



# PRELIMINARY REVIEWED RESULTS

for the year ended 31 March 2016

MERCHANDISE SALES  
UP 2.9%

GROSS MARGIN UP  
140 BPS TO 38.0%

OPERATING COSTS  
WELL MANAGED

HEADLINE EARNINGS  
PER SHARE  
622 CENTS

TOTAL DIVIDEND  
MAINTAINED AT  
517 CENTS PER SHARE

## TRADING AND FINANCIAL PERFORMANCE

Trading conditions in the credit retail sector have proved demanding over the past year. Adverse economic conditions have constrained consumer spending and this has been compounded by the introduction of the National Credit Regulator's affordability assessment regulations.

The significant impact of the affordability regulations is reflected in the decline of 10.3% in credit sales for the second half of the year. These regulations require customers to provide their three latest pay advices or bank statements as part of the credit application process. This is proving a major challenge for many consumers in the group's lower to middle income target market who are self-employed. Group credit sales for the year were 4.5% lower. 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.

Merchandise sales increased by 2.9% over the prior year. After increasing by 8.8% in the first half, trading conditions became increasingly challenging in the second half with the drought impacting the agricultural sector and particularly hard felt in rural South Africa. Unemployment reached an all-time high during the period and contributed to a decline of 2% in merchandise sales in the second half. Sales in the fourth quarter were further affected by aggressive discounting by a major competitor ahead of store closures which will be completed shortly.

The group's revenue for the year increased by 2.2% to R5.8 billion. Insurance revenue declined by 7.3% owing to the 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 launch of new merchandise ranges in the second half saw the gross profit margin strengthen by 140 basis points to 38.0%. All three brands have reported an improved gross profit 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 IT and store refurbishment, amounted to R21 million. This together with a generally higher cost structure than the group's other brands is reflected in the increase. It is expected to take another two to three years to align Beares expenses with the rest of the group.

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 was 25.7% lower at R815 million. Headline earnings declined from R751 million to R552 million with headline earnings per share 26.5% lower.

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 R452.6 million to R600.6 million and increased earnings per share for the year by 19.3% to 1 082 cents from 908 cents.

These results are in line with the group's trading statement released on SENS on 16 May 2016.

## DEBTOR MANAGEMENT

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%. The level of satisfactory paid customers at 68.8% is in line with last year's 68.7% supported by stable collection rates.

## STORE EXPANSION

The group acquired a portfolio of 56 Ellerines and Beares stores in four Southern African countries for R200 million, increasing the store presence outside South Africa to 119. The stores in Botswana (20 stores) and Lesotho (10 stores) were integrated into the group's operations late in the financial year while the stores in Swaziland (5 stores) and Namibia (21 stores) were integrated in April and May 2016 respectively. At year end the group traded out of 760 outlets and the store opening target for the new financial year is 10 to 15 stores.

## REGULATORY UPDATE

### Referrals by NCR to the NCT

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 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 R67.7 million to the affected customers.

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 R85 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.

## PROSPECTS

While trading conditions are expected to remain challenging in the short term, the business remains strongly cash generative with low levels of gearing at 25.5% reflecting a strong balance sheet. The board remains positive about the group's medium to longer term prospects and has maintained the dividend for the full year at 517 cents.

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 all three trading brands. The newly acquired stores outside South Africa are expected to make a solid contribution to the group's revenue and profitability in the medium term.

## 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 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 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.

For and on behalf of the Board

<b>David Nurek</b> Independent Non-executive chairman	<b>Johan Enslin</b> Chief executive officer
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<b>Les Davies</b> Chief financial officer
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Cape Town 25 May 2016
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## EXTERNAL AUDITORS' REVIEW CONCLUSION

These condensed consolidated financial statements for the year ended 31 March 2016 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

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, 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: ZAG000110222

## INCOME STATEMENT

for the year ended 31 March 2016

	Notes	Reviewed 2016 Rm	% Change	Reviewed Restated 2015 Rm
<b>Revenue</b>		<b>5 785.0</b>	2.2%	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
Ancillary services		782.8		763.0
<b>Cost of merchandise sales</b>		<b>(1 652.8)</b>		(1 644.3)
<b>Operating Costs</b>		<b>(3 317.2)</b>		(2 918.8)
Employment costs		(946.3)		(880.8)
Administration and IT		(274.5)		(241.1)
Debtor costs	3	(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)
<b>Operating profit before investment income</b>		<b>815.0</b>	(25.7%)	1 097.7
Investment income		600.6		148.0
<b>Profit before finance costs</b>		<b>1 415.6</b>		1 245.7
<b>Net finance costs</b>		<b>(136.1)</b>		(123.3)
Interest paid		(158.4)		(138.7)
Interest received		14.0		12.2
Forward exchange contracts		8.3		3.2
<b>Profit before taxation</b>		<b>1 279.5</b>		1 122.4
Taxation		(318.0)		(316.2)
<b>Net profit attributable to ordinary shareholders</b>		<b>961.5</b>	19.3%	806.2

## STATEMENT OF COMPREHENSIVE INCOME

Net profit for the year	961.5	806.2
Movement in other reserves (may be recycled to income statement on disposal):	(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
	(2.3)	(10.4)
Retirement benefit remeasurements	(459.0)	108.9
Other comprehensive income	502.5	915.1
Total comprehensive income for the year attributable to equity shareholders		

## EARNINGS AND DIVIDENDS PER SHARE

for the year ended 31 March 2016

	Reviewed 2016	% Change	Reviewed Restated 2015
<b>1. Weighted average no. of shares</b>			
Weighted average	88 811		88 840
Diluted weighted average	89 532		89 585
<b>2. Headline earnings (Rm)</b>			
Attributable earnings	961.5		806.2
Profit on disposal of available for sale investments	(2.7)		(2.7)
Profit on disposal of investments	(406.3)		(40.5)
Gain on acquisition of businesses	(0.4)		(12.0)
Headline earnings	552.1		751.0
<b>3. Earnings per share (cents)</b>			
Earnings per share	1 082.6	19.3%	907.5
Diluted earnings per share	1 073.9		899.9
<b>4. Headline earnings per share (cents)</b>			
Headline earnings per share	621.7	(26.5%)	845.3
Diluted headline earnings per share	616.7		838.3
<b>5. Dividends per share (cents)</b>			
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	Reviewed 2016 Rm	Reviewed Restated 2015 Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		370.4	352.9
Trademarks		61.4	60.1
Deferred taxation		85.7	0.5
Retirement benefit asset		63.0	77.4
Insurance investments	4	432.0	1 715.6
		1 012.5	2 206.5
<b>Current assets</b>			
Inventories		444.5	420.3
Trade and other receivables	5	4 514.3	4 413.3
Insurance premiums in advance		1 185.4	1 485.5
Taxation		28.3	34.8
Insurance investments	4	1 236.5	127.0
Cash on hand and deposits		587.2	222.3
		7 996.2	6 703.2
<b>Total assets</b>		<b>9 008.7</b>	<b>8 909.7</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium		92.1	110.8
Other reserves		27.5	492.4
Retained earnings		5 329.8	4 845.4
		5 449.4	5 448.6
<b>Non-current liabilities</b>			
Long-term interest bearing borrowings		1 375.0	825.0
Deferred taxation		60.8	102.4
Retirement benefit liability		100.2	106.7
		1 536.0	1 034.1
<b>Current liabilities</b>			
Trade and other payables		270.2	283.8
Reinsurance and insurance liabilities	6	1 153.1	1 394.2
Short-term interest-bearing borrowings		600.0	749.0
		2 023.3	2 427.0
<b>Total equity and liabilities</b>		<b>9 008.7</b>	<b>8 909.7</b>





# PRELIMINARY REVIEWED RESULTS

for the year ended 31 March 2016

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Reviewed 2016 Rm	Reviewed Restated 2015 Rm
Notes		
<b>Share capital and premium</b>		
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
<b>Other reserves</b>		
Opening balance	492.4	380.5
Other comprehensive income for the year	(456.7)	119.3
Share-based payment	10.3	19.7
Transfer to retained earnings	(18.5)	(27.1)
	27.5	492.4
<b>Retained earnings</b>		
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
<b>Balance as at 31 March</b>	<b>5 449.4</b>	<b>5 448.6</b>

## CASH FLOW STATEMENT

for the year ended 31 March 2016

	Reviewed 2016 Rm	Reviewed Restated 2015 Rm
<b>Cash flow from operating activities</b>		
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 and dividends received	119.0	113.1
Interest paid	(150.1)	(135.5)
Taxation paid	(330.3)	(337.9)
	589.0	505.4
<b>Cash flow from investing activities</b>		
Net disposals of insurance investments	79.6	48.2
Acquisition of property, plant and equipment	(104.3)	(86.7)
Purchase of businesses	(101.1)	(66.6)
Proceeds on disposal of property, plant and equipment	12.7	11.7
	(113.1)	(93.4)
<b>Cash flow from financing activities</b>		
Dividends paid	(459.0)	(459.3)
Increase / (decrease) in long-term borrowings	550.0	(175.0)
Decrease in short-term borrowings	(100.0)	(50.0)
Purchase of own shares	(53.0)	(26.5)
	(62.0)	(710.8)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>413.9</b>	<b>(298.8)</b>
Cash and cash equivalents at the beginning of the year	173.3	472.1
<b>Cash and cash equivalents at the end of the year</b>	<b>587.2</b>	<b>173.3</b>
<b>Analysis of borrowings and facilities</b>		
Borrowings		
Long-term	1 375.0	825.0
Short-term	600.0	700.0
	1 975.0	1 525.0
<b>Cash and cash equivalents</b>		
Short-term facilities utilised	–	49.0
Cash on hand	(587.2)	(222.3)
	(587.2)	(173.3)
<b>Net borrowings</b>	<b>1 387.8</b>	<b>1 351.7</b>
Unutilised facilities:		
Banking facilities	1 337.2	973.3
Domestic medium term note programme	1 700.0	1 700.0
<b>Banking facilities and domestic medium term note programme</b>	<b>4 425.0</b>	<b>4 025.0</b>

## SEGMENTAL REPORT

for the year ended 31 March 2016

	Lewis Rm	Best Home and Electric Rm	Beares Rm	Group Rm
<b>Reportable segment</b>				
<b>2016</b>				
Revenue	4 564.7	793.3	427.0	5 785.0
Operating profit before investment income	700.4	143.0	(28.4)	815.0
Operating margin	15.3%	18.0%	(6.7%)	14.1%
Segment assets	3 759.8	624.1	403.3	4 787.2

<b>2015 (restated)</b>				
Revenue	4 645.2	802.0	213.6	5 660.8
Operating profit before investment income	922.2	169.4	6.1	1 097.7
Operating margin	19.9%	21.1%	2.9%	19.4%
Segment assets	3 864.3	650.2	208.0	4 722.5

## KEY RATIOS

### Operating efficiency ratios

	2016	2015
Gross profit margin %	38.0%	36.6%
Operating profit margin %	14.1%	19.4%
Number of stores	760	716
Number of permanent employees (average)	8 409	7 835
Trading space (sqm)	254 566	248 137
Inventory turn	3.7	3.9
Current ratios	4.0	3.8

### Credit ratios

Credit sales %	64.3%	69.1%
Debtor costs as a % of the net debtors	17.1%	15.3%
Debtors' impairment provision as a % of net debtors	26.1%	23.1%
Arrear instalments on satisfactory accounts as a percentage of gross debtors	9.9%	9.1%
Arrear instalments on slow-paying and non-performing accounts as a percentage of gross debtors	26.8%	23.8%
Credit applications decline rate	39.3%	40.2%

### Shareholder ratios

Net asset value per share (cents)	6 158	6 128
Gearing ratio	25.5%	24.8%
Dividend payout ratio	52.7%	62.9%
Return on average equity (after-tax)	17.6%	15.4%
Return on average capital employed (after-tax)	14.7%	13.0%
Return on average assets managed (pre-tax)	15.8%	14.5%

### Notes:

- All ratios are based on figures at the end of the year unless otherwise disclosed.
- The net asset value has been calculated using 88 499 000 shares in issue (2015- 88 908 000).
- Arrear instalments have been calculated as a % of gross debtors (previously net debtors).
- Total assets exclude the deferred tax asset.

## 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			Distribution of impairment provision	
		2016	2015		2016	2015
<b>Satisfactory paid</b>						
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 <i>duplum</i> provision.	No.	459 390	473 901	Rm	38.3	21.1
	%	68.8%	68.7%	%	2.5%	1.6%
<b>Slow payers</b>						
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 <i>duplum</i> provision (2015: 12% to 74%)	No.	54 507	56 347	Rm	176.3	140.4
	%	8.1%	8.2%	%	11.5%	10.9%
<b>Non-performing customers</b>						
Customers who have paid 55% to 65% of amounts due over the period of the contract. The provision in this category ranges from 24% to 86% of the amounts due (2015: 23% to 87%)	No.	50 690	52 433	Rm	242.0	199.6
	%	7.6%	7.6%	%	15.8%	15.4%
<b>Non-performing customers</b>						
Customers who have paid 55% or less of amounts due over the period of the contract. The provision in this category ranges from 34% to 100% of the amounts due (2015: 32% to 100%)	No.	103 495	107 167	Rm	1077.0	933.2
	%	15.5%	15.5%	%	70.2%	72.1%
Total	No.	668 082	689 848	Rm	1533.6	1294.3
Debtors impairment provision as a % of net debtors					26.1%	23.1%

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

### 1. Basis of reporting

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listing Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listing Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those applied in the annual financial statements for the year ended 31 March 2015 except for the restatements set out in note 2.1.

### 2.1 Restatements

The group has performed a review of the appropriateness of it's 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 8.

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.

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:

	Reviewed 2016 Rm	Reviewed Restated 2015 Rm
<b>Effect on Comprehensive Income:</b>		
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	14.7	(33.2)
Movement in other comprehensive income (contingency reserve)	–	0.2
Effect on total comprehensive income	10.7	(33.0)
<b>Effect on Earnings per Share:</b>		
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)
<b>Effect on Total Assets:</b>		
Decrease in trade and other receivables	(352.7)	(386.6)
	(352.7)	(386.6)
<b>Effect on Total Liabilities:</b>		
Increase in reinsurance and insurance liabilities	153.7	134.7
Decrease in deferred taxation	(141.7)	(145.9)
	12.0	(11.2)
<b>Effect on Net Asset Value:</b>		
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)
<b>Effect on Net Asset Value per Share</b>		
Decrease in net asset value per share (cents)	(412)	(423)
<b>Effect on Cash Flow Statement:</b>		
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

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 the trade receivables as was the insurance premiums 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.

	Reviewed 2016 Rm	Reviewed Restated 2015 Rm
<b>3. Debtor costs</b>		
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
<b>4. Insurance investments – available-for-sale</b>		
Listed	–	846.5
Listed shares	432.0	869.1
Fixed income securities		
Unlisted	1 236.5	127.0
Money market	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.

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.

The move from term to monthly insurance policies will significantly reduce the capital required by the group's insurance subsidiary. Consequently, to limit risk, the insurance subsidiary sold the equity and a large portion of the bond portfolio releasing a capital gain of R495.6 million which was included in investment income.

<b>5. Trade and other receivables</b>		
Instalment sale and loan receivables	6 482.6	6 223.0
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 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 22.2% (2015: 21.7%) and the average term of the sale is 32.8 months (2015: 32.3 months).

<b>6. Reinsurance and insurance liabilities</b>		
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
	1153.1	1394.2
<b>7. Purchase of businesses</b>		
Trademarks	(6.0)	(61.1)
Property, plant and 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 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.

### 8. 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 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 premiums and interest totalling approximately R67.7 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 at the direction of Summit Financial Partners. The total quantum of both claims is R85 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.

### 9. Capital Commitments

Material capital commitments contracted for or authorised and contracted at end of year:

Purchase of the Beares and Ellerines businesses in Namibia and Swaziland	100	–
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These results are also available on our website:  
[www.lewisgroup.co.za](http://www.lewisgroup.co.za)