

MERCHANDISE SALES

UP 5%

GROSS MARGIN EXPANDED

TO 40.9%

DEBTOR COSTS REDUCED

BY 11.5%

HEADLINE EARNINGS PER SHARE

**15.8%
LOWER**

INTERIM DIVIDEND MAINTAINED AT

**100 cents
PER SHARE**

BALANCE SHEET

UNGEARED

TRADING AND FINANCIAL PERFORMANCE

The group's performance for the six-month period to 30 September 2017 shows an improving sales growth trend, enhanced gross profit margin, tight expense control and reduced debtor costs in a challenging trading and collections environment.

The group's core lower to middle income customer base continues to be impacted by increasing living costs, high unemployment and limited prospects in the current low growth environment in the country. Credit sales continue to be restricted by the National Credit Regulator's affordability assessment regulations.

Merchandise sales gained momentum in the latter months of the period and increased by 5%, driven by new merchandise ranges and increased promotional activity across the three trading brands. Comparable store sales grew by 7.3%. Stores outside South Africa contributed 24.3% of merchandise sales. Group credit sales accounted for 68.8% (H1 2017: 63.4%) of total sales.

Revenue was 3.2% lower as other revenue declined by 9.8%. This was mainly as a result of lower credit sales and changes to the insurance offering in prior periods which has limited annuity income.

The group's gross profit margin strengthened by 40 basis points to 40.9% and is at the upper end of management's target range of 38% to 42%. The margin benefited from more competitive pricing on locally sourced product and margin expansion in the furniture categories.

Operating costs, excluding debtor costs, continue to be well managed and increased by 1.8%. The increase in marketing and promotional costs supported sales growth.

The operating margin contracted from 10.0% to 7.2% for the period, within management's guided range. The margin was impacted by the decline in revenue. Headline earnings declined from R173 million to R144 million with headline earnings per share 15.8% lower at 163.9 cents.

Following the repayment of borrowings of R1.4 billion in the last 18 months, the balance sheet is ungeared at the end of the period, compared to gearing of 18.8% in the prior period. The group remains strongly cash-generative. Cash on hand and deposits totalled R684 million at reporting date.

The net asset value per share increased from 6 040 cents to 6 315 cents, highlighting the group's sound financial position.

The group has maintained the interim dividend at 100 cents per share.

DEBTOR MANAGEMENT

The performance of the debtors book is considered satisfactory in a challenging collections environment. Debtor costs declined by 11.5%. Collection rates improved from 74.6% in the first half of the 2017 financial year to 76.2% in the current period. Debtor costs as a percentage of net debtors decreased from 8.6% to 8.0%. The level of satisfactory paid customers at 67.7% is in line with last year's 67.9%.

RETAIL STORE FOOTPRINT

At end September 2017 the group traded out of 744 stores across its three retail brands following the net closure of 17 stores during the period. Trading space reduced by 4.2% as the group continued to open smaller format Lewis stores and close marginal stores. The Lewis brand trades out of 207 smaller format stores in its portfolio of 500 stores. The group's 110 stores outside South Africa account for 15% of the total store base.

SHARE REPURCHASE PROGRAMME

The group implemented a share repurchase programme and bought back 2.9 million shares (3% of the issued share capital at the start of the programme) between 30 May 2017 and 29 September 2017 at a total cost of R94.2 million. At the annual general meeting on 17 October 2017 shareholders granted authority to repurchase a further 5% of the company's issued shares.

ACQUISITION OF UNITED FURNITURE OUTLETS

After the end of the reporting period the group announced the acquisition of United Furniture Outlets ("UFO") for R320 million, subject to approval from the competition authorities. UFO is a cash retailer of luxury household furniture to the higher income market and has a footprint of 30 stores. The acquisition aligns with the group's strategy of diversifying and gaining access to higher income customers and improving its cash-to-credit sales mix. The business is considered to be scalable, offering the opportunity to extend the store footprint across South Africa and into neighbouring countries and will benefit from the group's buying power.

CHANGES TO THE BOARD OF DIRECTORS

During the reporting period the following changes were made to the board of directors. Daphne Motsepe and Adheera Bodasing were appointed as non-executive directors with effect from 1 June 2017. Ben van der Ross retired as a non-executive director at the company's annual general meeting on 17 October 2017. The board welcomes the new directors and thanks Mr Van der Ross for his outstanding contribution to the group over the past 13 years.

PROSPECTS

The trading environment is expected to remain challenging for the rest of the financial year. Management continues to focus on sales growth, managing expenses, and reducing debtor costs.

Following the acquisition of UFO, the group will be well positioned to service customers across all market segments.

The important festive trading season will be supported by strong promotional activity and new merchandise ranges.

DIVIDEND DECLARATION

Notice is hereby given that a final gross cash dividend of 100 cents per share in respect of the six months ended 30 September 2017 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 95 116 220. The dividend has been declared out of income reserves and is subject to a dividend tax of 20%. The dividend for determining the dividend tax is 100 cents and the dividend tax payable is 20 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 80 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 of trade "cum" dividend
Tuesday, 23 January 2018

Date trading commences "ex" dividend
Wednesday, 24 January 2018

Record date
Friday, 26 January 2018

Date of payment
Monday, 29 January 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 January 2018 and Friday 26 January 2018, both days inclusive.

For and on behalf of the Board

David Nurek **Johan Enslin** **Les Davies**
Independent Chief executive Chief financial
Non-executive officer officer
chairman

Cape Town
13 November 2017

INCOME STATEMENT

	Unaudited Six months ended 30 Sept 2017	Unaudited Six months ended 30 Sept 2016	Audited 12 months ended 31 March 2017
Revenue	2 658.6	2 745.8	5 592.1
Merchandise sales	1 294.8	1 233.0	2 607.9
Finance charges and initiation fees earned	678.5	731.9	1 451.8
Insurance revenue	356.4	420.3	822.3
Ancillary services	328.9	360.6	710.1
Cost of merchandise sales	(765.8)	(733.9)	(1 522.4)
Operating costs	(1 701.0)	(1 736.9)	(3 504.9)
Debtor costs	(444.3)	(502.1)	(1 065.5)
Employment costs	(513.8)	(498.0)	(987.0)
Occupancy costs	(183.4)	(183.1)	(370.8)
Administration and IT	(164.3)	(156.5)	(318.4)
Transport and travel	(99.1)	(101.7)	(202.8)
Marketing	(123.0)	(112.9)	(199.9)
Depreciation and amortisation	(43.6)	(48.5)	(90.1)
Other operating costs	(129.5)	(134.1)	(270.4)
Operating profit before investment income	191.8	275.0	564.8
Investment income	32.8	58.0	104.9
Profit before finance costs	224.6	333.0	669.7
Net finance costs	(15.7)	(80.5)	(148.4)
Interest paid	(37.7)	(96.9)	(174.3)
Interest received	21.3	25.9	39.4
Forward exchange contracts	0.7	(9.5)	(13.5)
Profit before taxation	208.9	252.5	521.3
Taxation	(65.5)	(78.2)	(163.3)
Net profit attributable to ordinary shareholders	143.4	174.3	358.0
Earnings per share (cents)	163.7	196.6	403.5
Diluted earnings per share (cents)	162.6	196.3	399.1

EARNINGS AND DIVIDENDS PER SHARE

	Unaudited Six months ended 30 Sept 2017	Unaudited Six months ended 30 Sept 2016	Audited 12 months ended 31 March 2017
Weighted average number of shares	87 613	88 671	88 730
Weighted average	88 167	88 776	89 699
Headline earnings (Rm)	143.4	174.3	358.0
Attributable earnings	1.0	(0.4)	(1.6)
Disposal of fixed assets	–	–	–
Profit on disposal of available-for-sale investments	(0.8)	–	(0.2)
Gain on acquisition of Beares	–	(1.2)	(1.2)
Earnings per share (cents)	163.7	196.6	403.5
Diluted earnings per share	162.6	196.3	399.1
Headline earnings per share (cents)	163.9	194.8	400.1
Diluted headline earnings per share	162.9	194.5	395.8
Dividends per share	100.0	302.0	302.0
Dividends paid per share (cents)	–	–	100.0
Final dividend 2017 (2016)	100.0	302.0	302.0
Interim dividend 2018 (2017)	–	–	100.0
Dividends declared per share (cents)	100.0	100.0	100.0
Interim dividend 2018 (2017)	–	–	100.0
Final dividend 2018 (2017)	100.0	100.0	200.0

STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 Sept 2017	Unaudited Six months ended 30 Sept 2016	Audited 12 months ended 31 March 2017
Net profit for the year	143.4	174.3	358.0
Items that may be subsequently reclassified to income statement:			
Movement in other reserves	6.0	2.3	(2.4)
Fair value adjustment to available-for-sale investments	4.6	13.3	9.6
Disposal of available-for-sale investments	(0.8)	–	(0.2)
Foreign currency translation reserve	2.2	(11.0)	(11.8)
Items that may not be subsequently reclassified to income statement:			
Retirement benefit remeasurements	–	–	1.2
Other comprehensive income	6.0	2.3	(1.2)
Total comprehensive income for the year attributable to equity shareholders	149.4	176.6	356.8

CASH FLOW STATEMENT

	Unaudited Six months ended 30 Sept 2017	Unaudited Six months ended 30 Sept 2016	Audited 12 months ended 31 March 2017
Cash flow from operating activities	286.3	352.8	540.9
Cash flow from trading	286.3	352.8	540.9
Operating profit before investment income	191.8	275.0	564.8
Adjusted for:			
Share-based payments	7.8	5.1	(4.0)
Depreciation and amortisation	43.6	48.5	90.1
Movement in debtors impairment provision	64.9	86.4	27.0
Movement in other provisions	(28.2)	(67.7)	(144.7)
Other movements	6.4	5.5	7.7
Changes in working capital:	88.8	274.8	573.9
(Increase)/decrease in inventories	(89.0)	15.9	11.6
(Increase)/decrease in trade and other receivables	(40.6)	17.7	322.8
Increase in trade payables	180.6	172.9	143.8
Decrease in insurance premiums in advance	202.9	446.3	782.2
Decrease in reinsurance asset	54.6	127.5	245.1
Decrease in reinsurance and insurance liabilities	(219.7)	(505.5)	(931.6)
Cash generated from operations	375.1	627.6	1 114.8
Interest received	54.1	83.9	144.0
Interest paid	(37.0)	(106.4)	(187.8)
Taxation paid	(38.6)	(230.4)	(254.8)
Cash utilised in investing activities	353.6	374.7	816.2
Net disposals of insurance business investments	55.4	419.0	931.1
Purchase of insurance investments	(22.5)	(1 992.1)	(2 253.8)
Disposals of insurance investments	77.9	2 411.1	3 184.9
Acquisition of property, plant and equipment	(20.8)	(38.3)	(61.3)
Purchase of businesses (refer note 9)	–	(111.0)	(107.6)
Proceeds on disposal of property, plant and equipment	1.5	3.7	7.6
Cash flow from financing activities	36.1	273.4	769.8
Dividends paid	(87.4)	(268.1)	(356.9)
Repayments of borrowings	(347.3)	(150.0)	(1 027.7)
Purchase of own shares	(94.2)	–	–
Net (decrease)/increase in cash and cash equivalents	(528.9)	(418.1)	(1 384.6)
Cash and cash equivalents at the beginning of the year	788.6	587.2	587.2
Cash and cash equivalents at the end of year	649.4	817.2	788.6

BALANCE SHEET

	Unaudited Six months ended 30 Sept 2017	Unaudited Six months ended 30 Sept 2016	Audited 12 months ended 31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	319.7	362.5	343.5
Trademarks	64.4	68.3	66.2
Goodwill	5.5	8.9	5.5
Deferred taxation	26.4	61.5	48.9
Retirement benefit asset	55.0	63.0	55.0
Financial assets – insurance investments	456.3	449.9	455.9
	927.3	1 014.1	975.0
Current assets			
Inventories	530.8	449.6	454.6
Trade and other receivables	4 203.7	4 472.3	4 225.8
Reinsurance assets	97.6	269.8	152.2
Insurance premiums in advance	200.3	739.1	403.2
Taxation	166.0	206.4	181.1
Financial assets – insurance investments	244.3	818.1	294.9
Cash-on-hand and deposits	684.2	836.3	788.6
	6 126.9	7 791.6	6 500.4
Total assets	7 054.2	8 805.7	7 475.4
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and premium	14.1	108.0	108.3
Other reserves	20.0	20.0	6.2
Retained earnings	5 386.8	5 235.0	5 330.8
	5 420.9	5 363.0	5 445.3
Non-current liabilities			
Long-term interest-bearing borrowings	4 600.0	1 100.0	700.0
Deferred taxation	81.7	69.3	91.0
Retirement benefit liability	106.8	107.7	101.7
	788.5	1 277.0	892.7
Current liabilities			
Trade and other payables	410.9	376.7	271.3
Reinsurance and insurance liabilities	399.1	1 044.9	618.8
Short-term interest-bearing borrowings	34.8	744.1	247.3
	844.8	2 165.7	1 137.4
Total equity and liabilities	7 054.2	8 805.7	7 475.4

STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 Sept 2017	Unaudited Six months ended 30 Sept 2016	Audited 12 months ended 31 March 2017
Share capital and premium			
Opening balance	108.3	92.1	92.1
Cost of own shares acquired (treasury shares)	(94.2)	–	–
Share awards to employees	–	15.9	16.2
	14.1	108.0	108.3
Other reserves			
Opening balance	6.2	27.5	27.5
Other comprehensive income for the year	6.0	2.3	(2.4)
Share-based payment	7.8	5.1	(4.0)
Transfer of share-based payment reserve to retained earnings on vesting	–	(14.9)	(14.9)
	20.0	20.0	6.2
Retained earnings			
Opening balance	5 330.8	5 329.8	5 329.8
Net profit attributable to ordinary shareholders	143.4	174.3	358.0
Distribution to shareholders	(87.4)	(268.1)	(356.9)
Share awards to employees	–	(15.9)	(16.2)
Transfer of share-based payment reserve to retained earnings on vesting	–	–	14.9
Retirement benefit remeasurements	–	–	1.2
	5 386.8	5 235.0	5 330.8
Balance as at the end of period	5 420.9	5 363.0	5 445.3



UNAUDITED INTERIM RESULTS

for the six months ended 30 September 2017

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF REPORTING

The summary consolidated interim 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 these consolidated interim financial statements are in terms of International Financial Reporting Standards and consistent with those applied in the consolidated annual financial statements for the year ended 31 March 2017 ("previous year"). The audited annual financial statements were prepared by the Group's Finance Department under the supervision of the Chief Financial Officer, Mr L A Davies CA(SA).

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
2. TRADE AND OTHER RECEIVABLES			
2.1 Trade receivables			
Instalment sale and loan receivables	6 090.2 (510.0)	6 372.6 (550.8)	6 107.1 (525.9)
Unearned provisions	(304.1)	(338.6)	(320.0)
Provision for unearned maintenance income	(205.9)	(212.2)	(205.9)
Provision for unearned finance charges and unearned initiation fees			
Net instalment sale and loan receivables	5 580.2 (1 625.5)	5 821.8 (1 620.0)	5 581.2 (1 560.6)
Provision for impairment	3 954.7	4 201.8	4 020.6
Other receivables	249.0	270.5	205.2
	4 203.7	4 472.3	4 225.8
Debtors' impairment provision as a percentage of net debtors (%)	29.1	27.8	28.0

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 three to 36 months.

Debtors analysis

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 have been categorised by number of instalments in arrears.

Customer grouping	Period	Number of customers	Gross receivables R'000	Impairment provision R'000	Total arrears R'000	Instalments in arrears					
						1	2	3	4	> 4	
Satisfactory paid											
Customers who have paid 70% or more of amounts due over the contract period. The provision in this category results from <i>in duplum</i> provision.	Sept 2017	Number %	409 445 67.7	3 457 430 56.8	20 347 1.3	561 863	153 413	107 496	80 648	61 171	159 135
	Sept 2016	Number %	442 103 67.9	3 616 595 56.9	37 673 2.3	629 534	167 576	119 407	89 852	67 936	184 763
	March 2017	Number %	422 070 68.5	3 507 921 57.4	27 609 1.8	596 271	162 822	114 395	86 010	65 285	167 759
Slow payers											
Customers who have paid 65% to 70% of amounts due over the contract period. The provision in this category for the current period ranges from 13% to 68% (September 2016: 14% to 66%) of amounts due and includes an <i>in duplum</i> provision.	Sept 2017	Number %	52 312 8.6	522 647 8.6	195 250 12.0	324 376	37 633	36 471	34 665	32 541	183 066
	Sept 2016	Number %	53 090 8.2	540 194 8.5	187 597 11.6	324 927	36 791	35 727	33 884	31 618	186 907
	March 2017	Number %	52 078 8.4	538 715 8.9	192 890 12.4	321 871	37 240	36 064	33 849	31 573	183 145
Non-performing accounts											
Customers who have paid between 55% and 65% of amounts due over the contract period. The provision in this category for the current period ranges from 23% to 79% (September 2016: 24% to 78%) of amounts due.	Sept 2017	Number %	45 632 7.5	550 218 9.0	248 575 15.3	359 017	33 350	31 744	30 622	29 533	233 768
	Sept 2016	Number %	49 167 7.6	585 809 9.1	248 481 15.3	372 092	34 396	32 708	31 563	30 298	243 127
	March 2017	Number %	47 981 7.8	576 347 9.4	258 823 16.6	366 979	34 413	32 902	31 201	29 727	238 736
Non-performing accounts											
Customers who have paid 55% or less of amounts due over the contract period. The provision in this category for the current period ranges from 34% to 100% (September 2016: 33% to 100%) of amounts due.	Sept 2017	Number %	97 792 16.2	1 559 939 25.6	1 161 281 71.4	1 107 034	71 012	69 576	68 415	67 372	830 659
	Sept 2016	Number %	106 643 16.3	1 629 870 25.5	1 146 198 70.8	1 125 994	73 369	72 060	71 016	70 022	839 527
	March 2017	Number %	94 118 15.3	1 484 119 24.3	1 081 237 69.2	1 057 905	67 299	66 090	64 564	63 075	796 877
Gross debtor analysis											
	Sept 2017		605 181	6 090 234	1 625 543	2 352 290	295 408	245 287	214 350	190 617	1 406 628
	Sept 2016		651 003	6 372 468	1 619 949	2 452 547	312 132	259 902	226 315	199 874	1 454 324
	March 2017		616 247	6 107 102	1 560 559	2 343 026	301 774	249 451	215 624	189 660	1 386 517
				Gross receivables R'000	Unearned provision R'000	Net receivable R'000	Impairment provision R'000				Impairment %
Net debtor analysis											
	September 2017		6 090 234	(509 994)	5 580 240	1 625 543	29.1				
	September 2016		6 372 468	(550 728)	5 821 740	1 619 949	27.8				
	March 2017		6 107 102	(525 900)	5 581 202	1 560 559	28.0				

An *in duplum* provision of R21.8 million (2016: R39.8 million) has been provided.

Credit risk of trade receivables

Credit risk is the risk of suffering financial loss, should any of the group's customers and counterparties fail to fulfil 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.

Credit granting

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:
- 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 proprietary 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 customer'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 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 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 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. 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 arrears 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.

Interest rate risk

Interest rates charged to customers are fixed at the date the contract is entered into. Consequently, there is no interest rate risk associated with these contracts during the term of the contract.

The average effective interest rate on instalment sale and loan receivables is 22.6% (2016: 22.3%) and the average term of the sale is 32.9 months (2016: 32.9 months).

Fair value

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.

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
2.2 Debtor costs			
Bad debts, repossession losses and bad debt recoveries	379.4	415.7	1 038.5
Movement in debtors' impairment provision	64.9	86.4	27.0
Closing balance	1 625.5 (1 560.6)	1 620.0 (1 533.6)	1 560.6 (1 533.6)
Opening balance	444.3	502.1	1 065.5
Debtor costs as a percentage of net instalment sale and loan receivables (%)	8.0	8.6	19.1

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
3. INSURANCE			
3.1 Insurance investments			
Financial assets – insurance investments			
Listed investments			
Fixed income securities – available-for-sale	456.3	449.9	455.9
Unlisted Investments			
Money market – available-for-sale	244.3	818.1	294.9
	700.6	1 268.0	750.8

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
Analysed as follows:			
Non-current	456.3	449.9	455.9
Current	244.3	818.1	294.9
	700.6	1 268.0	750.8

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
Movement for the year			
Beginning of the year	750.8	1 668.5	1 668.5
Additions to investments	22.5	1 992.1	2 253.8
Disposals of investments	(77.9)	(2 411.1)	(3 184.6)
Fair value adjustment	5.2	18.5	13.1
End of the year	700.6	1 268.0	750.8

Executive directors: J Enslin (*Chief executive officer*), L A Davies (*Chief financial officer*). Independent non-executive directors: DM Nurek (*Chairman*), H Saven, Professor F Abrahams, AJ Smart, D Motsepe, A Bodosing *Company secretary*; PB Croucher *Transfer secretaries*; Computershare Investor Services (Pty) Ltd; 70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107. **Analysed:** 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

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

Fair value hierarchy
The following table presents the assets recognised and subsequently measured at fair value:

	Level 1 Rm	Level 2 Rm	Total Rm
30 September 2017			
Available-for-sale assets:			
Insurance investments:		456.3	456.3
Fixed income securities	–	244.3	244.3
Money market	–	700.6	700.6
30 September 2016			
Available-for-sale assets:			
Insurance investments:		449.9	449.9
Fixed income securities	–	818.1	818.1
Money market	–	1 268.0	1 268.0
31 March 2017			
Available-for-sale assets:			
Insurance investments:		455.9	455.9
Fixed income securities	–	294.9	294.9
Money market	–	750.8	750.8

The categorisation of the valuation techniques used to value the assets at fair value are as set out in IFRS 13.

All government and corporate bonds are categorised as Level 2 based on management's current assessment of all active markets for debt instruments.

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
3.2 Investment income			
Interest – insurance business	31.7	58.0	104.6
Realised gain on disposal of insurance investments	1.1	–	0.3
	32.8	58.0	104.9

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
3.3 Reinsurance assets			
Reinsurers' share of unearned premiums	67.5	234.6	123.8
Opening balance	123.8	364.0	364.0
Recognised in income statement	(56.3)	(129.4)	(240.2)
Reinsurers' share of insurance provisions	30.1	35.2	28.4
Opening balance	28.4	33.3	33.3
Recognised in income statement	1.7	1.9	(4.9)
Total reinsurance assets	97.6	269.8	152.2

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
3.4 Reinsurance and insurance liabilities			
Unearned premiums	243.5	710.2	412.1
Opening balance	412.1	1 090.8	1 090.8
Recognised in income statement	(168.6)	(380.6)	(678.7)
Due to reinsurers	0.8	50.0	0.3
Other reinsurance and insurance liabilities	154.8	284.7	206.4
Opening balance	206.4	361.2	361.2
Recognised in income statement	(51.6)	(76.5)	(154.8)
Total reinsurance and insurance liabilities	399.1	1 044.9	618.8

	Unaudited Six months ended 30 Sept 2017 Rm	Unaudited Six months ended 30 Sept 2016 Rm	Audited 12 months ended 31 March 2017 Rm
4. BORROWINGS, BANKING FACILITIES AND CASH			
Interest-bearing borrowings			
Long-term			
Banking facilities	600.0	1 100.0	700.0
Short-term			
Banking facilities and bond	–	725.0	225.0
Bank overdrafts	34.8	19.1	22.3
	34.8	744.1	247.3