FINAL AUDITED RESULTS
FOR THE YEAR ENDED 31 MARCH 2014

Lewis Group Ltd

REVENUE UP	GROSS PROFIT MARGIN	COST GROWTH, EXCLUDING DEBTOR COSTS	HEADLINE EARNINGS PER SHARE	CASH GENERATED FROM OPERATIONS UP	TOTAL DIVIDEND MAINTAINED AT
1.8%	36.7%	1.6%	921 CENTS	47%	517 CENTS

Trading environment

Trading conditions in the furniture retail sector continued to deteriorate over the past year as consumer spending remained under pressure from rising costs and high levels of indebtedness.

The group's middle to lower income target market has also been impacted by widespread labour unrest, industrial action, retrenchments and high levels of unemployment.

Lewis Group delivered a competitive performance for the period and the group's decentralised business model remains a key differentiator in the current environment.

Trading and financial performance

Group merchandise sales declined by 2.5% to R2.41 billion continuing the slowing trend reported at the interim results and the trading update in January 2014. Trading became more difficult in the second half of the year, with sales for the third quarter declining by 6.3% and by 3.3% in the fourth quarter.

Revenue increased by 1.8% to R5.28 billion supported by increased financial services income owing to the higher proportion of longer term contracts in the base and selling a wider range of service contracts. Insurance revenue has been impacted by the lower priced insurance offering introduced in May 2013. The gross profit margin of 36.7% compares to 38.3% in 2013.

Management has continued to focus on tight cost disciplines in the current slower sales environment. Growth in operating costs, excluding debtor costs, was well contained to 1.6%, despite inflationary cost pressures from a weakening Rand and other sources. Operating costs as a percentage of revenue at 36.0% was in line with last year's figure of 36.1%.

The operating profit margin of 21.8% (2013: 24.2%) was impacted by higher debtor costs and lower sales growth. Operating profit was 7.9% lower at R1.15 billion.

Headline earnings totalled R818 million, with headline earnings per share 8.6% lower at 921 cents (2013: 1 008 cents).

The directors declared a final dividend of 302 cents per share, maintaining the total dividend for the year at 517 cents.

Inventory was well managed with the inventory turn of 4.7 times (2013: 5.0 times) for the period.

The gearing ratio reduced to 23.9% (2013: 29.8%) as more longer term contracts settled in the base and the growth in the book slowed. Operating cash flow remains strong notwithstanding the challenging trading environment with cash generated from operations 47% up on last year.

Debtor management

The performance of the debtors' book reflects the deteriorating credit climate and the increasingly challenging credit collection environment.

The credit application decline rate increased from 36.5% to 38.4%. Credit sales accounted for 72.3% of total sales compared to 75.3% in 2013.

The rate of increase in debtor costs remained stable at 30%, the same level as reported in the interim results. Debtor costs as a percentage of net debtors moved from 9.4% to 11.6% and the impairment provision increased from 17.4% to 18.6%.

Satisfactory paid customers represented 68.3% of total debtors at year-end compared to 69.4% in 2013. Management believes the credit environment is unlikely to improve in the short term and could deteriorate further.

Store expansion

Despite the current slowdown in the consumer economy the group continues to invest for the future and opened a net 17 new stores, bringing the store base to 636 at year-end. All the new outlets are the smaller format stores with lower cost structures and higher sales densities. The group now has 130 of these small format stores. Total trading space reduced by 2.4% as the group relocated to smaller stores and reduced space in large stores when leases were renewed. Management plans to open 20 to 25 new stores in the year ahead and is committed to achieving its medium-term target of 700 stores.

Regulatory update

Section 106 of the National Credit Act has been amended to give the Minister of Trade and Industry, in consultation with the Minister of Finance, the power to prescribe a limit to the cost of credit insurance in so doing capping credit life and/or asset cover. The credit industry is awaiting the commencement of a consultative process with government. Lewis supports the speedy resolution of this long outstanding matter.

The National Credit Regulator, in consultation with the broader credit industry, is currently preparing affordability assessment guidelines for credit providers aimed at formalising responsible credit granting. Lewis as a responsible credit provider fully supports this process.

Prospects

The current difficult trading conditions are expected to continue into the new financial year. New merchandise ranges will be launched in June and innovative acquisition strategies used to attract new customers to the group's value-for-money product offerings. The focus in this challenging environment will remain on driving credit sales growth, containing costs and improving collections through higher levels of productivity by building on the pro-active approach to collections at store level.

Dividend declaration

Notice is hereby given that a final gross cash dividend of 302 cents per share in respect of the year ended 31 March 2014 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. No STC credits have been utilised. 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 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	Friday 11 July 2014
Date trading commences "ex" dividend	Monday 14 July 2014
Record date	Friday 18 July 2014
Date of payment	Monday 21 July 2014

Share certificates may not be dematerialised or rematerialised between Monday 14 July 2014 and Friday 18 July 2014.

External auditor's opinion

These summary consolidated financial statements for the year ended 31 March 2014 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

For and on behalf of the Board

David Nurek
Independent non-executive chairman

Johan Enslin
Chief executive officer

Les Davies
Chief financial officer

Cape Town
28 May 2014

Executive directors: J Enslin (Chief executive officer), LA Davies (Chief financial officer). **Independent non-executive directors:** DM Nurek (Chairman), H Saven, BJ van der Ross, Professor F Abrahams, ZBM Bassa, MSP Marutlulle, AJ Smart. **Company secretary:** MG McConnell. **Transfer secretaries:** Computershare Investor Services (Pty) Ltd; 70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107.

Auditors: PricewaterhouseCoopers Inc. **Sponsor:** UBS South Africa (Pty) Ltd. **Registered office:** 53A Victoria Road, Woodstock, 7925. **Registration number:** 2004/009817/06.
Share code: LEW. **ISIN:** ZAE000058236 **Bond code:** LEW01 **Bond ISIN No.** ZAG000110222

FINAL AUDITED RESULTS

FOR THE YEAR ENDED 31 MARCH 2014

Income statement

	Notes	2014 Audited Rm	% change	2013 Restated Audited Rm
Revenue		**5 281.7**	1.8%	5 187.6
Merchandise sales		**2 409.1**		2 470.3
Finance charges and initiation fees earned		**1 208.9**		1 082.6
Insurance revenue		**975.5**		994.7
Ancillary services		**688.2**		640.0
Cost of merchandise sales		**(1 524.4)**		(1 523.1)
Operating costs		**(2 603.3)**		(2 410.9)
Employment costs		**(818.9)**		(786.0)
Administration and IT		**(217.1)**		(202.8)
Debtor costs	2	**(702.4)**		(539.6)
Marketing		**(173.1)**		(191.2)
Occupancy costs		**(245.2)**		(232.7)
Transport and travel		**(192.6)**		(185.2)
Depreciation		**(58.5)**		(55.1)
Other operating costs		**(195.5)**		(218.3)
Operating profit		**1 154.0**	(7.9%)	1 253.6
Investment income		**125.8**		111.8
Profit before finance costs		**1 279.8**		1 365.4
Net finance costs		**(102.7)**		(96.3)
Interest paid		**(116.8)**		(105.2)
Interest received		**6.5**		6.9
Forward Exchange Contracts		**7.6**		2.0
Profit before taxation		**1 177.1**		1 269.1
Taxation		**(334.9)**		(357.4)
Net profit attributable to ordinary shareholders		**842.2**	(7.6%)	911.7

Statement of comprehensive income

	2014 Audited	2013 Restated Audited
Net profit for the year	**842.2**	911.7
Movement in other reserves (recycled to income statement on disposal):	**60.9**	95.0
Fair value adjustment to available-for-sale investments	**71.5**	103.7
Disposal of available-for-sale investments	**(23.9)**	(15.3)
Foreign currency translation reserve	**13.3**	6.6
Retirement benefit remeasurements	**30.5**	0.2
Other comprehensive income	**91.4**	95.2
Total comprehensive income for the year attributable to equity shareholders	**933.6**	1 006.9

Earnings and dividends per share

	2014 Audited	% change	2013 Restated Audited
1. Weighted average no. of shares			
Weighted average	**88 762**		88 749
Diluted weighted average	**89 614**		89 612
2. Headline earnings (Rm)			
Attributable earnings	**842.2**		911.7
Profit on disposal of assets and investments	**(24.6)**		(17.3)
Headline earnings	**817.6**		894.4
3. Earnings per share (cents)			
Earnings per share	**948.8**	(7.6%)	1 027.3
Diluted earnings per share	**939.8**		1 017.4
4. Headline earnings per share (cents)			
Headline earnings per share	**921.1**	(8.6%)	1 007.8
Diluted headline earnings per share	**912.4**		998.1
5. Dividends per share (cents)			
Dividends paid per share			
Final dividend 2013 (2012)	**302.0**		270.0
Interim dividend 2014 (2013)	**215.0**		212.0
	517.0		482.0
Dividends declared per share			
Interim dividend 2014 (2013)	**215.0**		212.0
Final dividend 2014 (2013)	**302.0**		302.0
	517.0	0.6%	514.0

Key ratios

	12 months ended 31 March 2014 Audited	12 months ended 31 March 2013 Restated Audited
Operating efficiency ratios		
Gross profit margin %	**36.7%**	38.3%
Operating profit margin %	**21.8%**	24.2%
Number of stores	**636**	619
Number of permanent employees (average)	**7 590**	7 398
Trading space (sqm)	**221 336**	226 866
Inventory turn	**4.7**	5.0
Current ratio	**4.5**	6.0
Credit ratios		
Credit sales %	**72.3%**	75.3%
Bad debts as a % of net debtors	**9.4%**	7.3%
Debtor costs as a % of the net debtors	**11.6%**	9.4%
Debtors' impairment provision as a % of net debtors	**18.6%**	17.4%
Arrear instalments on satisfactory accounts as a percentage of net debtors	**8.6%**	8.6%
Arrear instalments on slow-paying and non-performing accounts as a percentage of net debtors	**22.6%**	21.1%
Credit applications decline rate	**38.4%**	36.5%
Shareholder ratios		
Net asset value per share (cents)	**6 012**	5 481
Gearing ratio	**23.9%**	29.8%
Dividend payout ratio	**60.2%**	55.5%
Return on average equity (after-tax)	**16.5%**	20.0%
Return on average capital employed (after-tax)	**13.6%**	16.8%
Return on average assets managed (pre-tax)	**16.8%**	20.4%

Notes:

1. *All ratios are based on figures at the end of the year unless otherwise disclosed.*
2. *The net asset value has been calculated using 88 851 000 shares in issue (2013: 88 435 000).*
3. *Total assets exclude the deferred tax asset.*

Balance sheet

	Notes	2014 Audited Rm	2013 Restated Audited Rm
Assets			
Non-current assets			
Property, plant and equipment		**327.3**	332.6
Deferred taxation		**0.6**	0.6
Retirement benefit asset		**79.7**	22.8
Insurance investments	3	**1 415.0**	1 238.3
		1 822.6	1 594.3
Current assets			
Inventories		**324.6**	305.8
Trade and other receivables	4	**5 078.9**	4 840.9
Insurance investments	3	**283.7**	465.9
Cash on hand and deposits		**480.1**	59.5
		6 167.3	5 672.1
Total assets		**7 989.9**	7 266.4
Equity and liabilities			
Capital and reserves			
Share capital and premium		**109.2**	88.4
Other reserves		**436.1**	397.8
Retained earnings		**4 796.5**	4 361.1
		5 341.8	4 847.3
Non-current liabilities			
Long-term interest-bearing borrowings		**1 000.0**	1 250.0
Deferred taxation		**173.5**	154.5
Retirement benefit liability		**92.9**	75.3
		1 266.4	1 479.8
Current liabilities			
Trade and other payables		**227.9**	211.7
Reinsurance and insurance liabilities		**388.7**	472.1
Taxation		**7.1**	–
Short-term interest-bearing borrowings		**758.0**	255.5
		1 381.7	939.3
Total equity and liabilities		**7 989.9**	7 266.4

Cash flow statement

	2014 Audited Rm	2013 Audited Rm
CASH FLOW FROM OPERATING ACTIVITIES		
Cash flow from trading	**1 360.2**	1 526.6
Change in working capital	**(429.3)**	(893.8)
Cash generated from operations	**930.9**	632.8
Interest and dividends received	**104.1**	100.5
Interest paid	**(109.2)**	(103.2)
Taxation paid	**(326.9)**	(358.4)
	598.9	271.7
CASH FLOW FROM INVESTING ACTIVITIES		
Net disposals/(additions) to insurance investments	**87.6**	(183.8)
Acquisition of property, plant and equipment	**(59.1)**	(85.7)
Proceeds on disposal of property, plant and equipment	**6.8**	12.4
	35.3	(257.1)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	**(459.3)**	(428.2)
(Decrease)/Increase in long-term borrowings	**(250.0)**	600.0
Increase/(Decrease) in short-term borrowings.	**650.0**	(200.0)
Purchase of own shares	**(10.7)**	(40.1)
Proceeds on sale of own shares	**3.9**	3.8
	(66.1)	(64.5)
Net increase/(decrease) in cash and cash equivalents	**568.1**	(49.9)
Cash and cash equivalents at the beginning of the year	**(96.0)**	(46.1)
Cash and cash equivalents at the end of the year	**472.1**	(96.0)
ANALYSIS OF BORROWINGS AND FACILITIES		
Borrowings		
Long-term	**1 000.0**	1 250.0
Short-term	**750.0**	100.0
	1 750.0	1 350.0
Cash and cash equivalents		
Short-term facilities utilised	**8.0**	155.5
Cash on hand	**(480.1)**	(59.5)
	(472.1)	96.0
Net borrowings	**1 277.9**	1 446.0
Unutilised facilities:		
Banking facilities	**1 272.1**	704.0
Domestic Medium-Term Note Programme	**1 500.0**	–
Banking facilities and Domestic Medium-Term Note Programme	**4 050.0**	2 150.0

Segmental report

Reportable segment	Lewis Rm	Best Home and Electric Rm	My Home Rm	Group Rm
2014				
Revenue	**4 400.0**	**755.6**	**126.1**	**5 281.7**
Operating profit	**962.8**	**175.9**	**15.3**	**1 154.0**
Operating margin	**21.9%**	**23.3%**	**12.1%**	**21.8%**
Segment assets	**4 421.1**	**715.3**	**128.8**	**5 265.2**
2013 – Restated				
Revenue	4 318.8	736.9	131.9	5 187.6
Operating profit	1 053.0	186.1	14.5	1 253.6
Operating margin	24.4%	25.3%	11.0%	24.2%
Segment assets	4 230.9	675.9	120.3	5 027.1

Statement of changes in equity

	2014 Audited Rm	2013 Restated Audited Rm
Share capital and premium		
Opening balance	**88.4**	95.4
Cost of own shares acquired (treasury shares)	**(10.7)**	(40.1)
Share awards to employees	**31.5**	33.1
	109.2	88.4
Other reserves		
Opening balance	**397.8**	277.9
Other comprehensive income for the year	**60.9**	95.0
Share-based payment	**27.0**	22.1
Transfer (to)/from retained earnings	**(49.6)**	2.8
	436.1	397.8
Retained earnings		
Opening balance	**4 361.1**	3 909.7
Net profit attributable to ordinary shareholders	**842.2**	911.7
Distribution to shareholders	**(459.3)**	(428.2)
Share awards to employees	**(28.1)**	(30.5)
Transfer from/(to) other reserves	**49.6**	(2.8)
Profit on sale of own shares	**0.5**	1.0
Retirement benefit remeasurements	**30.5**	0.2
	4 796.5	4 361.1
Balance as at 31 March 2014	**5 341.8**	4 847.3

Debtors' analysis

The company assesses each customer individually on a monthly basis and categorises customers into 13 payment categories. This assessment is integral to the calculation of the debtors' impairment provision and incorporates both payment behaviour and the age of the account. The 13 payment categories have been summarised into four main groupings of customers.

An analysis of the debtors book based on the payment ratings is set out below.

		No. of Customers 2014	No. of Customers 2013		Distribution of Impairment Provision 2014	Distribution of Impairment Provision 2013
Satisfactory paid						
Customers fully up to date including those who have paid 70% or more of the amounts due over the contract period. The provision in this category results from an *in duplum* provision.	No.	**463 048**	478 093	Rm	**22.9**	27.5
	%	**68.3%**	69.4%	%	**2.0%**	2.8%
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 79% of amounts due and includes an *in duplum* provision (2013: 12% to 79%)	No.	**56 876**	58 155	Rm	**121.3**	111.4
	%	**8.4%**	8.5%	%	**10.8%**	11.2%
Non-performing customers						
Customers who have paid 55% to 65% of amounts due over the period of the contract. The provision in this category ranges from 23% to 90% of the amounts due (2013: 23% to 90%)	No.	**51 640**	55 202	Rm	**180.0**	177.9
	%	**7.6%**	8.0%	%	**15.9%**	17.8%
Non-performing customers						
Customers who have paid 55% or less of amounts due over the period of the contract. The provision in this category ranges from 33% to 100% of the amounts due (2013: 33% to 100%)	No.	**106 545**	97 093	Rm	**805.3**	680.4
	%	**15.7%**	14.1%	%	**71.3%**	68.2%
Total	No.	**678 109**	688 543	Rm	**1129.5**	997.2
Debtors impairment provision as a % of net debtors					**18.6%**	17.4%

Notes to the financial statements

1. Basis of reporting

The information contained in these abridged financial statements has been extracted from the group's 2014 audited annual financial statements which has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) including IAS34 (Interim Financial Reporting), and in compliance with the Listings Requirements of the JSE.

The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 March 2013 except for:

1.1 Adoption of IAS19 (Employee benefits)

With effect 1 April 2013, the group adopted IAS19 Employee Benefits (revised 2011) and the consequent revision of IFRIC 14. The most significant changes arising from the adoption of this statement and the accompanying interpretation are the following:

- the elimination of the "corridor" method under which the actuarial gains and losses were only recognised in the income statement when they exceeded 10% of the funds opening obligation or plan assets. In terms of the revised IAS19, these actuarial gains and losses are fully accounted for in other comprehensive income in the period in which they arise.
- the revised IFRIC 14 defines the retirement benefit asset ceiling as the maximum economic benefit arising from a future unconditional right to a refund and from reductions in future contributions in excess of the minimum funding requirement.

In terms of IAS8 (Accounting Policies), the relevant comparative information has been restated and the effect on the financial statements is as follows:

	12 months ended 31 March 2014 Audited Rm	12 months ended 31 March 2013 Restated Audited Rm
Increase in profit before taxation	**14.1**	6.0
Increase in taxation	**(4.0)**	(1.7)
Effect on net profit after taxation	**10.1**	4.3
Increase in earnings per share (cents)	**11.4 cents**	4.9 cents
Increase in diluted earnings per share (cents)	**11.3 cents**	4.8 cents
Increase in opening retained earnings	**12.7**	8.2
Increase in retirement benefit asset	**73.3**	16.8
Decrease in retirement benefit liability	**(0.8)**	(1.0)
Increase in deferred taxation liability	**20.8**	5.1

1.2 Reclassification

Unearned finance charges have been reclassified with unearned initiation fees (previously grouped with unearned maintenance income) in accounts receivable (refer note 4 below) to be in line with the revenue disclosures in the income statement.

2. Debtor costs

	2014	2013
Bad debts, repossession losses and bad debt recoveries	**570.1**	417.6
Movement in impairment provision	**132.3**	122.0
	702.4	539.6

3. Insurance investments – available for sale

	2014	2013
Listed		
Listed shares	**701.9**	583.3
Fixed income securities	**713.1**	655.0
Unlisted		
Money market	**283.7**	465.9
	1 698.7	1 704.2

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

4. Trade and other receivables

	2014	2013
Instalment sale and loan receivables	**7 314.4**	6 958.3
Provision for unearned maintenance income	**(211.0)**	(214.6)
Provision for unearned finance charges and unearned initiation fees	**(230.6)**	(196.0)
Provision for unearned insurance premiums	**(802.7)**	(829.2)
Net instalment sale and loan receivables	**6 070.1**	5 718.5
Provision for impairment	**(1 129.5)**	(997.2)
	4 940.6	4 721.3
Other receivables	**138.3**	119.6
	5 078.9	4 840.9

Amounts due from instalment sale and loan receivables after one 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 21.1% (2013: 21.5%) and the average term of the sale is 32.5 months (2013: 32.7 months).

These results are also available on our website: www.lewisgroup.co.za