UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

REVENUE UP
1.6%

GROSS PROFIT MARGIN
36.9%

COST GROWTH CONTAINED AT
2.4%

HEADLINE EARNINGS PER SHARE
372 CENTS

INTERIM DIVIDEND MAINTAINED AT
215 CENTS

Trading and financial performance

The trading environment remains extremely challenging with the group's middle to lower income target market under continued pressure. However, the group's results for the six month period to 30 September 2014 show initial signs of a stabilising credit environment with debtor cost growth slowing.

Revenue for the period increased by 1.6% supported by increased financial services income owing to the higher proportion of longer term contracts settling in the base and higher levels of credit sales in the previous financial years.

Trading conditions in August and September proved particularly difficult owing to aggressive discounting by competitors ahead of store closures. This resulted in sales for the half year declining by 3.5% to R1.13 billion.

The gross margin at 36.9% was slightly below the targeted 37% to 38.5%. Management is however confident of achieving this target for the full year.

Expenses continue to be tightly managed and the growth in operating costs, excluding debtor costs, was well contained to 2.4%.

The group's operating margin at 18.3% (2014: 20.6%) was impacted by the higher debtor costs and slow revenue growth, with operating profit declining 9.9% to R472 million. Headline earnings of R330 million were 11.3% lower than the previous year, with headline earnings per share of 372 cents (2014: 420 cents).

Despite the lower earnings, the interim dividend has been maintained at 215 cents per share, as the board remains confident in the business model.

Inventory levels at period end were 9% higher due to the slower than expected sales growth in the last two months of the reporting period and higher stock levels ahead of the festive season trading period.

The gearing ratio reduced to 24.1% (2014: 27.9%).

In September 2014 Global Credit Ratings affirmed the group's national long-term credit rating as 'A(za)' and the national short-term rating as 'A1(za)', with a stable outlook, noting the group's robust business model.

Debtor management

Management is encouraged by the improving collection trend as the increase in debtor costs for the six months slowed to 27% from the 30% reported for the four months ended July 2014. This reflects the dual impact of a more stable labour market following the settlement of the mining strikes and the enhanced collections productivity at stores. Debtor costs as a percentage of net debtors moved from 5.3% to 6.4%.

Mainly as a result of the previously unstable labour market, the level of satisfactory paid customers is 67.9% of total debtors compared to 68.6% in the previous year, evidencing the continuing difficult credit environment. The impairment provision increased from 19.0% to 21.0%.

The continued strict centralised credit granting policies have been consistently applied during the period. The credit application decline rate increased from 39% to 41%. Credit sales remained within the group's target range and accounted for 70% of sales for the six month period (2014: 72.4%).

Store expansion

Lewis reached the 500 store mark following the opening of nine new outlets during the period, bringing the group's store base to 642 at the end of September. The group now has 150 stores in the smaller format with lower cost structures and higher sales densities than the traditional stores.

Board of directors

During the period Zarina Bassa and Sizakele Marutlulle resigned as independent non-executive directors. Independent non-executive director, David Nurek, was appointed to the audit committee to replace Ms Bassa.

Update on Beares acquisition

Shareholders are advised that negotiations are progressing with the business rescue practitioners with a view to concluding an agreement for the acquisition of Beares from Ellerine Furnishers Proprietary Limited ("Ellerines").

In terms of the proposed agreement, the group will acquire the Beares brand and 63 of the existing Beares stores in South Africa. The purchase consideration is R40 million as well as stock to a maximum value of R50 million. The acquisition is subject to various conditions precedent, including the approval of the competition authorities which is expected by 17 November 2014.

On completion of the transaction the Beares chain will be integrated into the Lewis group's business model. Management plans to retain the Beares brand and incorporate the My Home chain into the Beares business.

Beares is a scalable brand with exciting medium-term expansion potential and will enable the group to attract new customers in higher LSM markets where it currently has limited exposure.

Prospects

New merchandise ranges have been launched in stores and will be supported by strong marketing campaigns ahead of the festive season.

Retail trading conditions are expected to remain challenging over the remainder of the financial year, however disruptive competitor activity is expected to decline as stores are closed. Management will continue to drive quality credit sales while containing operating and debtor costs.

Despite the adverse trading conditions the group continues to invest for growth and is on track to open the targeted 20 Lewis outlets in the 2015 financial year.

The integration of the Beares business into the Group's store, merchandise, supply chain and credit operations will be one of management's priorities in the months ahead.

Dividend declaration

Notice is hereby given that an interim gross cash dividend of 215 cents per share in respect of the 6 months ended 30 September 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 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 16 January 2015
Date trading commences "ex" dividend	Monday 19 January 2015
Record date	Friday 23 January 2015
Date of payment	Monday 26 January 2015

Share certificates may not be dematerialised or rematerialised between Monday 19 January 2015 and Friday 23 January 2015.

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
10 November 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, 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

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

Lewis Group Ltd

Income statement

	Notes	Six months ended 30 Sept 2014 Unaudited Rm	% change	Six months ended 30 Sept 2013 Unaudited Rm	12 months ended 31 Mar 2014 Audited Rm
Revenue		**2 579.5**	1.6%	2 538.9	5 281.7
Merchandise sales		**1 127.9**		1 169.2	2 409.1
Finance charges and initiation fees earned		**640.7**		580.5	1 208.9
Insurance revenue		**442.8**		470.7	975.5
Ancillary services		**368.1**		318.5	688.2
Cost of merchandise sales		**(711.9)**		(728.6)	(1 524.4)
Operating costs		**(1 396.1)**		(1 286.9)	(2 603.3)
Employment costs		**(420.9)**		(417.5)	(818.9)
Administration and IT		**(111.0)**		(109.4)	(217.1)
Debtor costs	2	**(400.9)**		(314.9)	(702.4)
Marketing		**(94.8)**		(96.2)	(173.1)
Occupancy costs		**(127.7)**		(122.9)	(245.2)
Transport and travel		**(103.5)**		(93.4)	(192.6)
Depreciation		**(33.6)**		(31.9)	(58.5)
Other operating costs		**(103.7)**		(100.7)	(195.5)
Operating profit		**471.5**	(9.9%)	523.4	1 154.0
Investment income		**62.5**		56.4	125.8
Profit before finance costs		**534.0**		579.8	1 279.8
Net finance costs		**(55.9)**		(46.1)	(102.7)
Interest paid		**(65.9)**		(53.5)	(116.8)
Interest received		**7.9**		2.4	6.5
Forward exchange contracts		**2.1**		5.0	7.6
Profit before taxation		**478.1**		533.7	1 177.1
Taxation		**(137.9)**		(153.7)	(334.9)
Net profit attributable to ordinary shareholders		**340.2**	(10.5%)	380.0	842.2

Statement of comprehensive income

	Six months ended 30 Sept 2014 Unaudited Rm	Six months ended 30 Sept 2013 Unaudited Rm	12 months ended 31 Mar 2014 Audited Rm
Net profit for the year	**340.2**	380.0	842.2
Movement in other reserves (recycled to income statement on disposal)	**40.0**	39.0	60.9
Fair value adjustment to available-for-sale investments	**50.7**	41.0	71.5
Disposal of available-for-sale investments	**(10.9)**	(6.6)	(23.9)
Foreign currency translation reserve	**0.2**	4.6	13.3
Retirement benefit remeasurements	**–**	–	30.5
Other comprehensive income	**40.0**	39.0	91.4
Total comprehensive income for the period attributable to equity shareholders	**380.2**	419.0	933.6

Earnings and dividends per share

	Six months ended 30 Sept 2014 Unaudited	% change	Six months ended 30 Sept 2013 Unaudited	12 months ended 31 Mar 2014 Audited
1. Weighted average no. of shares				
Weighted average	**88 817**		88 669	88 762
Diluted weighted average	**89 791**		89 141	89 614
2. Headline earnings (Rm)				
Attributable earnings	**340.2**		380.0	842.2
Profit on disposal of assets and investments	**(10.1)**		(7.9)	(24.6)
Headline earnings	**330.1**	(11.3%)	372.1	817.6
3. Earnings per share (cents)				
Earnings per share	**383.0**	(10.6%)	428.6	948.8
Diluted earnings per share	**378.9**		426.3	939.8
4. Headline earnings per share (cents)				
Headline earnings per share	**371.7**		419.7	921.1
Diluted headline earnings per share	**367.6**		417.4	912.4
5. Dividends per share (cents)				
Dividends paid per share				
Final dividend 2014 (2013)	**302.0**		302.0	302.0
Interim dividend 2014	**–**		–	215.0
	302.0		302.0	517.0
Dividends declared per share				
Interim dividend 2015 (2014)	**215.0**		215.0	215.0
Final dividend 2014	**–**		–	302.0
	215.0		215.0	517.0

Statement of changes in equity

	Six months ended 30 Sept 2014 Unaudited Rm	Six months ended 30 Sept 2013 Unaudited Rm	12 months ended 31 Mar 2014 Audited Rm
Share capital and premium			
Opening balance	**109.2**	88.4	88.4
Cost of own shares acquired (treasury shares)	**(26.6)**	–	(10.7)
Share awards to employees	**19.9**	19.8	31.5
	102.5	108.2	109.2
Other reserves			
Opening balance	**436.1**	397.8	397.8
Other comprehensive income for the year	**40.0**	39.0	60.9
Share-based payment	**11.0**	16.0	27.0
Transfers to retained earnings	**(21.6)**	(24.1)	(49.6)
	465.5	428.7	436.1
Retained earnings			
Opening balance	**4 796.5**	4 361.1	4 361.1
Net profit attributable to ordinary shareholders	**340.2**	380.0	842.2
Distribution to shareholders	**(268.2)**	(268.2)	(459.3)
Share awards to employees	**(19.9)**	(16.4)	(28.1)
Transfers from other reserves	**21.6**	24.1	49.6
Profit on sale of own shares	**–**	0.6	0.5
Retirement benefit remeasurements	**–**	–	30.5
	4 870.2	4 481.2	4 796.5
Balance at the end of period	**5 438.2**	5 018.1	5 341.8

Balance sheet

	Notes	30 Sept 2014 Unaudited Rm	30 Sept 2013 Unaudited Rm	31 Mar 2014 Audited Rm
Assets				
Non-current assets				
Property, plant and equipment		**329.2**	331.3	327.3
Deferred taxation		**0.5**	0.5	0.6
Retirement benefit asset		**79.7**	19.8	79.7
Insurance investments	3	**1 554.1**	1 332.2	1 415.0
		1 963.5	1 683.8	1 822.6
Current assets				
Inventories		**425.1**	390.8	324.6
Trade and other receivables	4	**5 099.1**	4 933.8	5 078.9
Taxation		**37.5**	31.3	–
Insurance investments	3	**160.1**	347.6	283.7
Cash on hand and deposits		**268.2**	164.7	480.1
		5 990.0	5 868.2	6 167.3
Total assets		**7 953.5**	7 552.0	7 989.9
Equity and liabilities				
Capital and reserves				
Share capital and premium		**102.5**	108.2	109.2
Other reserves		**465.5**	428.7	436.1
Retained earnings		**4 870.2**	4 481.2	4 796.5
		5 438.2	5 018.1	5 341.8
Non-current liabilities				
Long-term interest-bearing borrowings		**1 075.0**	950.0	1 000.0
Deferred taxation		**173.3**	152.6	173.5
Retirement benefit liability		**99.1**	81.3	92.9
		1 347.4	1 183.9	1 266.4
Current liabilities				
Trade and other payables		**286.5**	290.7	227.9
Reinsurance and insurance liabilities		**379.8**	445.9	388.7
Taxation		**–**	–	7.1
Short-term interest-bearing borrowings		**501.6**	613.4	758.0
		1 167.9	1 350.0	1 381.7
Total equity and liabilities		**7 953.5**	7 552.0	7 989.9

Cash flow statement

	Six months ended 30 Sept 2014 Unaudited Rm	Six months ended 30 Sept 2013 Unaudited Rm	12 months ended 31 Mar 2014 Audited Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Cash flow from trading	**729.6**	723.0	1 360.2
Change in working capital	**(278.8)**	(264.9)	(429.3)
Cash generated from operations	**450.8**	458.1	930.9
Interest and dividends received	**57.8**	50.7	104.1
Interest paid	**(63.8)**	(48.5)	(109.2)
Taxation paid	**(191.6)**	(192.1)	(326.9)
	253.2	268.2	598.9
CASH FLOW FROM INVESTING ACTIVITIES			
Net disposals to insurance investments	**45.9**	72.2	87.6
Acquisition of property, plant and equipment	**(38.9)**	(40.5)	(59.1)
Proceeds on disposal of property, plant and equipment	**4.1**	11.6	6.8
	11.1	43.3	35.3
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid	**(268.2)**	(268.2)	(459.3)
Increase/(Decrease) in long-term borrowings	**75.0**	(300.0)	(250.0)
(Decrease)/Increase in short-term borrowings	**(300.0)**	300.0	650.0
Proceeds on sale of own shares	**–**	4.0	3.9
Purchase of own shares	**(26.6)**	–	(10.7)
	(519.8)	(264.2)	(66.1)
Net (decrease)/increase in cash and cash equivalents	**(255.5)**	47.3	568.1
Cash and cash equivalents at the beginning of the period	**472.1**	(96.0)	(96.0)
Cash and cash equivalents at the end of the period	**216.6**	(48.7)	472.1
ANALYSIS OF BORROWINGS AND FACILITIES			
Borrowings			
Long-term	**1 075.0**	950.0	1 000.0
Short-term	**450.0**	400.0	750.0
	1 525.0	1 350.0	1 750.0
Cash and cash equivalents			
Short-term facilities utilised	**51.6**	213.4	8.0
Cash on hand	**(268.2)**	(164.7)	(480.1)
	(216.6)	48.7	(472.1)
Net borrowings	**1 308.4**	1 398.7	1 277.9
Unutilised facilities:			
Banking facilities	**1 016.6**	751.3	1 272.1
Domestic Medium-Term Note Programme	**1 700.0**	–	1 500.0
Banking facilities and Domestic Medium-Term Note Programme	**4 025.0**	2 150.0	4 050.0

Key ratios

	Six months ended 30 Sept 2014	Six months ended 30 Sept 2013	12 months ended 31 Mar 2014
Operating efficiency ratios			
Gross profit margin (%)	**36.9%**	37.7%	36.7%
Operating profit margin (%)	**18.3%**	20.6%	21.8%
Number of stores	**642**	627	636
Number of permanent employees (average)	**7 534**	7 598	7 590
Trading space (sqm)	**214 027**	223 501	221 336
Inventory turn	**3.5**	3.9	4.7
Current ratio	**5.1**	4.3	4.5
Credit ratios			
Credit sales (%)	**69.7%**	72.4%	72.3%
Debtor costs as a % of the net debtors	**6.4%**	5.3%	11.6%
Debtors' impairment provision as a % of net debtors	**21.0%**	19.0%	18.6%
Arrear instalments on satisfactory accounts as a percentage of net debtors	**8.6%**	8.4%	8.6%
Arrear instalments on slow-paying and non-performing accounts as a percentage of net debtors	**25.0%**	23.1%	22.6%
Credit applications decline rate	**41.0%**	39.0%	38.4%
Shareholder ratios			
Net asset value per share (cents)	**6 130**	5 650	6 012
Gearing ratio	**24.1%**	27.9%	23.9%
Dividend payout ratio	**62.0%**	55.5%	60.2%
Return on average equity (after-tax)	**12.6%**	15.4%	16.5%
Return on average capital employed (after-tax)	**10.8%**	12.8%	13.6%
Return on average assets managed (pre-tax)	**13.4%**	15.6%	16.8%

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 88 715 000 shares in issue (2014: 88 811 000).*
3. *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 Sept 2014	No. of customers Sept 2013		Distribution of impairment provision Sept 2014	Sept 2013	March 2014
Satisfactory paid	No.	**462 625**	474 253	Rm	**22.6**	28.2	22.9
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.	%	**67.9%**	68.6%	%	**1.7%**	2.5%	2.0%
Slow payers	No.	**53 912**	54 771	Rm	**127.7**	113.3	121.3
Customers who have paid 65% to 70% of amounts due over the contract period. The provision in this category ranges from 11% to 74% of amounts due and includes an *in duplum* provision (2014: 11% to 78%)	%	**7.9%**	7.9%	%	**9.7%**	10.0%	10.8%
Non-performing customers	No.	**49 971**	53 021	Rm	**189.3**	183.2	180.0
Customers who have paid 55% to 65% of amounts due over the contract period. The provision in this category ranges from 22% to 85% of amounts due (2014: 20% to 90%)	%	**7.3%**	7.7%	%	**14.3%**	16.3%	15.9%
Non-performing customers	No.	**115 220**	109 431	Rm	**981.5**	803.1	805.3
Customers who have paid 55% or less of amounts due over the contract period. The provision in this category ranges from 27% to 100% of amounts due (2014: 28% to 100%)	%	**16.9%**	15.8%	%	**74.3%**	71.2%	71.3%
Total	No.	**681 728**	691 476	Rm	**1 321.1**	1 127.8	1 129.5
Debtors impairment as a % of net debtors					**21.0%**	19.0%	18.6%

Segmental report

Reportable segment	Lewis Rm	Best Home and Electric Rm	My Home Rm	Group Rm
For the six months ended 30 September 2014 (unaudited)				
Revenue	**2 142.6**	**372.3**	**64.6**	**2 579.5**
Operating profit	**395.0**	**70.2**	**6.3**	**471.5**
Operating margin	**18.4%**	**18.9%**	**9.8%**	**18.3%**
Segment assets	**4 549.9**	**709.6**	**134.6**	**5 394.1**
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 12 months ended 31 March 2014 (audited)				
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

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 Listings Requirements of the JSE. The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 March 2014.

	Six months ended 30 Sept 2014 Unaudited Rm	Six months ended 30 Sept 2013 Unaudited Rm	12 months ended 31 Mar 2014 Audited Rm
2. Debtor costs			
Bad debts, repossession losses and bad debt recoveries	**209.3**	184.2	570.1
Movement in impairment provision	**191.6**	130.7	132.3
	400.9	314.9	702.4
3. Insurance investments – available-for-sale			
Listed			
Listed shares	**733.4**	636.3	701.9
Fixed income securities	**820.7**	695.9	713.1
Unlisted			
Money market	**160.1**	347.6	283.7
	1 714.2	1 679.8	1 698.7

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.

	Six months ended 30 Sept 2014 Unaudited Rm	Six months ended 30 Sept 2013 Unaudited Rm	12 months ended 31 Mar 2014 Audited Rm
4. Trade and other receivables			
Instalment sale and loan receivables	**7 505.0**	7 195.0	7 314.4
Provision for unearned maintenance income	**(212.4)**	(219.4)	(211.0)
Provision for unearned initiation fees and unearned finance charges	**(227.9)**	(219.2)	(230.6)
Provision for unearned insurance premiums	**(774.6)**	(824.3)	(802.7)
Net instalment sale and loan receivables	**6 290.1**	5 932.1	6 070.1
Provision for impairment	**(1 321.1)**	(1 127.8)	(1 129.5)
	4 969.0	4 804.3	4 940.6
Other receivables	**130.1**	129.5	138.3
	5 099.1	4 933.8	5 078.9

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 21.4% (2014: 21.3%) and the average term of the sale is 32.1 months (2014: 32.6 months).

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