased shares from the date of the grant of this general authority;

- any such repurchase shall be implemented through the order book operated by the JSE trading system, without any prior understanding or arrangement between the Company and the counterparty;
- authorisation thereto being given by the MOI;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- an announcement will be published as soon as the Company and/or its subsidiaries has/have acquired ordinary shares in terms of this authority constituting, on a cumulative basis, 3% (three per cent) of the initial number of ordinary shares in issue at the time that this authority is granted by the shareholders, and for each 3% (three per cent) in aggregate of the initial number of shares repurchased thereafter, containing full details of such repurchases as required in terms of the JSE Listings Requirements;
- in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired will be 10% (ten per cent) of the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- the Company and/or its subsidiaries do not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed and such programme has been submitted to the JSE in writing. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- the repurchase shall only be effected if the board of directors has at the time of the repurchase passed a resolution authorising the repurchase in terms of sections 48 and 46 of the Companies Act and it reasonably appears that the Company and its subsidiaries have satisfied the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Company and its subsidiaries; and
- the Company only appoints one agent at any point in time to effect repurchases on its behalf."

Director's statement:

The board of directors has no specific intention, at present, for the Company to repurchase any of its shares, but consider that such a general authority should be put in place should an opportunity present itself to do so during the year, which the board deems to be in the best interests of the Company and its shareholders, taking prevailing market conditions and other factors into account.

Pursuant to and in terms of the JSE Listings Requirements, the board of directors of the Company hereby confirms that, after considering the effect of a repurchase of ordinary shares in terms of the aforegoing general authority (being 3% (three per cent) of the Company's issued ordinary share capital of the class of the repurchased shares in any financial year from the date of the grant of this general authority), the directors are of the opinion that the following conditions have been and will be met:

- the Company and the group will be able in the ordinary course of business to pay their debts for a period of 12 (twelve) months after the date of this notice of the AGM;
- the assets of the Company and group are to be in excess of the liabilities of the Company and group for a period of 12 (twelve) months after the date of this notice of AGM (for this purpose the assets and liabilities are recognised and measured in accordance with the accounting policies used in the audited financial statements for the year ended 31 March 2016);
- the share capital and reserves of the Company and group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of the AGM;
- the working capital of the Company and the group are adequate for ordinary business purposes for a period of 12 (twelve) months after the date of this notice of the AGM; and
- a resolution being passed by the board that it authorised the repurchase of shares, that the Company and its subsidiaries have passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the group.

The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

Major beneficial shareholders – page 109 of the document of which this notice of AGM forms part.

Share capital of the Company – page 29, note 9 of the annual financial statements.

Directors' responsibility statement

The directors, whose names appear on pages 22 and 23 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the special resolution, read with the document of which this notice of AGM forms part contains all information required by the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in the integrated annual report, there have been no material changes in the affairs or financial position of the group since the date of signature of the audit report and up to the date of this notice.

11. Ordinary resolution number 4

Directors' authority to implement Company resolutions

"Resolved that each and every director of the Company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

12. To transact such other business that may be transacted at an annual general meeting.

General instructions and information

1. Unless otherwise specifically provided in this notice of AGM, for any of the ordinary resolutions to be adopted, 50% of the voting rights plus 1 vote exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.
2. In accordance with section 63(1) of the Companies Act, participants at the AGM will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly provide a copy of their identity document, passport or drivers' licence at the AGM for verification.
3. The Company intends to make provision for shareholders of the Company, or their proxies, to participate in the AGM by way of electronic communication. Should you wish to participate in the AGM by way of electronic communication, you are required to give notice of such proposed participation to the Company at its registered office by no later than 12h00 on 7 October 2016. Such notice must be accompanied by the following:

a. if the shareholder is an individual, a certified copy of his identity document and/or passport;

b. if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the AGM and a certified copy of the authorised representative's identity document and/or passport;

c. a valid e-mail address and/or facsimile number for the purpose of receiving notice of the manner in which the electronic participation will be conducted.

If you provide the Company with the aforesaid notice and documents, the Company shall use its reasonable endeavours to notify you of the relevant details of the electronic communication through which you can participate in the AGM.

4. All shareholders are encouraged to attend, speak and vote at the AGM and are entitled to appoint a proxy to attend, speak and vote at the meeting in place of the shareholder. The proxy duly appointed to act on behalf of a shareholder, need not also be a shareholder of the Company.

Notice of annual general meeting
continued

5. On a show of hands, every shareholder of the Company present in person or represented shall have one vote only. On a poll, every shareholder present in person, by proxy or represented shall have one vote for each share held.
6. If you hold certificated shares (i.e. have not dematerialised your shares in the Company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Security Depository Participant ("CSDP") to hold your shares in your own name in the Company sub-register) then:

- you may attend and vote at the AGM; alternatively
- you may appoint a proxy to represent you at the AGM by completing the attached form of proxy and, for administrative reasons, returning it to the Company's transfer secretary (Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2017)) or lodging it at the registered office of the Company by no later than 48 hours prior to the time appointed for the holding of the meeting; and/or
- you may participate in the AGM by way of electronic participation in accordance with paragraph 3 above.

7. Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE Limited's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the Company, your CSDP or broker (or their nominee) would be. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- if you wish to participate in the AGM (either by being physically present at the meeting or by way of electronic participation in accordance with paragraph 3 above) you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the AGM but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the AGM and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.
- CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the AGM (either by being physically present at the meeting or by way of electronic participation in accordance with paragraph 3 above) or by completing the attached form of proxy in accordance with the instructions thereon and for administrative purposes, returning it to the Company's Transfer Secretary (Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2017)) or lodging it at the registered office of the Company, for administrative reasons, not less than 48 hours prior to the time appointed for the holding of the meeting.

8. Shareholders of the Company that are companies, that wish to participate in the AGM, may authorise any person to act as its representative at the AGM.

By order of the Board

MG McCONNELL

Company Secretary

27 June 2016

Proxy form

Lewis Group Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 2004/009817/06)
JSE Share Codes:
LEW ISIN: ZAE000058236
LEW01 ISIN: ZAG000110222
("Lewis Group" or "the Company")

For use at the annual general meeting of the Company to be held at Lewis Group Head Office, 53A Victoria Road, Woodstock, on Friday 21 October 2016 at 08:30 am ('the annual general meeting").

Not to be used by beneficial holders of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an "own name" dematerialised shareholder ("own name dematerialised shareholder"). Generally, you will not be an own name dematerialised shareholder unless you have specifically requested the CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

Only for use by certificated, own name dematerialised shareholders and CSDP's or brokers (or their nominees) registered in the Company's sub-register as the holder of dematerialised ordinary shares.

I/We (block letters), ______________________________

Of (address) ______________________________

Telephone: (Work) ____________________ Telephone: (Home) ____________________

Being the holder/s of____________________ ordinary shares in the Company, hereby appoint (see instruction overleaf)

1.______________________________or failing him/her

2.______________________________ or failing him/her

3.The chairperson of the annual general meeting,

as my/our proxy to attend, speak and vote (or abstain from voting) and act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and if deemed fit passing, with or without modification, the resolutions to be proposed thereat and at any adjournment or postponement thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s in accordance with the following instructions (see instruction overleaf).

	Insert an "X"		
	In favour of	Against	Abstain
Ordinary resolution 1.1 Election of Prof. Fatima Abrahams as a non-executive director			
Ordinary resolution 1.2 Election of Mr. H Saven as a non-executive director			
Ordinary resolution 1.3 Election of Mr A Smart as a non-executive director			
Ordinary resolution 2.1 Election of Mr. A Smart as a member of the audit committee			
Ordinary resolution 2.2 Election of Mr. H Saven as a member of the audit committee			
Ordinary resolution 2.3 Election of Mr. BJ van der Ross as a member of the audit committee			
Ordinary resolution number 3 Approval of reappointment of auditors			
Non-Binding advisory vote Approval of the Company's remuneration policy			
Special resolution number 1 Approval of directors' fees			
Special resolution number 2 Shareholders' authorisation of continued issuance of Notes under the Company's Domestic Medium-Term Notes Programme			
Special resolution number 3 General authorisation of financial assistance			
Special resolution number 4 General authority to repurchase shares			
Ordinary resolution number 4 Directors' authority to implement Company resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote (instruction overleaf).

Signed at ____________________on____________________2016

Signature/s______________________________

(Authority of signatory to be attached of applicable-see instruction overleaf)

Assisted by ______________________________

(where applicable)

Telephone number: ______________________________

Please read the notes on reverse side.

Proxy form
continued

Instructions on signing and lodging the proxy form:

1. A certificated or own-name dematerialised shareholder or CSDP or broker registered in the Company's sub-register may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the chairperson shall be deemed to be appointed as the proxy to vote or abstain as the chairperson deems fit.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. Proxy forms should be forwarded to reach the Company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2017), or lodged with the company secretary to be received, for administrative reasons, by no later than 08:30 on Wednesday, 19 October 2016.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting. CSDPs or brokers registered in the Company's sub-register voting on instructions from owners of shares registered in the Company's sub-sub-register, are requested that they identify the owner in the sub-sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the company's secretary together with this form of proxy.
6. In the case of joint holder, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, for which purpose seniority will be determined by the order in which the names appear on the register of shareholders in respect of the joint holding.
7. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such member wish to do so.
8. The completion of any blank spaces overleaf need to be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
9. The chairman of the annual general meeting may in his absolute discretion reject or accept any proxy form which is completed other than in accordance with these notes.
10. If required, additional forms of proxy are available from the secretary of the Company.
11. Shareholders which are a company or body corporate may by resolution of their directors, or other properly authorised body, authorise any person to act as their representative.
12. The representative will be counted in the quorum and will be entitled to vote on a show of hands or on a poll.
13. The shareholder's proxy may delegate his/her authority to act on the shareholder's behalf to another person, subject to any restriction set out in the proxy form.
14. The appointment of the proxy or proxies will be suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any of the shareholder's rights as a shareholder at the annual general meeting.
15. The appointment of a proxy is revocable unless the shareholder expressly states otherwise in the proxy form.
16. As the appointment of the shareholder's proxy is revocable, the shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on the shareholder's behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid.
17. If the proxy form has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act to be delivered by the Company to the shareholder will be delivered by the Company to the shareholder or the shareholder's proxy or proxies, if the shareholder has directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so.
18. The shareholder's proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder at the annual general meeting, but only as directed by the shareholder on the proxy form.
19. The appointment of the shareholder's proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of one year, whichever is shortest, unless it is revoked by the shareholder before then on the basis set out above.

CORPORATE INFORMATION

Lewis Group Limited
Incorporated in the Republic of South Africa

Registration number	2004/009817/06
Share code	LEW
ISIN	ZAE 000058236
Bond Code	LEW01
Bond ISIN No	ZAG000110222
Registered office	53A Victoria Road, Woodstock, 7925
Postal address	PO Box 43, Woodstock, 7915
Sponsor	UBS South Africa (Pty) Ltd
Attorneys	Edward Nathan Sonnenbergs Inc
Auditors	PricewaterhouseCoopers Inc
Bankers	ABSA Bank Limited First National Bank Limited Investec Bank Limited
Transfer secretaries	Computershare Investor Services Pty Ltd (Transfer Secretaries) PO Box 61051 Marshalltown, 2017
Investor relations consultants	Tier 1 Investor Relations E-mail: ir@tier1ir.co.za
Website	www.lewisgroup.co.za

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