



Final audited results

for the year ended 31 March 2015

REVENUE
UP

8%

TO R5.7 BILLION

GROSS PROFIT
MARGIN

36.6%

OPERATING PROFIT
MARGIN

20%

HEADLINE EARNINGS
PER SHARE

883

CENTS

NET ASSET VALUE PER
SHARE UP

8.9%

TOTAL DIVIDEND
MAINTAINED AT

517

CENTS

Overview

The group posted a strong second half performance and gained market share in the changing competitive environment. Merchandise sales for the second half increased by 18%, compared to a decline of 3.5% for the first six months, driven mainly by the exclusive merchandise offering which was supported by higher levels of promotional activity.

The acquisition of the Beares brand together with 61 stores was completed in late November 2014. These stores were integrated into the group's operations from the second week in December. Beares offers exciting growth potential and will enable the group to attract new customers in higher LSM markets. The 12 My Home stores have been incorporated into the Beares business.

While the group has reported an improving performance, trading conditions have remained particularly tough, with consumers in the group's lower to middle income target market under continued financial pressure.

Trading and financial performance

Revenue for the 12 months increased by 8.0% to R5.7 billion, with merchandise sales growth of 7.6% (2014: decrease of 2.5%). Excluding Beares, merchandise sales increased by 4.4%.

Following the acquisition of the Beares stores, and the opening of a net 19 new stores across the three brands, the store base reached 716 at year-end. A total of 75 Lewis and Best Home and Electric stores were refurbished during the period.

The gross profit margin was maintained at 36.6% despite the aggressive discounting by competitors ahead of stores closures in the last quarter of the 2014 calendar year.

Expenses continued to be tightly managed and operating costs, excluding debtor costs, expressed as a percentage of turnover were in line with last year at 36.1%. Despite the additional costs relating to the acquisition and integration of the Beares chain, expenses only increased by 8.4%.

The group's operating margin at 20.0% (2014: 21.8%) was impacted by higher debtor costs and costs relating to the acquisition of Beares. Operating profit was 1.2% lower at R1 140 million. Headline earnings at R784 million was 4.2% lower than the previous year, with headline earnings per share of 883 cents (2014: 921 cents).

The board has maintained the total dividend at 517 cents per share, confirming its confidence in the group's business model.

Inventory levels at period-end were higher due mainly to the take-on of the Beares chain.

The gearing ratio reduced to 23.2% (2014: 23.9%) as the longer-term credit contracts fully settled in the base.

Debtor management

Improving collection rates in the second half of the year contributed to a further slowing of debtor cost growth to 22% from 27% at September 2014 and 30% in July 2014.

The level of satisfactory paid customers improved to 68.7% (2014: 68.3%) and non-performing customers reduced to 15.5% (2014: 15.7%). The group's credit customer base increased by 11 000 customers to 690 000 at year-end.

Debtor costs as a percentage of net debtors moved from 11.6% to 13.0% in line with management's expectations. The impairment provision increased from 18.6% to 19.7%, evidencing the prevailing challenging credit environment.

The high level of consumer indebtedness in the group's target market is reflected in the increase in the credit application decline rate from 38.4% in 2014 to 40.2% in 2015.

Credit sales as a percentage of total sales declined from 72% in 2014 to 69% in 2015 due mainly to the incorporation of the Beares chain which has a higher cash sales component.

Prospects

The retail trading and credit environment is unlikely to show any marked improvement in the short to medium term as the consumer economy remains weak and unemployment remains high.

In this environment the group will focus on driving quality credit sales, containing costs and further improving collection rates.

The group continues to invest for future growth and plans to open 30 stores in the year ahead, with 20 across the Lewis brand and 10 new outlets for Beares. Capital expenditure of R100 million has been budgeted for 2016.

Beares is a scalable brand which offers sustained organic growth prospects. Management will continue to refine the merchandise offering for the higher targeted LSM market to maximise the potential growth of the brand.

Through its decentralised customer focused business model the group is well positioned for further market share gains within the shifting competitive landscape.

Dividend declaration

Notice is hereby given that a final gross cash dividend of 302 cents per share in respect of the year ended 31 March 2015 has been declared payable to holders of ordinary shares.

The number of shares in issue as of the date of declaration is 98 057 959.

The dividend has been declared out of income reserves and is subject to a dividend tax of 15%. The dividend for determining the dividend tax is 302 cents and the dividend tax payable is 45.3 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 256.7 cents. The dividend tax rate may be reduced where the shareholder is tax resident in a foreign jurisdiction which has a double tax convention with South Africa and meets the requirements for a reduced rate.

The company's tax reference number is 9551/419/15/4.

The following dates are applicable to this declaration:

| | |
|--------------------------------------|---------------------|
| Last date to trade "cum" dividend | Friday 10 July 2015 |
| Date trading commences "ex" dividend | Monday 13 July 2015 |
| Record date | Friday 17 July 2015 |
| Date of payment | Monday 20 July 2015 |

Share certificates may not be dematerialised or rematerialised between Monday 13 July 2015 and Friday 17 July 2015, both days inclusive.

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

27 May 2015

External auditor's opinion

These summary consolidated financial statements for the year ended 31 March 2015 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.



Income statement

| | Notes | For the year ended 31 March 2015 | Change | For the year ended 31 March 2014 |
|---|-------|----------------------------------|---------------|----------------------------------|
| | | Rm | % | Rm |
| Revenue | | 5 703.3 | 8.0% | 5 281.7 |
| Merchandise sales | | 2 591.5 | | 2 409.1 |
| Finance charges and initiation fees earned | | 1 326.4 | | 1 208.9 |
| Insurance revenue | | 981.4 | | 975.5 |
| Ancillary services | | 804.0 | | 688.2 |
| Cost of merchandise sales | | (1 644.3) | | (1 524.4) |
| Operating costs | | (2 918.8) | | (2 603.3) |
| Employment costs | | (880.8) | | (818.9) |
| Administration and IT | | (241.1) | | (217.1) |
| Debtor costs | 2 | (858.1) | | (702.4) |
| Marketing | | (177.0) | | (173.1) |
| Occupancy costs | | (273.6) | | (245.2) |
| Transport and travel | | (215.8) | | (192.6) |
| Depreciation and amortisation | | (63.8) | | (58.5) |
| Other operating costs | | (208.6) | | (195.5) |
| Operating profit | | 1 140.2 | (1.2%) | 1 154.0 |
| Investment income | | 148.0 | | 125.8 |
| Profit before finance costs | | 1 288.2 | | 1 279.8 |
| Net finance costs | | (119.7) | | (102.7) |
| Interest paid | | (135.1) | | (116.8) |
| Interest received | | 12.2 | | 6.5 |
| Forward exchange contracts | | 3.2 | | 7.6 |
| Profit before taxation | | 1 168.5 | | 1 177.1 |
| Taxation | | (329.1) | | (334.9) |
| Net profit attributable to ordinary shareholders | | 839.4 | (0.3%) | 842.2 |

Statement of comprehensive income

| | For the year ended 31 March 2015 | For the year ended 31 March 2014 |
|--|----------------------------------|----------------------------------|
| | Rm | Rm |
| Net profit for the year | 839.4 | 842.2 |
| Movement in other reserves (recycled to income statement on disposal) | 119.3 | 60.9 |
| Fair value adjustment to available-for-sale investments | 156.8 | 71.5 |
| Disposal of available-for-sale investments | (40.6) | (23.9) |
| Foreign currency translation reserve | 3.1 | 13.3 |
| Retirement benefit remeasurements | (10.4) | 30.5 |
| Other comprehensive income | 108.9 | 91.4 |
| Total comprehensive income for the year attributable to equity shareholders | 948.3 | 933.6 |

Earnings and dividends per share

| | For the year ended 31 March 2015 | Change | For the year ended 31 March 2014 |
|---|----------------------------------|--------|----------------------------------|
| | | % | |
| 1. Weighted average no. of shares | | | |
| Weighted average | 88 840 | | 88 762 |
| Diluted weighted average | 89 585 | | 89 614 |
| 2. Headline earnings (Rm) | | | |
| Attributable earnings | 839.4 | | 842.2 |
| Profit on disposal of assets and investments | (43.2) | | (24.6) |
| Gain on acquisition of Beares | (12.0) | | - |
| Headline earnings | 784.2 | | 817.6 |
| 3. Earnings per share (cents) | | | |
| Earnings per share | 944.8 | (0.4%) | 948.8 |
| Diluted earnings per share | 937.0 | | 939.8 |
| 4. Headline earnings per share (cents) | | | |
| Headline earnings per share | 882.7 | (4.2%) | 921.1 |
| Diluted headline earnings per share | 875.4 | | 912.4 |
| 5. Dividends per share (cents) | | | |
| Dividends paid per share | | | |
| Final dividend 2014 (2013) | 302.0 | | 302.0 |
| Interim dividend 2015 (2014) | 215.0 | | 215.0 |
| | 517.0 | | 517.0 |
| Dividends declared per share | | | |
| Interim dividend 2015 (2014) | 215.0 | | 215.0 |
| Final dividend 2015 (2014) | 302.0 | | 302.0 |
| | 517.0 | | 517.0 |

Statement of changes in equity

| | For the year ended 31 March 2015 | For the year ended 31 March 2014 |
|--|----------------------------------|----------------------------------|
| | Rm | Rm |
| Share capital and premium | | |
| Opening balance | 109.2 | 88.4 |
| Cost of own shares acquired (treasury shares) | (26.5) | (10.7) |
| Share awards to employees | 28.1 | 31.5 |
| | 110.8 | 109.2 |
| Other reserves | | |
| Opening balance | 436.1 | 397.8 |
| Other comprehensive income for the year | 119.3 | 60.9 |
| Share-based payment | 19.7 | 27.0 |
| Transfer to retained earnings | (26.9) | (49.6) |
| | 548.2 | 436.1 |
| Retained earnings | | |
| Opening balance | 4 796.5 | 4 361.1 |
| Net profit attributable to ordinary shareholders | 839.4 | 842.2 |
| Distribution to shareholders | (459.3) | (459.3) |
| Share awards to employees | (28.1) | (28.1) |
| Transfer from other reserves | 26.9 | 49.6 |
| Profit on sale of own shares | - | 0.5 |
| Retirement benefit remeasurements | (10.4) | 30.5 |
| | 5 165.0 | 4 796.5 |
| Balance as at 31 March 2015 | 5 824.0 | 5 341.8 |

Balance sheet

| | Notes | 31 March 2015 | 31 March 2014 |
|--|-------|----------------|----------------|
| | | Rm | Rm |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 352.9 | 327.3 |
| Trademark | | 60.1 | - |
| Deferred taxation | | 0.5 | 0.6 |
| Retirement benefit asset | | 77.4 | 79.7 |
| Insurance investments | 3 | 1 715.6 | 1 415.0 |
| | | 2 206.5 | 1 822.6 |
| Current assets | | | |
| Inventories | | 420.3 | 324.6 |
| Trade and other receivables | 4 | 5 395.9 | 5 078.9 |
| Insurance investments | 3 | 127.0 | 283.7 |
| Taxation | | 34.8 | - |
| Cash on hand and deposits | | 222.3 | 480.1 |
| | | 6 200.3 | 6 167.3 |
| Total assets | | 8 406.8 | 7 989.9 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital and premium | | 110.8 | 109.2 |
| Other reserves | | 548.2 | 436.1 |
| Retained earnings | | 5 165.0 | 4 796.5 |
| | | 5 824.0 | 5 341.8 |
| Non-current liabilities | | | |
| Long-term interest-bearing borrowings | | 825.0 | 1 000.0 |
| Deferred taxation | | 248.3 | 173.5 |
| Retirement benefit liability | | 106.7 | 92.9 |
| | | 1 180.0 | 1 266.4 |
| Current liabilities | | | |
| Trade and other payables | | 283.8 | 227.9 |
| Reinsurance and insurance liabilities | | 370.0 | 388.7 |
| Taxation | | - | 7.1 |
| Short-term interest-bearing borrowings | | 749.0 | 758.0 |
| | | 1 402.8 | 1 381.7 |
| Total equity and liabilities | | 8 406.8 | 7 989.9 |

Cash flow statement

| | For the year ended 31 March 2015 | For the year ended 31 March 2014 |
|---|----------------------------------|----------------------------------|
| | Rm | Rm |
| Cash flow from operating activities | | |
| Cash flow from trading | 1 376.1 | 1 360.2 |
| Change in working capital | (514.0) | (429.3) |
| Cash generated from operations | 862.1 | 930.9 |
| Interest and dividends received | 113.1 | 104.1 |
| Interest paid | (131.9) | (109.2) |
| Taxation paid | (337.9) | (326.9) |
| | 505.4 | 598.9 |
| Cash flow from investing activities | | |
| Net disposals of insurance investments | 48.2 | 87.6 |
| Acquisition of property, plant and equipment | (86.7) | (59.1) |
| Purchase of Beares business | (66.6) | - |
| Proceeds on disposal of property, plant and equipment | 11.7 | 6.8 |
| | (93.4) | 35.3 |
| Cash flow from financing activities | | |
| Dividends paid | (459.3) | (459.3) |
| Decrease in long-term borrowings | (175.0) | (250.0) |
| (Decrease)/increase in short-term borrowings | (50.0) | 650.0 |
| Purchase of own shares | (26.5) | (10.7) |
| Proceeds on sale of own shares | - | 3.9 |
| | (710.8) | (66.1) |
| Net (decrease)/increase in cash and cash equivalents | (298.8) | 568.1 |
| Cash and cash equivalents at the beginning of the year | 472.1 | (96.0) |
| Cash and cash equivalents at the end of the year | 173.3 | 472.1 |
| Analysis of borrowings and facilities | | |
| Borrowings | | |
| Long-term | 825.0 | 1 000.0 |
| Short-term | 700.0 | 750.0 |
| | 1 525.0 | 1 750.0 |
| Cash and cash equivalents | | |
| Short-term facilities utilised | 49.0 | 8.0 |
| Cash on hand | (222.3) | (480.1) |
| | (173.3) | (472.1) |
| Net borrowings | 1 351.7 | 1 277.9 |
| Unutilised facilities: | | |
| Banking facilities | 973.3 | 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 | 4 050.0 |

Key ratios

| | For the year ended 31 Mar 2015 | For the year ended 31 Mar 2014 |
|---|--------------------------------|--------------------------------|
| Operating efficiency ratios | | |
| Gross profit margin (%) | 36.6% | 36.7% |
| Operating profit margin (%) | 20.0% | 21.8% |
| Number of stores | 716 | 636 |
| Number of permanent employees (average) | 7 835 | 7 590 |
| Trading space (sqm) | 248 137 | 221 336 |
| Inventory turn | 3.9 | 4.7 |
| Current ratios | 4.4 | 4.5 |
| Credit ratios | | |
| Credit sales (%) | 69.1% | 72.3% |
| Bad debts as a % of net debtors | 10.5% | 9.4% |
| Debtor costs as a % of the net debtors | 13.0% | 11.6% |
| Debtors' impairment provision as a % of net debtors | 19.7% | 18.6% |
| Arrear instalments on satisfactory accounts as a % of net debtors | 8.7% | 8.6% |
| Arrear instalments on slow-paying and non-performing accounts as a % of net debtors | 22.9% | 22.6% |
| Credit applications decline rate | 40.2% | 38.4% |
| Shareholder ratios | | |
| Net asset value per share (cents) | 6 551 | 6 012 |
| Gearing ratio | 23.2% | 23.9% |
| Dividend payout ratio | 60.4% | 60.2% |
| Return on average equity (after-tax) | 15.0% | 16.5% |
| Return on average capital employed (after-tax) | 12.8% | 13.6% |
| Return on average assets managed (pre-tax) | 15.7% | 16.8% |

Notes:

- All ratios are based on figures at the end of the year unless otherwise disclosed
- The net asset value has been calculated using 88 908 000 shares in issue (2014: 88 851 000).
- 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. | No. of customers 2015 | 2014 | Rm | Distribution of impairment provision 2015 | 2014 |
|---|-----|-----------------------|----------------|----|---|----------------|
| Satisfactory paid | | 473 901 | 463 048 | | 21.1 | 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 <i>in duplum</i> provision. | % | 68.7% | 68.3% | | 1.6% | 2.0% |
| Slow payers | | 56 347 | 56 876 | | 140.4 | 121.3 |
| Customers fully up to date including those who have paid 65% to 70% of amounts due over the contract period. The provision in this category ranges from 12% to 74% of amounts due and includes an <i>in duplum</i> provision (2014: 12% to 79%) | % | 8.2% | 8.4% | | 10.9% | 10.8% |
| Non-performing customers | | 52 433 | 51 640 | | 199.6 | 180.0 |
| Customers who have paid 55% to 65% of amounts due over the period of the contract. The provision in this category ranges from 23% to 87% of the amounts due (2014: 23% to 90%) | % | 7.6% | 7.6% | | 15.4% | 15.9% |
| Non-performing customers | | 107 167 | 106 545 | | 933.2 | 805.3 |
| Customers who have paid 55% or less of amounts due over the period of the contract. The provision in this category ranges from 32% to 100% of the amounts due (2014: 33% to 100%) | % | 15.5% | 15.7% | | 72.1% | 71.3% |
| Total | No. | 689 848 | 678 109 | Rm | 1 294.3 | 1 129.5 |
| Debtors impairment as a % of net debtors | | | | | 19.7% | 18.6% |

Segmental report

| Reportable segment | Lewis Rm | Best Home and Electric Rm | Beares/ My Home Rm | Group Rm |
|--------------------|----------|---------------------------|--------------------|----------|
| 2015 | | | | |
| Revenue | 4 688.5 | 801.6 | 213.2 | 5 703.3 |
| Operating profit | 965.4 | 169.1 | 5.7 | 1 140.2 |
| Operating margin | 20.6% | 21.1% | 2.7% | 20.0% |
| Segment assets | 4 719.5 | 760.3 | 225.3 | 5 705.1 |
| 2014 | | | | |
| 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 information contained in these financial statements has been extracted from the Group's 2015 audited annual financial statements and which has been prepared in accordance with the framework concepts and the measurement and recognition principles of International Financial Reporting Standards (IFRS), IAS34 (Interim Financial Reporting), SAICA Financial Reporting Guides and Circulars issued by the Accounting Practices Committee, Financial Pronouncements issued by the Financial Reporting Standards Council and in compliance with the Listing Requirements of the JSE Limited.

The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 March 2014 except for the following additional policy included as a result of the purchase of the Beares business:

1.1 Trademarks:

Trademarks acquired in a business acquisition are recognised at fair value at the acquisition date. Trademarks are amortised over its useful life using the straight-line method.

The Beares trademark acquired is reflected at fair value and will be amortised over its useful life of 20 years.

| | 31 March 2015 | 31 March 2014 |
|--|---------------|---------------|
| | Rm | Rm |
| 2. Debtor costs | | |
| Bad debts, repossession losses and bad debt recoveries | 693.3 | 570.1 |
| Movement in impairment provision | 164.8 | 132.3 |
| | 858.1 | 702.4 |
| 3. Insurance investments - available-for-sale | | |
| Listed | | |
| Listed shares | 846.5 | 701.9 |
| Fixed income securities | 869.1 | 713.1 |
| Unlisted | | |
| Money market | 127.0 | 283.7 |
| | 1 842.6 | 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.

| | For the year ended 31 Mar 2015 | For the year ended 31 Mar 2014 |
|---|--------------------------------|--------------------------------|
| 4. Trade and other receivables | | |
| Instalment sale and loan receivables | 7 763.1 | 7 314.4 |
| Provision for unearned maintenance income | (215.9) | (211.0) |
| Provision for unearned finance charges and unearned initiation fees | (241.5) | (230.6) |
| Provision for unearned insurance premiums | (726.6) | (802.7) |
| Net instalment sale and loan receivables | 6 579.1 | 6 070.1 |
| Provision for impairment | (1 2 | |