Lewis Group Ltd

AUDITED
SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH

2018

HIGHLIGHTS

Merchandise sales
^
9.9%
to R2.9 billion

Gross profit margin
v
41.4%

Debtors costs reduced by
10.1%

Operating cost growth limited to
3.3%

Total dividend maintained at
200 cents

HEPS down
v
24.3%
to 302.6 cents

Balance sheet ungeared

Acquired UFO

COMMENTARY

TRADING AND FINANCIAL PERFORMANCE

Lewis Group continues to show a recovery in performance, with improving merchandise sales, tight expense control and lower debtor costs supported by an overall strong financial position. However, a decline in other revenue has impacted the group's profitability for the year.

Merchandise sales increased by 9.9% over the prior year, benefiting from the inclusion of United Furniture Outlets (UFO) for the two months since acquisition. Excluding the sales from UFO, the group's merchandise sales grew by 7.3%. Comparable store sales grew by 10.1%. Stores outside South Africa contributed 22.5% (2017: 24.1%) of merchandise sales.

Credit sales increased by 10.7% and cash sales by 8.2%. Group credit sales accounted for 65.7% (2017: 65.2%) of total sales.

After declining by 3.2% for the first half, revenue increased by 1.8% in the second half to show a year-on-year decline of 0.6%. The decline was mainly due to lower credit sales in prior years which limited annuity income as well as the implementation of the prescribed maximum credit life insurance rates in August 2017.

The group's gross profit margin at 41.4% (2017: 42.4%) remains at the upper end of management's target range of 38% to 42%.

Operating costs, excluding debtor costs, were contained below inflation, with an increase of only 3.3%, which was well below the growth in sales. Marketing and promotional costs increased to support sales growth.

The decline in other revenue impacted the group's operating margin which contracted from 10.1% to 6.8%, within management's guided range.

Investment income net of finance costs improved significantly, reflecting a gain of R13.2 million this year compared to a charge of R43.5 million last year owing to the deployment of the excess cash invested in Monarch Insurance to reduce debt levels.

Headline earnings declined by 26.5% to R260.5 million (2017: R354.5 million) with headline earnings per share 24.3% lower at 302.6 cents (2017: 399.5 cents).

The balance sheet is ungeared following the repayment of R1.5 billion in borrowings over the past 18 months. The group's sound financial position is confirmed by the increase in the net asset value per share from 6 127 cents to 6 534 cents.

The group remains highly cash generative. Cash and cash equivalents totalled R579.6 million at year end after acquiring UFO and share repurchases.

The group has maintained the final dividend at 100 cents per share, bringing the total dividend for the year to 200 cents per share.

DEBTOR MANAGEMENT

Debtor costs declined by 10.1% over the prior period as collection rates improved to 74.9% (2017: 73.8%) in the stabilising credit environment. Debtor costs as a percentage of net debtors decreased from 19.1% last year to 17.5%. The number of satisfactory paid customers at 68.4% is consistent with last year's 68.5%. The impairment provision increased from 28.0% in 2017 to 29.6% in 2018.

INTEGRATION OF UNITED FURNITURE OUTLETS

UFO is a cash retailer of luxury household furniture to the higher income market, with its main store presence in Gauteng. The acquisition allows the group to diversify its target market and access higher income customers while increasing the cash-to-credit sales mix. The business is scalable with the potential to expand across South Africa and into the neighbouring countries.

The integration has been successfully completed with the operational management team being retained which ensures continuity in the business. A new bedding range has been developed which will benefit from the group's buying power. In the year ahead, 5 to 10 UFO stores are expected to open, subject to the availability of space in upmarket shopping malls.

RETAIL STORE FOOTPRINT

Following the acquisition of 31 UFO stores and the net closure of 19 stores across the Lewis and Beares brands, the group's store network totalled 773 at year end. This includes 110 stores in the neighbouring countries of Botswana, Lesotho, Namibia and Swaziland. Lewis continues to open smaller format stores which now account for 212 of the brand's 499 stores.

LAUNCH OF HOME SHOPPING

The group subsequent to the year-end entered the home shopping market with the launch of INspire, an omni-channel retail offering to be marketed through outbound call centres, agents and online shopping at www.inspire.co.za. INspire has a offering across the merchandise categories of linen, bedding, tableware, cookware and small electrical appliances. The strategy is to attract customers in the LSM 4 – 8 categories and to extend the group's reach in urban areas.

SHARE REPURCHASE PROGRAMME

The group repurchased 5.4 million shares during the reporting period, at an average price of R30.24 per share. Under the current mandate granted by shareholders, the group is able to repurchase a further 2.3 million shares.

OUTLOOK

Management expects the sales momentum to continue into the new financial year. The favourable outcome of the clothing industry court challenge with regard to the affordability assessment regulations of the National Credit Regulator (NCR) will benefit credit sales. Prospective creditworthy self-employed and informally employed customers who were not able to supply payslips or bank statements are no longer required to provide this level of documentary proof of income.The group will provide credit to these customers in a responsible manner.

The UFO acquisition is central to the group's strategy to diversify across market segments and retail channels. The group plans to open a net 15 stores across all brands in the year ahead, while continuing to close marginal stores in the Lewis brand.

The board welcomed the results of two long-standing legal cases after year end, reducing the group's regulatory risk profile and improving certainty. In the first case the court ruled in Lewis' favour regarding an appeal by the NCR in relation to the issues of club fees and extended warranties. In the second case a settlement was reached in the matter between the NCR and Lewis Stores in relation to loss of employment and disability insurance.

DIVIDEND DECLARATION

Notice is hereby given that a final gross cash dividend of 100 cents per share in respect of the year ended 31 March 2018 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 17 July 2018
Date trading commences "ex" dividend	Wednesday 18 July 2018
Record date	Friday 20 July 2018
Date of payment	Monday 23 July 2018

Share certificates may not be dematerialised or rematerialised between Wednesday 18 July 2018 and Friday 20 July 2018, both days inclusive.

For and on behalf of the board

Hilton Saven
Independent Non-executive Chairman

Johan Enslin
Chief executive officer

Cape Town
23 May 2018

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Lewis Group Limited

OPINION

The summary consolidated financial statements of Lewis Group Limited, set out on pages 5 to 23 of the Lewis Group Limited Audited Summary Financial Statements Booklet, which comprise the summary consolidated balance sheet as at 31 March 2018, the summary consolidated income statement, the summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Lewis Group Limited for the year ended 31 March 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance, with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

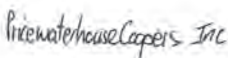
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 23 May 2018. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.



PricewaterhouseCoopers Inc.

Director: MC Hamman
Registered Auditor

Cape Town
23 May 2018

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 Audited Rm	2017 Restated Rm
Revenue		**5 556.8**	5 592.1
Merchandise sales	6	**2 865.0**	2 607.9
Other revenue		**2 691.8**	2 984.2
Finance charges and initiation fees earned		**1 361.6**	1 451.8
Insurance revenue		**671.0**	822.3
Ancillary services		**659.2**	710.1
Cost of merchandise sales	6	**(1 677.8)**	(1 501.0)
Operating costs		**(3 499.7)**	(3 527.0)
Debtor costs	2.2	**(957.3)**	(1 065.5)
Employment costs		**(1 059.1)**	(987.0)
Occupancy costs		**(373.2)**	(370.8)
Administration and IT		**(328.8)**	(318.4)
Transport and travel		**(205.0)**	(202.8)
Marketing		**(246.6)**	(222.0)
Depreciation and amortisation		**(85.9)**	(90.1)
Other operating costs		**(243.8)**	(270.4)
Operating profit before investment income		**379.3**	564.1
Investment income	3.2	**62.4**	104.9
Profit before finance costs		**441.7**	669.0
Net finance costs		**(49.2)**	(148.4)
Interest paid		**(87.6)**	(174.3)
Interest received		**38.9**	39.4
Forward exchange contracts		**(0.5)**	(13.5)
Profit before taxation		**392.5**	520.6
Taxation	7	**(128.4)**	(163.1)
Net profit attributable to ordinary shareholders		**264.1**	357.5
Earnings per share	(cents)	**306.8**	402.9
Diluted earnings per share	(cents)	**301.3**	398.6

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	2018 Audited Rm	2017 Restated Rm
Net profit for the year	**264.1**	357.5
Items that may be subsequently reclassified to income statement:		
Movement in other reserves	**9.9**	(2.4)
Fair value adjustment to available-for-sale investments	**22.8**	9.6
Disposal of available-for-sale investments	**(1.3)**	(0.2)
Foreign currency translation reserve	**(11.6)**	(11.8)
Items that may not be subsequently reclassified to income statement:		
Retirement benefit remeasurements	**42.6**	1.2
Other comprehensive income	**52.5**	(1.2)
Total comprehensive income for the year attributable to equity shareholders	**316.6**	356.3

EARNINGS AND DIVIDENDS PER SHARE

FOR THE YEAR ENDED 31 MARCH 2018

		2018 Audited Rm	2017 Restated Rm
Weighted average number of shares			
Weighted average		**86 073**	88 730
Diluted weighted average		**87 670**	89 699
Headline earnings			
Attributable earnings		**264.1**	357.5
Profit on disposal of fixed assets		**(2.4)**	(1.6)
Profit on disposal of available-for-sale investments		**(1.2)**	(0.2)
Gain on acquisition of Beares		**–**	(1.2)
Headline earnings		**260.5**	354.5
Earnings per share			
Earnings per share	(cents)	**306.8**	402.9
Diluted earnings per share	(cents)	**301.3**	398.6
Headline earnings per share			
Headline earnings per share	(cents)	**302.6**	399.5
Diluted headline earnings per share	(cents)	**297.1**	395.2
Dividends per share			
Dividends paid per share			
Final dividend 2017 (2016)	(cents)	**100.0**	302.0
Interim dividend 2018 (2017)	(cents)	**100.0**	100.0
	(cents)	**200.0**	402.0
Dividends declared per share			
Interim dividend 2018 (2017)	(cents)	**100.0**	100.0
Final dividend 2018 (2017)	(cents)	**100.0**	100.0
	(cents)	**200.0**	200.0

BALANCE SHEET
AS AT 31 MARCH 2018

	Notes	2018 Audited Rm	2017 Restated Rm
Assets			
Non-current assets			
Property, plant and equipment		**301.8**	343.5
Trademarks		**117.8**	66.2
Goodwill		**187.6**	5.5
Deferred taxation		**10.9**	48.9
Retirement benefit asset		**91.1**	55.0
Financial assets – insurance investments	3.1	**471.0**	455.9
		1 180.2	975.0
Current assets			
Inventories		**579.7**	447.7
Trade and other receivables	2.1	**4 068.9**	4 225.8
Reinsurance assets	3.3	**–**	152.2
Insurance premiums in advance		**75.6**	403.2
Taxation		**136.5**	181.1
Financial assets – insurance investments	3.1	**135.4**	294.9
Cash-on-hand and deposits		**608.4**	788.6
		5 604.5	6 493.5
Total assets		**6 784.7**	7 468.5
Equity and liabilities			
Capital and reserves			
Share capital and premium		**425.0**	588.5
Treasury shares		**(480.2)**	(480.2)
Other reserves		**42.6**	6.2
Retained earnings		**5 461.1**	5 325.9
		5 448.5	5 440.4
Non-current liabilities			
Long-term interest-bearing borrowings	4	**–**	700.0
Deferred taxation		**121.0**	89.0
Retirement benefit liability		**89.8**	101.7
		210.8	890.7
Current liabilities			
Trade and other payables		**417.0**	271.3
Reinsurance and insurance liabilities	3.4	**176.8**	618.8
Short-term interest-bearing borrowings	4	**531.6**	247.3
		1 125.4	1 137.4
Total equity and liabilities		**6 784.7**	7 468.5

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	2018 Audited Rm	2017 Restated Rm
Share capital and premium		
Opening balance	**588.5**	588.5
Cost of own shares acquired	**(163.5)**	–
	425.0	588.5
Treasury shares		
Opening balance	**(480.2)**	(496.4)
Share awards to employees	**–**	16.2
	(480.2)	(480.2)
Other reserves		
Opening balance	**6.2**	27.5
Other comprehensive income for the year		
Fair value adjustments of available-for-sale investments	**22.8**	9.6
Disposal of available-for-sale investments recognised	**(1.3)**	(0.2)
Foreign currency translation reserve	**(11.6)**	(11.8)
Share-based payment	**26.5**	(4.0)
Transfer of share-based payment reserve to retained earnings on vesting	**–**	(14.9)
	42.6	6.2
Retained earnings		
Opening balance	**5 325.9**	5 325.4
Net profit attributable to ordinary shareholders	**264.1**	357.5
Distribution to shareholders	**(171.5)**	(356.9)
Transfer of share-based payment reserve to retained income on vesting	**–**	14.9
Share awards to employees	**–**	(16.2)
Retirement benefit remeasurements	**42.6**	1.2
	5 461.1	5 325.9
Balance as at 31 March	**5 448.5**	5 440.4

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	**2018 Audited Rm**	2017 Restated Rm
Cash flow from operating activities			
Cash flow from trading		**606.3**	686.0
Operating profit before investment income		**379.3**	564.1
Adjusted for:			
Share-based payments		**26.5**	(4.0)
Depreciation and amortisation		**85.9**	90.1
Movement in debtors impairment provision		**58.9**	27.0
Movement in other provisions		**47.8**	1.1
Other movements		**7.9**	7.7
Changes in working capital:		**101.9**	428.8
(Increase)/decrease in inventories		**(27.3)**	13.2
Decrease in trade and other receivables		**91.8**	322.8
Increase in trade payables		**(0.4)**	(2.9)
Decrease in insurance premiums in advance		**327.6**	782.2
Decrease in reinsurance asset		**152.2**	245.1
Decrease in reinsurance and insurance liabilities		**(442.0)**	(931.6)
Cash generated from operations		**708.2**	1 114.8
Interest received		**99.5**	144.0
Interest paid		**(88.1)**	(187.8)
Taxation paid		**(58.5)**	(254.8)
		661.1	816.2
Cash utilised in investing activities			
Net disposals of insurance business investments		**176.0**	931.1
Purchase of insurance investments		**(81.5)**	(2 253.8)
Disposals of insurance investments		**257.5**	3 184.9
Acquisition of property, plant and equipment		**(44.4)**	(61.3)
Purchase of businesses	9	**(234.6)**	(107.6)
Proceeds on disposal of property, plant and equipment		**12.4**	7.6
		(90.6)	769.8
Cash flow from financing activities			
Dividends paid		**(171.5)**	(356.9)
Repayments of borrowings		**(422.2)**	(1 050.0)
Purchase of own shares		**(163.5)**	–
		(757.2)	(1 406.9)
Net (decrease)/increase in cash and cash equivalents		**(186.7)**	179.2
Cash and cash equivalents at the beginning of the year		**766.3**	587.2
Cash and cash equivalents at the end of the year		**579.6**	766.3

1. BASIS OF REPORTING

The summary consolidated 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 the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

These financial statements are a summary of the group's audited annual financial statements for the year ended 31 March 2018. The audited annual financial statements were prepared by the group's Finance Department under the supervision of Mr LA Davies CA(SA) and Mr J Bestbier CA(SA). A copy of the full set of the audited financial statements is available for inspection at the company's registered office.

		2018 Audited Rm	2017 Audited Rm
2. TRADE AND OTHER RECEIVABLES			
2.1 Trade receivables			
Instalment sale and loan receivables		**5 997.0**	6 107.1
Contractually due within 12 months		**2 325.9**	2 368.6
Contractually due after 12 months		**3 671.1**	3 738.5
Unearned provisions		**(519.4)**	(525.9)
Provision for unearned maintenance income		**(309.1)**	(320.0)
Provision for unearned finance charges and unearned initiation fees		**(210.3)**	(205.9)
Net instalment sale and loan receivables		**5 477.6**	5 581.2
Provision for impairment		**(1 619.5)**	(1 560.6)
		3 858.1	4 020.6
Other receivables		**210.8**	205.2
		4 068.9	4 225.8
Debtors' impairment provision as % of net debtors	(%)	**29.6**	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 six to 36 months.

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 priority 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. 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. This is correlated with collection statistics and customer payment data produced by the credit risk systems.

Contractual Arrears

The key aspect of the arrear 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 arrear. The group does not consider arrears the leading indicator, but rather payment ratings for the reasons mentioned above.

2. TRADE AND OTHER RECEIVABLES CONTINUED

2.1 Trade receivables continued

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.

MARCH 2018		Number of customers Total	Gross receivables R'000	Impairment provision R'000	Total arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	4 R'000	>4 R'000
Satisfactory paid Customers who have paid 70% or more of amounts due over the contract period. The provision in this category results from *in duplum* provision.	No %	401 183 68.4%	3 473 979 57.9%	18 039 1.1%	549 506	155 673	105 593	77 633	58 003	152 604
Slow payers Customers who have paid 65% to 70% of amounts due over the contract period. The provision in this category ranges from 14% to 67% of amounts due and includes an *in duplum* provision.	No %	51 311 8.7%	515 597 8.6%	196 021 12.1%	308 975	37 594	36 230	33 546	30 741	170 864
Non-performing accounts Customers who have paid between 55% and 65% of amounts due over the contract period. The provision in this category ranges from 25% to 79% of amounts due.	No %	45 940 7.8%	555 813 9.3%	262 519 16.2%	356 918	34 573	32 780	30 928	29 308	229 329
Non-performing accounts Customers who have paid 55% or less of amounts due over the contract period. The provision in this category ranges from 35% to 100% of amounts due.	No %	88 430 15.1%	1 451 638 24.2%	1 142 920 70.6%	1 062 130	67 452	66 131	64 513	62 792	801 242
Total		586 864	5 997 027	1 619 499	2 277 529	295 292	240 734	206 620	180 844	1 354 039
Unearned provisions			(519 449)							
Net instalment sale and loan receivables			5 477 578	29.6%						

2. TRADE AND OTHER RECEIVABLES CONTINUED

2.1 Trade receivables continued

MARCH 2017		Number of customers Total	Gross receivables R'000	Impairment provision R'000	Total arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	4 R'000	>4 R'000
Satisfactory paid Customers who have paid 70% or more of amounts due over the contract period. The provision in this category results from *in duplum* provision.	No %	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 ranges from 13% to 72% of amounts due and includes an *in duplum* provision.	No %	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 ranges from 24% to 86% of amounts due.	No %	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 ranges from 34% to 100% of amounts due.	No %	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
Total		**616 247**	**6 107 102**	**1 560 559**	**2 343 026**	**301 774**	**249 451**	**215 624**	**189 660**	**1 386 517**
Unearned provisions			(525 900)							
Net instalment sale and loan receivables			**5 581 202**	**28.0%**						

An in duplum provision of R 18.8 million (2017: R 29.1 million) has been provided.

2. TRADE AND OTHER RECEIVABLES CONTINUED

2.1 Trade receivables continued

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 22.7% (2017: 22.5%) and the average term of the sale is 32.8 months (2017: 32.6 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.

	2018 Audited Rm	2017 Audited Rm
2.2 Debtor costs		
Bad debts, repossession losses and bad debt recoveries	**898.4**	1 038.5
Movement in impairment provision	**58.9**	27.0
Closing balance	**1 619.5**	1 560.6
Opening balance	**(1 560.6)**	(1 533.6)
	957.3	1 065.5
Debtor costs as a % of net instalment sale and loan receivables	**17.5%**	19.1%

3. INSURANCE

3.1 Insurance investments

	2018 Audited Rm	2017 Audited Rm
Financial assets – insurance investments		
Listed investments		
Fixed income securities – available-for-sale	**471.0**	455.9
Unlisted Investments		
Money market – available-for-sale	**135.4**	294.9
	606.4	750.8
Analysed as follows:		
Non-current	**471.0**	455.9
Current	**135.4**	294.9
	606.4	750.8
Movement for the year		
Beginning of the year	**750.8**	1 668.5
Additions to investments	**81.5**	2 253.8
Disposals of investments	**(255.7)**	(3 184.6)
Fair value adjustment	**29.8**	13.1
End of the year	**606.4**	750.8

A register of listed investments is available for inspection at the company's registered office.

3. INSURANCE CONTINUED

3.1 Insurance investments continued

Fair value hierarchy

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

	Level 2 Rm	Total Rm
2018		
Available-for-sale assets:		
Insurance investments:		
Fixed income securities	**471.0**	**471.0**
Money market	**135.4**	**135.4**
	606.4	**606.4**
2017		
Available-for-sale assets:		
Insurance investments:		
Fixed income securities	455.9	455.9
Money market	294.9	294.9
	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.

	2018 Audited Rm	2017 Audited Rm
3.2 Investment income		
Interest – insurance business	**60.7**	104.6
Realised gain on disposal of insurance investments	**1.7**	0.3
	62.4	104.9
3.3 Reinsurance assets		
Reinsurer's share of unearned premiums	**–**	123.8
Opening balance	**123.8**	364.0
Recognised in income statement	**(100.6)**	(240.2)
Cessation of reinsurance	**(23.2)**	–
Reinsurer's share of insurance premiums	**–**	28.4
Opening balance	**28.4**	33.3
Recognised in income statement	**(13.5)**	(4.9)
Cessation of reinsurance	**(14.9)**	–
Total reinsurance assets	**–**	152.2

The reinsurance arrangements with Constantia Insurance Company Limited were terminated with effect from 6 April 2018. Related reinsurance assets and liabilities were derecognised at the balance sheet date. The reinsurance arrangements conducted during the financial year are fully reflected in the income statement.

	2018 Audited Rm	2017 Audited Rm
3. INSURANCE CONTINUED		
3.4 Insurance and reinsurance liabilities		
Unearned Premiums	**133.2**	412.1
Opening balance	**412.1**	1 090.8
Income statement movement	**(278.9)**	(678.7)
Due to reinsurers	**0.9**	0.3
Other insurance and reinsurance liabilities	**42.7**	206.4
Opening balance	**206.4**	361.2
Income statement movement	**(125.6)**	(154.8)
Cessation of reinsurance	**(38.1)**	–
Total reinsurance and insurance liabilities	**176.8**	618.8
Total insurance liabilities	**175.9**	487.7
Total reinsurance liabilities	**0.9**	131.1
4. BORROWINGS, BANKING FACILITIES AND CASH		
Interest-bearing borrowings		
Long-term		
Banking facilities	**–**	700.0
Short-term		
Banking facilities	**502.8**	225.0
Bank overdrafts	**28.8**	22.3
	531.6	947.3
Cash on hand and deposits	**(608.4)**	(788.6)
Net borrowings	**(76.8)**	158.7
Unutilised facilities		
Banking facilities	**1 618.4**	2 116.3
Domestic Medium Term Note Program	**2 000.0**	2 000.0
	3 618.4	4 116.3
Available facilities	**3 541.6**	4 275.0
Interest rate profile		
Interest rate profile of borrowings is as follows:		
Bank borrowings at interest rates linked to 3 month JIBAR. The weighted average interest rate at the end of the reporting period is 9.1 % (2017: 9.6%)	**502.8**	925.0
	502.8	925.0
Cash and cash equivalents		
Cash on hand and deposits	**608.4**	788.6
Bank overdrafts	**(28.8)**	(22.3)
	579.7	766.4
Capital management		
Net borrowings	**(76.8)**	158.7
Shareholder's equity	**5 448.5**	5 440.4
Gearing ratio	**(1.4%)**	2.9%

5. REPORTABLE SEGMENTS

Primary		Lewis Rm	Best Home and Electric Rm	Beares Rm	UFO[1] Rm	Group Rm
2018						
Revenue		**3 950.2**	**732.5**	**808.1**	**66.0**	**5 556.8**
Operating profit before investment income		**180.4**	**121.1**	**82.0**	**(4.2)**	**379.3**
Operating margin	(%)	**4.6**	**16.5**	**10.1**	**(6.4)**	**6.8**
Segment assets		**3 115.0**	**575.2**	**637.7**	**110.0**	**4 437.9**
2017 (Restated)						
Revenue		4 137.0	725.4	729.7	–	5 592.1
Operating profit before investment income		423.5	111.0	29.6	–	564.1
Operating margin	(%)	10.2	15.3	4.1	–	10.1
Segment assets		3 356.6	578.6	539.3	–	4 474.5

[1] *Reflects only the two months trading since its acquisition by the group.*

Geographical	South Africa Rm	Namibia Rm	BLS* Rm	Group Rm
2018				
Revenue	**4 551.2**	**497.6**	**508.0**	**5 556.8**
2017 (Restated)				
Revenue	4 559.0	526.3	506.8	5 592.1

* *Botswana, Lesotho and Swaziland.*

	2018 Audited Rm	2017 Restated Rm
6. GROSS PROFIT		
Merchandise sales	**2 865.0**	2 607.9
Cost of Merchandise Sales	**(1 677.8)**	(1 501.0)
Merchandise Gross Profit	**1 187.2**	1 106.9
Gross profit percentage (%)	**41.4**	42.4

Restatement

During the year, the group reconsidered its accounting policy with respect to the treatment of advertising rebates. The group's advertising rebates result from the process of negotiating the best product price with the supplier and therefore the group does not provide distinct goods or services to its suppliers in exchange for the rebates.

As a result of reconsidering the accounting policy, the group concluded that it previously incorrectly classified these rebates, net of advertising expenses. It was concluded that the group's inventory accounting policy should be changed in accordance with "IAS 8: Accounting policies, changes in accounting estimates and errors".

6. GROSS PROFIT CONTINUED

		2018 Effect of change Rm	2017 Effect of change Rm	2016 Effect of change Rm
Impact on balance sheet				
Inventories		**(5.7)**	(6.9)	(6.1)
Retained earnings		**(4.1)**	(4.9)	(4.4)
Deferred tax liabilities		**(1.6)**	(2.0)	(1.7)
Impact on income statement				
Cost of sales		**(20.8)**	(21.4)	
Other operating expenses – Marketing		**19.8**	22.1	
Attributable profit for the year		**(0.7)**	(0.5)	
Total comprehensive income for the year		**(0.7)**	(0.5)	
Basic earnings per share	(cents)	**(0.8)**	(0.6)	
Diluted earnings per share	(cents)	**(0.7)**	(0.5)	
Basic headline earnings per share	(cents)	**(0.8)**	(0.6)	
Diluted headline earnings per share	(cents)	**(0.8)**	(0.6)	
Impact on statement of cash flows				
Cash flow from trading		**(1.2)**	(1.6)	
Changes in working capital		**1.2**	1.6	
Net movement in cash and cash equivalents		**–**	–	

7. TAXATION

	2018 Audited Rm	2017 Restated Rm
Taxation charge		
Normal taxation		
Current year	**93.5**	100.3
Prior year	**(0.6)**	0.8
Deferred taxation		
Current year	**29.8**	61.1
Prior year	**(6.8)**	0.9
Withholding tax	**12.5**	–
Taxation per income statement	**128.4**	163.1
Tax rate reconciliation		
Profit before taxation	**392.5**	520.6
Taxation calculated at a tax rate of 28% (2017: 28%)	**109.9**	145.8
Differing tax rates in foreign countries	**4.5**	6.3
Disallowances	**22.8**	14.5
Exemptions	**(13.9)**	(5.2)
Prior years	**(7.4)**	1.7
Withholding tax	**12.5**	–
Taxation per income statement	**128.4**	163.1
Effective tax rate	**32.7%**	31.3%

8. REGULATORY MATTERS

Referrals by National Credit Regulator to National Consumer Tribunal

First referral

In July 2015, the National Credit Regulator ("NCR") referred both Lewis Stores ("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 the notification of the referral, an internal investigation identified approximately 15% 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. Lewis is currently refunding the premiums and interest totalling approximately R67.7 million to the affected customers. To date, Lewis has reimbursed approximately 93% of amounts due.

In September 2016, the NCT delivered its judgement in the abovementioned matter. The main findings of the NCT were:

1. Dismissed the NCR's application against Monarch;
2. Found that the offering of loss of employment insurance by Lewis to pensioners or self-employed consumers was unreasonable and therefore constituted prohibited conduct under the NCA;
3. Found that the offering of disability insurance by Lewis to pensioners would be unreasonable, unless further enquiry and clarification was obtained and recorded, which makes it clear that such consumers requested such insurance cover;
4. Found that the offering of disability insurance by Lewis to self-employed persons was not unreasonable;
5. Found that there is no clear basis on which the unreasonableness of the disability and loss of employment insurance has the effect of deceiving consumers;
6. Ordered that an independent audit be done of all credit agreements entered into by Lewis since 2007, for purposes of determining whether any pensioners or self-employed consumers were sold loss of employment insurance and whether any pensioners were sold disability insurance. If so, Lewis is to reimburse such consumers with any premiums and any interest charged on their accounts as a result of such insurance premiums. Consumers who no longer have open accounts with Lewis are to be traced and reimbursed. On completion of the independent audit, the NCT will set the matter down for hearing on the quantum of the administrative penalty to be imposed.

Lewis appealed the judgement in October 2016. As a consequence of the appeal, discussions between Lewis and the NCR took place and the parties reached agreement that they would seek an order by consent from the High Court setting aside and replacing the judgement of the NCT with an order from the High Court. On 2 May 2018, at the request of the parties the High Court set aside the order by the NCT and substituted the order with the following:

1. Lewis contravened the NCA through the sale of loss of employment insurance to consumers who are retired or self-employed;
2. Save insofar as is permitted by law, Lewis shall not offer or demand that any pensioner or self-employed consumer pay for loss of employment insurance;
3. Lewis shall, within 30 calendar days of the order, pay an amount of R5 000 000 (five million Rand) as a fine;
4. Independent auditors will review PWC's report of factual findings on Lewis' criteria which identified effected customers who are to be refunded. An audit will only be required if the review concludes that there were material irregularities in the methodology adopted by PWC.
5. Lewis will complete the repayment of the premiums paid by the retired and self-employed consumers in respect of Loss of Employment Insurance policies in accordance with the PWC's report or any subsequent audit as referred to in paragraph (4) above and will provide the Regulator with the detail of such repayments, including the names of consumers.
6. Lewis will, in respect of all future credit agreements concluded with pensioners, take reasonable steps to establish that such pensioner has an insurable interest in respect of the cover provided under any policy offered by Lewis.
7. No order as to costs.

8. REGULATORY MATTERS CONTINUED

Second referral

In April 2016, the NCR referred Lewis Stores 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. The second referral was heard by a tribunal of the NCT on 6 April 2017.

On 5 June 2017, in a majority judgement, the NCT found that:

– The National Credit Act ("Act") does not prevent credit providers from offering the services of a club to consumers, provided these services are not part of the "cost of credit". It was found that club fees charged by Lewis do not form part of the cost of credit of any credit agreement between Lewis and its customers.

– The Act provides that Lewis may include the cost of an extended warranty as part of its fees and charges in its credit agreements with consumers and does not prescribe the terms and conditions of the extended warranty offered by Lewis to its consumers.

On 28 June 2017, the NCR filed a notice of appeal to the ruling and the appeal was heard on 17 April 2018 in the High Court of South Africa (Gauteng Division).

On 30 April 2018, the High Court handed down judgement in Lewis' favour with regard to the appeal by the NCR. The matter was dismissed with costs against the NCR. The NCR has one month from 30 April 2018 to apply to the Supreme Court of Appeal, for special leave to appeal the judgement.

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 on the basis of a procedural flaw.

In response, the plaintiffs brought an application for leave to amend their particulars of claim so as to deal with the averments on the procedural matters. On 4 August 2017, the plaintiffs' application for leave to amend their particulars of claim was dismissed, with a costs order being granted in Lewis' favour. As a consequence, the plaintiffs have again sought to amend their particular claim, on 24 August 2017, to which Lewis objected. Accordingly the plaintiffs launched a second application for leave to amend their particulars of claim. The second application will be heard later this year on a date to be arranged with the High Court.

Section 165 of Companies Act

First demand

In May 2016, Mr David Woollam addressed a letter to the Lewis board of directors demanding that Lewis commences with proceedings to declare Johan Enslin, Les Davies, David Nurek and Hilton Saven, delinquent directors in accordance with the provisions of section 165 of the Companies Act. The directors of the Board of Lewis, who had not been made the subject of the demand, considered the demand, and consulted the group's attorneys. Having done so, the directors were satisfied that the demand of Mr Woollam was frivolous, vexatious and of no merit and they resolved that Lewis launch proceedings in terms of section 165(3) of the Companies Act to set the demand aside.

In October 2016, the Court handed down judgement in Lewis' favour and set aside, in terms of section 165(3) of the Companies Act, Mr Woollam's demand and awarded Lewis costs against Mr Woollam. In November 2016, Mr Woollam filed an application for leave to appeal the judgement. Woollam's application for leave to appeal was refused by the Western Cape High Court. Woollam applied for special leave to appeal to the Supreme Court of Appeal and leave to appeal was granted by the Supreme Court of Appeal on 23 March 2017.

On 29 January 2018, Mr Woollam withdrew his appeal before the Supreme Court of Appeal in relation to his first demand in terms of Section 165(2) of the Companies Act.

Referral by Summit Financial Partners to National Consumer Tribunal

Summit Financial Partners ("Summit") alleged that delivery fees charged by Lewis is in contravention of Section 102 of the National Credit Act and lodged a complaint with the NCR. The NCR, after investigation, declined to refer the matter to the NCT. The NCR has issued Summit with a Notice of Non-Referral with regard to the complaint. Summit has decided to launch an application to self-refer the matter to the NCT. Lewis is opposing the application. The NCT is still to finally confirm a date for the hearing of the application.

	2018 Audited Rm	2017 Audited Rm
9. PURCHASE OF BUSINESSES		
Trademarks	**55.7**	8.4
Goodwill	**182.4**	5.5
Property, plant and equipment	**4.9**	3.7
Inventory	**116.4**	23.2
Trade receivables	**–**	73.1
Other receivables	**5.4**	–
Cash and cash equivalents	**73.0**	–
Short term borrowings	**(0.3)**	–
Taxation	**(8.2)**	–
Trade and other payables	**(93.5)**	(3.5)
Deferred tax	**(11.7)**	(1.6)
Gain on acquisition of Beares	**–**	(1.2)
Total consideration	**324.1**	107.6
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**324.1**	107.6
Less: Cash balances acquired	**(73.0)**	–
Less: Deferred purchase consideration	**(16.5)**	–
Net outflow of cash – investing activities	**234.6**	107.6

Purchase of United Furniture Outlets (2018)

On 1 February 2018, Lewis Stores Proprietary Limited ("Lewis Stores"), a wholly-owned subsidiary of the group, obtained control of United Furniture Outlets Proprietary Limited ("UFO"), a cash furniture retailer, by acquiring 100% of the issued ordinary share capital and voting rights and all shareholders´ claims against UFO from the shareholders.

UFO is an independent, cash furniture retailer with a retail footprint of 31 stores. It sells a variety of furniture including lounge, bedroom and dining room products. UFO is recognised as a luxury brand with a value offering to the upper consumer spectrum, namely LSM 9-10+. The business was established in 2004 and currently more than half of its stores are located in Gauteng.

The total acquisition consideration was a cash amount of R324.1 million.

The acquisition will enable Lewis Stores to achieve improved economies of scale and provide a platform to penetrate new market sectors through a wider, more exclusive product range. The acquisition will diversify its offering by increasing its exposure to cash furniture retailing and provide access to a higher income customer market segment (LSM 9-10+). The UFO brand and business model is scalable and offers an opportunity to extend the UFO footprint across South Africa and into neighbouring Southern African countries.

The goodwill arising on acquisition is attributable to current earnings and future earnings growth in the existing business which are internally funded as a consequence of its cash retailing business model and diversification benefits of a cash furniture retailer. As required by IFRS 3, the valuation of goodwill at date of acquisition does not include the future opportunities to extend the UFO footprint across South Africa and into neighbouring Southern African countries as a consequence of its acquisition by the group.

For the period 1 February 2018 to 31 March 2018, UFO had revenue of R66.0 million and earned an attributable profit of R0.1 million and these results were consolidated into the group for the two months.

If UFO was consolidated from 1 April 2017, the group's annualised revenue would have increased by R444.5 million and group annualised profit would have increased by R25.1 million.

Purchase of Ellerines and Beares businesses (2017)

In the prior period, the group's subsidiaries in Namibia and Swaziland have acquired on 8 May 2016 and 8 April 2016 respectively 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, which are individually and collectively immaterial, consisted of 26 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.

10. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

10.1 IFRS 9 Financial Instruments

IFRS 9 (Financial Instruments) replaces IAS 39 (Financial Instruments: Recognition and Measurement) and will become effective for the group for the year ending 31 March 2019. The impact of IFRS 9 on the group will be in respect of:

– revised requirements for classification and measurement of financial instruments
– an expected credit loss impairment model replaces the incurred loss model under IAS 39.

With respect to classification and measurement of financial instruments, the group does not expect a significant impact on the results and financial position, with regards to insurance investments.

With respect to the impairment of receivables in terms of IFRS 9, the group has the option to select the general model which consists of three stages or the simplified model which consists of two stages to determine its expected credit losses ("ECL") with regard to receivables. The group will adopt the simplified model which recognises the expected credit losses over the lifetime of trade receivables on initial recognition. This eliminates the need to calculate a 12 month ECL provision.

The IFRS 9 ECL impairment model is expected to increase the level of balance sheet impairments that are currently held in terms of IAS 39. The adoption of the standard is also expected to impact the recognition of revenue. Stage 2 receivables will not be materially affected and interest income will continue to be accounted for on the gross amount of the receivable. However, credit impaired stage 3 receivables will be accounted for at the gross carrying amount net of loss allowance (amortised cost), resulting in lower interest income which will be offset by the appropriately lower impairment charge.

The group has established an implementation committee with representation from all relevant departments which reports directly into the audit committee. The committee is focused on considering predictive cash flow models, impairment methodologies, output validation, testing and analysis.

The impact of the IFRS 9 ECL requirements can only be reliably determined on the finalisation of the group's impairment methodologies, forward-looking economic expectations and the conclusion of external audit procedures.

IFRS 9 does not require restatement of prior periods. An entity is only permitted to restate prior periods if it is able to do so without the use of hindsight. Where prior periods are not restated, any difference between previously reported carrying amounts and new carrying amounts at the beginning of the annual reporting period must be recognised in opening retained earnings.

10.2 IFRS 15

IFRS 15 (Revenue from Contracts with Customers) replaces IAS 18 (Revenue) and will be effective for the group for the year ending 31 March 2019. The current analysis indicates that the adoption of IFRS 15 is not expected to have a significant impact on the group's results or financial position.

10.3 IFRS 16

IFRS 16 (Leases) replaces IAS 17 with effect from the year ending 31 March 2020. IFRS 16 will result in most leases being recognised in the statement of financial position, as the distinction between operating and finance leases has been removed. Under the new standard, an asset representing the right to use the leased item and a financial liability, to pay rentals, will be recognised. The only exceptions are short-term and low-value leases.

The new standard will primarily affect the accounting for operating leases relating to retail stores. As at the reporting date the group has non-cancellable operating lease commitments of R671.2 million. The group has not yet determined the extent of the right of use asset nor the liability for future payments and how this will affect profit and classification of cash flows.

10.4 IFRS 17

IFRS 17 which replaces IFRS 4, applies to insurance contracts and reinsurance contracts. The standard will apply to the group for the year ending 31 March 2022. Management has not yet performed an assessment of the potential impact of the implementation of this new standard.

11. RECLASSIFICATIONS TO THE CASH FLOW STATEMENT

The following reclassifications to the cash flow statement were made:

– movements in insurance and re-insurance premiums were incorrectly included in cash flows from trading. These have been reclassified to changes in working capital under cash flow generated from operations in the cash flow statement.
– bank overdrafts were incorrectly included as part of borrowings when it should have been part of cash and cash equivalents. The bank overdrafts have been reclassified to cash and cash equivalents.

The effect of the above reclassifications are as follows:

	2017 Effect of change Rm
Cash flow from trading	146.7
Changes in working capital	(146.7)
Repayment of borrowings	22.3
Cash and cash equivalents	(22.3)

KEY RATIOS
FOR THE YEAR ENDED 31 MARCH 2018

		2018	2017
Operating efficiency ratios			
Gross profit margin	(%)	**41.4**	42.4
Operating profit margin	(%)	**6.8**	10.1
Number of stores		**773**	761
Number of permanent employees	(average)	**8 093**	8 619
Trading space	(sqm)	**258 463**	248 271
Inventory turn		**2.9**	3.4
	Current ratio	**5.0**	5.7
Credit ratios			
Credit sales	(%)	**65.7**	65.2
Debtor costs as a percentage of the net debtors	(%)	**17.5**	19.1
Debtors' impairment provision as a percentage of net debtors	(%)	**29.6**	28.0
Arrear instalments on satisfactory accounts as a percentage of gross debtors	(%)	**9.2**	9.8
Arrear instalments on slow-paying and non-performing accounts as a percentage of gross debtors	(%)	**28.8**	28.6
Credit applications decline rate	(%)	**37.1**	38.7
Shareholder ratios			
Net asset value per share	(cents)	**6 534**	6 127
Gearing ratio	(%)	**(1.4)**	2.9
Dividend payout ratio	(%)	**70.2**	54.8
Return on average equity (after-tax)	(%)	**4.9**	6.6
Return on average capital employed (after-tax)	(%)	**4.8**	6.7
Return on average assets managed (pre-tax)	(%)	**6.3**	8.3

Notes:

1. All ratios are based on figures at the end of the year unless otherwise disclosed.

2. The net asset value has been calculated using 83 384 000 shares in issue (2017: 88 790 000).

3. Total assets exclude the deferred tax asset and the reinsurance asset.

CORPORATE INFORMATION

Non-executive directors:	Hilton Saven (Independent non-executive chairman), Fatima Abrahams, Adheera Bodasing, Daphne Motsepe, Alan Smart, Duncan Westcott.
Executive directors:	Johan Enslin (chief executive officer), Jacques Bestbier (chief financial officer).
Company secretary:	Paul Croucher.
Transfer secretaries:	Computershare Investor Services (Pty) Ltd; 7 Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 2196; 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

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