UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Lewis Group Ltd

REVENUE UP	GROSS PROFIT MARGIN	EARNINGS PER SHARE	INTERIM DIVIDEND
4.5%	37.7%	429 cents	215 cents
		(2013: 421 CENTS)	(2013: 212 CENTS)

TRADING ENVIRONMENT

Lewis Group delivered a competitive performance in an extremely difficult environment marked by declining levels of consumer confidence, high levels of indebtedness within the unsecured credit market and rising cost pressures.

This was compounded by widespread instability in the labour market affecting consumers in the group's target market. Industrial action, ongoing retrenchments and rising unemployment have put pressure on the furniture trade since August 2012.

TRADING AND FINANCIAL PERFORMANCE

The impact of the weak trading environment is reflected in group merchandise sales growth of 1% to R1.17 billion. Sales for the first quarter to June 2013 were flat, as reported in the group's trading update of August 2013, and slightly stronger in the second quarter.

Credit sales for the six months accounted for 72.4% of total sales compared to 75.2%. The value offering attracted higher levels of cash customers this period in the drive to increase sales momentum.

Revenue increased by 4.5% supported by increased financial services income resulting from a higher proportion of longer term contracts settling in the base and higher levels of credit sales during the previous financial years.

The gross profit margin at 37.7% was consistent with the previous period despite Rand weakness during the six-month period. The gross profit margin was within management's target of 37.5% to 38.5%, with direct imports accounting for 28% of all merchandise purchases.

In the current environment of slower sales growth, management has focused on tight cost disciplines across the business. Growth in operating costs, excluding debtor costs, was limited to 3.1%, despite inflationary cost pressures from a weakening Rand and other sources. A number of cost saving initiatives were in operation during the period, including the transport and delivery fleet management system aimed at reducing fuel costs through improved efficiencies.

The operating profit margin of 20.6% (2013: 21.4%) was impacted by higher debtor costs and muted sales growth. Operating profit increased by 1% to R523.4 million. Headline earnings of R372 million was in line with last year, with headline earnings per share of 420 cents (2013: 419 cents).

We have maintained a payout ratio of 55% and an interim dividend of 215 cents per share (2013: 212 cents) has been declared.

Inventory was well managed with stock being held at similar levels to last year.

The gearing ratio of 27.9% (2013: 26.7%) remained well below management's range of 32% to 34% with the increase representing the longer term contracts settling in the debtor base.

DEBTOR MANAGEMENT

The growth in the debtors' book is due mainly to the increase in the average term of new credit contracts (33 months).

Debtor costs as a percentage of net debtors moved from 4.6% to 5.3%, an increase of R73 million. The credit collection environment has become increasingly challenging as market conditions deteriorated. Management initiated a drive to maximise productivity and efficiency in the collection process to ensure the health of the debtors' book. The group's store based collection process remains a key strength in managing credit risk and debtor costs in the current environment.

Satisfactory paid customers represent 68.6% of total debtors, down from 69.4% at the financial year end in March 2013. This slight decline can be largely attributed to customers being impacted by the widespread labour market instability. The impairment provision increased from 17.4% in March 2013 to 19% at September 2013.

STORE EXPANSION

Ten outlets all in the smaller format were opened during the period, bringing the store base to 627 at the end of September. A further 76 stores were refurbished and 13 converted to the smaller store format. There are currently 110 smaller format stores. The group continues to invest for the future and remains on track to meet the target of opening 20 to 25 new stores for the 2014 financial year.

LAUNCH OF R2 BILLION BOND PROGRAMME

Lewis Group was assigned an 'A(za)' long-term credit rating by Global Credit Rating Co. with a stable outlook and launched a R2 billion domestic medium-term note ("DMTN") programme. The group successfully raised R500 million in the first issuance of the programme which was listed on the JSE with effect from 31 October 2013.

The DMTN programme allows the group to diversify its sources of funding and reduce the cost of funding. The proceeds of the issue will be used primarily to fund operational requirements and to refinance maturing debt.

REGULATORY UPDATE

The long awaited report on credit life insurance by the task team comprising National Treasury, the Finance Services Board and the National Credit Regulator due in July, was delayed until September and is now expected in late November.

In September the National Credit Regulator circulated draft amendments to the code of conduct to combat over indebtedness which includes proposals on the premium rates for credit life insurance.

The broader credit industry plans to convene once the task team has released its report to progress matters with the regulators. Lewis remains hopeful that positive engagement with the regulators will bring about a resolution to current uncertainty in the market.

PROSPECTS

New merchandise ranges have been launched ahead of the all-important festive season trading period. Strong marketing campaigns have been developed, directed at creditworthy consumers, through value for money merchandise offerings.

The current difficult trading conditions are expected to continue for the remainder of the financial year. The focus in this environment will remain on driving quality credit sales growth while containing operating and debtor costs.

DIVIDEND DECLARATION

Notice is hereby given that an interim gross cash dividend of 215 cents per share in respect of the six months ended 30 September 2013 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 215 cents and the dividend tax payable is 32.25 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 182.75 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, 17 January 2014
Date trading commences 'ex' dividend	Monday, 20 January 2014
Record date	Friday, 24 January 2014
Date of payment	Monday, 27 January 2014

Share certificates may not be dematerialised or rematerialised between Monday, 20 January 2014 and Friday, 24 January 2014.

For and on behalf of the Board

David Nurek
Independent
Non-Executive Chairman

Johan Enslin
Chief Executive Officer

Cape Town
11 November 2013

Executive directors: J Enslin (Chief Executive Officer), LA Davies (Chief Financial Officer). Non-executive directors: DM Nurek (Chairman) (Ind.), H Saven (Ind.), BJ van der Ross (Ind.), Professor F Abrahams (Ind.), ZBM Bassa (Ind.), MSP Marutlulle (Ind.), AJ Smart (Ind.).
The 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

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

Lewis Group Ltd

INCOME STATEMENT

	Notes	6 months ended 30 Sept. 2013 Unaudited Rm	% Change	6 months ended 30 Sept. 2012 Restated Unaudited Rm	12 months ended 31 March 2013 Restated Audited Rm
Revenue		2 538.9	4.5%	2 428.6	5 187.6
Merchandise sales		1 169.2		1 161.4	2 470.3
Finance charges and initiation fees earned		580.5		523.7	1 082.6
Insurance revenue		470.7		445.6	994.7
Ancillary services		318.5		297.9	640.0
Cost of merchandise sales		(728.6)		(723.3)	(1 523.1)
Operating Costs		(1 286.9)		(1 185.0)	(2 410.9)
Employment costs		(417.5)		(390.2)	(786.0)
Administration and IT		(109.4)		(105.4)	(202.8)
Debtor costs	2	(314.9)		(242.1)	(539.6)
Marketing		(96.2)		(107.9)	(191.2)
Occupancy costs		(122.9)		(112.3)	(232.7)
Transport and travel		(93.4)		(94.8)	(185.2)
Depreciation		(31.9)		(29.9)	(55.1)
Other operating costs		(100.7)		(102.4)	(218.3)
Operating profit		523.4	0.6%	520.3	1 253.6
Investment income		56.4		47.2	111.8
Profit before finance costs		579.8		567.5	1 365.4
Net finance costs		(46.1)		(41.8)	(96.3)
Interest paid		(53.5)		(48.1)	(105.2)
Interest received		2.4		5.1	6.9
Forward Exchange Contracts		5.0		1.2	2.0
Profit before taxation		533.7		525.7	1 269.1
Taxation		(153.7)		(152.0)	(357.4)
Net profit attributable to ordinary shareholders		380.0	1.7%	373.7	911.7

STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 Sept. 2013 Unaudited Rm	6 months ended 30 Sept. 2012 Restated Unaudited Rm	12 months ended 31 March 2013 Restated Audited Rm
Net profit for the year	380.0	373.7	911.7
Movements in Other Reserves	39.0	58.5	95.0
Fair value adjustment to available-for-sale investments	41.0	55.6	103.7
Disposal of available-for-sale investments	(6.6)	(0.1)	(15.3)
Foreign currency translation reserve	4.6	3.0	6.6
Retirement Benefit remeasurements	–	–	0.2
Other comprehensive income	39.0	58.5	95.2
Total comprehensive income for the period attributable to equity shareholders	419.0	432.2	1 006.9

EARNINGS AND DIVIDENDS PER SHARE

	6 months ended 30 Sept. 2013 Unaudited	% Change	6 months ended 30 Sept. 2012 Restated Unaudited	12 months ended 31 March 2013 Restated Audited
1. Weighted average No. of shares				
Weighted average	88 669		88 690	88 749
Diluted weighted average	89 141		89 570	89 612
2. Headline earnings (Rm)				
Attributable earnings	380.0		373.7	911.7
Profit on disposal of assets and investments	(7.9)		(2.1)	(17.3)
Headline earnings	372.1	0.1%	371.6	894.4
3. Earnings per share (cents)				
Earnings per share	428.6	1.7%	421.4	1 027.3
Diluted earnings per share	426.3		417.2	1 017.4
4. Headline earnings per share (cents)				
Headline earnings per share	419.7		419.0	1 007.8
Diluted headline earnings per share	417.4		414.9	998.1
5. Dividends per share (cents)				
Dividends paid per share				
Final dividend 2013 (2012)	302.0		270.0	270.0
Interim dividend 2014 (2013)				212.0
	302.0		270.0	482.0
Dividends declared per share				
Interim dividend 2014 (2013)	215.0		212.0	212.0
Final dividend 2013				302.0
	215.0	1.4%	212.0	514.0

KEY RATIOS

	6 months ended 30 Sept 2013	6 months ended 30 Sept 2012	12 months ended 31 March 2013
Operating efficiency ratios			
Gross profit margin %	37.7%	37.7%	38.3%
Operating profit margin %	20.6%	21.4%	24.2%
Number of stores	627	610	619
Number of permanent employees (average)	7 598	7 297	7 398
Trading space (sqm)	223 501	228 151	226 866
Inventory turn	3.9	3.8	5.0
Current ratios	4.3	4.5	6.0
Credit ratios			
Credit sales %	72.4%	75.2%	75.3%
Debtor costs as a % of the net debtors	5.3%	4.6%	9.4%
Debtors' impairment provision as a % of net debtors	19.0%	20.4%	17.4%
Arrear instalments on satisfactory accounts as a percentage of net debtors	8.4%	9.1%	8.6%
Arrear instalments on slow-paying and non-performing accounts as a percentage of net debtors	23.1%	24.6%	21.1%
Credit applications decline rate	39.0%	36.7%	36.5%
Shareholder ratios			
Net asset value per share (cents)	5 650	5 054	5 481
Gearing ratio	27.9%	26.7%	29.8%
Dividend payout ratio	55.5%	55.5%	55.5%
Return on average equity (after-tax)	15.4%	17.0%	20.0%
Return on average capital employed (after-tax)	12.8%	14.4%	16.8%
Return on average assets managed (pre-tax)	15.6%	17.8%	20.4%

Notes:
1. All ratios are based on figures at the end of the period unless otherwise disclosed
2. The net asset value has been calculated using 88 811 000 shares in issue (2012: 88 769 000).
3. Total assets exclude the deferred tax asset.

BALANCE SHEET

	Notes	30 Sept 2013 Unaudited Rm	30 Sept 2012 Restated Unaudited Rm	31 Mar 2013 Restated Audited Rm
Assets				
Non-current assets				
Property, plant and equipment		331.3	324.8	332.6
Deferred taxation		0.5	–	0.6
Retirement benefit asset		19.8	9.4	22.8
Insurance investments	3	1 332.2	1 147.9	1 238.3
		1 683.8	1 482.1	1 594.3
Current assets				
Inventories		390.8	389.6	305.8
Trade and other receivables	4	4 933.8	4 357.5	4 840.9
Insurance investments	3	347.6	349.8	465.9
Taxation		31.3	–	–
Cash-on-hand and deposits		164.7	108.9	59.5
		5 868.2	5 205.8	5 672.1
Total assets		7 552.0	6 687.9	7 266.4
Equity and liabilities				
Capital and reserves				
Share capital and premium		108.2	107.7	88.4
Other reserves		428.7	347.1	397.8
Retained earnings		4 481.2	4 031.9	4 361.1
		5 018.1	4 486.7	4 847.3
Non-current liabilities				
Long-term interest bearing borrowings		950.0	850.0	1 250.0
Deferred taxation		152.6	128.5	154.5
Retirement benefits		81.3	63.7	75.3
		1 183.9	1 042.2	1 479.8
Current liabilities				
Trade and other payables		290.7	287.5	211.7
Reinsurance and insurance liabilities		445.9	414.0	472.1
Taxation		–	2.8	–
Short-term interest-bearing borrowings		613.4	454.7	255.5
		1 350.0	1 159.0	939.3
Total equity and liabilities		7 552.0	6 687.9	7 266.4

CASH FLOW STATEMENT

	6 months ended 30 Sept. 2013 Unaudited Rm	6 months ended 30 Sept. 2012 Unaudited Rm	12 months ended 31 March 2013 Audited Rm
Cash flow from operating activities			
Cash flow from trading	723.0	828.9	1 526.6
Change in working capital	(264.9)	(550.1)	(893.8)
Cash generated from operations	458.1	278.8	632.8
Interest and dividends received	50.7	52.1	100.5
Interest paid	(48.5)	(46.9)	(103.2)
Taxation paid	(192.1)	(167.9)	(358.4)
	268.2	116.1	271.7
Cash flow from investing activities			
Net disposals/(additions) to insurance investments	72.2	(35.6)	(183.8)
Acquisition of property, plant and equipment	(40.5)	(48.9)	(85.7)
Proceeds on disposal of property, plant and equipment	11.6	8.8	12.4
	43.3	(75.7)	(257.1)
Cash flow from financing activities			
Dividends paid	(268.2)	(239.8)	(428.1)
(Decrease)/increase in long-term borrowings	(300.0)	200.0	600.0
Increase/(Decrease) in short-term borrowings.	300.0	(300.0)	(200.0)
Proceeds on sale of own shares	4.0	3.5	(40.1)
Purchase of treasury shares	–	(3.8)	3.7
	(264.2)	(340.1)	(64.5)
Net increase/(decrease)in cash and cash equivalents	47.3	(299.7)	(49.9)
Cash and cash equivalents at the beginning of the period	(96.0)	(46.1)	(46.1)
Cash and cash equivalents at the end of the period	(48.7)	(345.8)	(96.0)
Analysis of borrowings and banking facilities			
Borrowings			
Long-term	950.0	850.0	1 250.0
Short-term	400.0	–	100.0
	1 350.0	850.0	1 350.0
Cash and cash equivalents			
Short-term facilities utilised	213.4	454.7	155.5
Cash-on-hand	(164.7)	(108.9)	(59.5)
	48.7	345.8	96.0
Net borrowings	1 398.7	1 195.8	1 446.0
Unutilised facilities	751.3	954.2	704.0
Total banking facilities	2 150.0	2 150.0	2 150.0

SEGMENTAL REPORT

Reportable Segment	Lewis Rm	Best Home and Electric Rm	My Home Rm	Group Rm
For the six months ended 30 September 2013 (unaudited)				
Revenue	2 115.5	362.3	61.1	2 538.9
Operating profit	441.3	75.3	6.8	523.4
Operating margin	20.9%	20.8%	11.0%	20.6%
Segment assets	4 361.0	702.8	131.3	5 195.1
For the six months ended 30 September 2012 (unaudited)				
Revenue	2 037.4	328.9	62.3	2 428.6
Operating profit	450.7	65.7	3.9	520.3
Operating margin	22.1%	20.0%	6.3%	21.4%
Segment assets	3 916.7	587.4	106.2	4 610.3
For the twelve months ended 31 March 2013 (restated audited)				
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

	6 months ended 30 Sept 2013 Unaudited Rm	6 months ended 30 Sept 2012 Restated Unaudited Rm	12 months ended 31 Mar 2013 Restated Audited Rm
Share capital and premium			
Opening balance	88.4	95.4	95.4
Share awards to employees	19.8	16.1	33.1
Treasury shares purchased	–	(3.8)	(40.1)
	108.2	107.7	88.4
Other reserves			
Opening balance	397.8	277.9	277.9
Other comprehensive income for the year	39.0	58.5	95.0
Share-based payment	16.0	11.6	22.1
Transfer (to)/from retained earnings	(24.1)	(0.9)	2.8
	428.7	347.1	397.8
Retained Earnings			
Opening balance	4 361.1	3 909.7	3 909.7
Net profit attributable to ordinary shareholders	380.0	373.7	911.7
Distribution to shareholders	(268.2)	(239.8)	(428.2)
Share awards to employees	(16.4)	(14.3)	(30.5)
Transfer from/(to) other reserves	24.1	0.9	(2.8)
Profit on sale of own shares	0.6	1.7	1.0
Retirement Benefit remeasurements	–	–	0.2
	4 481.2	4 031.9	4 361.1
Balance at the end of period	5 018.1	4 486.7	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			Distribution of Impairment Provision %		
		Sept 2013	Sept 2012		**Sept 2013**	Sept 2012	March 2013
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 the in duplum rule.	No. %	**474 253 68.6%**	479 486 69.7%	Rm %	**28.2 2.5%**	35.1 3.2%	27.5 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 11% to 78% of amounts due and includes an in duplum provision (2013: 9% to 79%)	No. %	**54 771 7.9%**	53 059 7.7%	Rm %	**113.3 10.0%**	103.0 9.5%	111.4 11.2%
Non-performing customers Customers fully up to date including those who have paid 55% to 65% of amounts due over the contract period. The provision in this category ranges from 20% to 90% of amounts due and includes an in duplum provision (2013: 19% to 87%)	No. %	**53 021 7.7%**	48 268 7.0%	Rm %	**183.2 16.3%**	154.5 14.3%	177.9 17.8%
Non-performing customers Customers fully up to date including those who have paid 55% or less of amounts due over the contract period. The provision in this category ranges from 28% to 100% of amounts due and includes an in duplum provision (2013: 27% to 100%)	No. %	**109 431 15.8%**	106 953 15.6%	Rm %	**803.1 71.2%**	789.8 73.0%	680.4 68.2%
Total		**691 476**	687 766		**1 127.8**	1 082.4	997.2
Debtors impairment as a % of net debtors					**19.0%**	20.4%	17.4%

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Reporting

The group's interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) including IAS 34 (Interim Financial Reporting), and in compliance with the Listing Requirements of the JSE. The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 March 2013 except for:

1.1 Change in Accounting for Employee Benefits

On 1 January 2013 the group adopted IAS 19 Employee Benefits (revised 2011). The most significant change being the elimination of the "corridor" method under which the recognition of actuarial gains or losses were deferred. In terms of the revised IAS 19, unrecognised actuarial gains and losses are recognised in other comprehensive income. The adoption of this standard has resulted in the group restating its previously reported financial results.

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

	6 months ended 30 Sept. 2013 Unaudited Rm	6 months ended 30 Sept. 2012 Restated Unaudited Rm	12 months ended 31 March 2013 Restated Audited Rm
Increase in profit before taxation	–	–	6.0
Increase in taxation	–	–	(1.7)
Effect on net profit after taxation	–	–	4.3
Increase in earnings per share (cents)	–	–	4.9 cents
Increase in diluted earnings per share (cents)	–	–	4.8 cents
Increase in opening retained earnings	12.7	8.4	8.4
Increase in retirement benefit asset	16.8	9.4	16.8
Decrease in retirement benefit liability	(1.0)	(2.1)	(1.0)
Increase in deferred taxation	5.1	3.1	3.4

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			
Bad debts, repossession losses and bad debt recoveries	184.2	34.9	417.6
Movement in impairment provision	130.7	207.2	122.0
	314.9	242.1	539.6
3. Insurance investments – available-for-sale			
Listed			
Listed shares	636.3	505.0	583.3
Fixed income securities	695.9	642.9	655.0
Unlisted			
Money market	347.6	349.8	465.9
	1 679.8	1 497.7	1 704.2

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

4. Trade and other receivables			
Instalment sale and loan receivables	7 195.0	6 423.9	6 958.3
Provision for unearned maintenance income	(219.4)	(221.8)	(214.6)
Provision for unearned initiation fees and unearned finance charges	(219.2)	(177.6)	(196.0)
Provision for unearned insurance premiums	(824.3)	(721.4)	(829.2)
Net instalment sale and loan receivables	5 932.1	5 303.1	5 718.5
Provision for impairment	(1 127.8)	(1 082.4)	(997.2)
	4 804.3	4 220.7	4 721.3
Other receivables	129.5	136.8	119.6
	4 933.8	4 357.5	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 21.3% (2013: 21.8%) and the average term of the sale is 32.6 months (2013: 32.3 months).

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

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