



Unaudited interim results

for the six months ended 30 September 2012

| | |
|---------------------|---------|
| Headline EPS | ▲ 10.6% |
| Interim dividend | ▲ 23.3% |
| Merchandise sales | ▲ 6.4% |
| Debtor costs | ▼ 2.2% |
| Gross profit margin | 37.7% |

Overview

Trading and financial performance

While trading conditions remained difficult over the past six months, merchandise sales have shown an improving growth trend. Sales increased by 6.4% for the period, compared to growth of 3.3% for the previous financial year.

Furniture and appliance sales increased by 8.4% with sales of electronic goods being flat. Furniture sales now account for 57% (2012: 54%) of total merchandise sales.

Merchandise sales in Lewis, which comprise 83% of group sales, increased by 6.1%. Best Home and Electric sales grew by 8.5% and My Home by 6.8%.

The continued focus on attracting credit customers through exclusive merchandise offerings and targeted customer promotions has contributed to credit sales increasing from 73.2% to 75.2% of total sales. The group will benefit from the annuity income of the higher credit sales into the future. Credit sales for the period increased by 9.5% while cash sales declined by 1.4%, confirming the appeal of the group's credit offering.

Revenue increased by 6.6% to R2.4 billion, with insurance income growing by 9.9%, largely attributable to a higher level of longer term business. Revenue from ancillary services increased by 10.9% and finance charges earned increased by 0.7%. In future the growth in other revenue is expected to be generally in line with sales growth.

The gross profit margin at 37.7% (2012: 38.5%) is well within management's medium-term target range of 36% to 38%.

Operating costs, excluding debtor costs, increased by 9.4%. Marketing and promotional activity has been increased to support sales growth while the group also increased its investment in training to improve productivity levels. Expenses were impacted by the refurbishment of 83 stores during the period as well as higher utility and fuel costs. A programme has been initiated to reduce fuel usage across the fleet to counter rising transport costs. Operating costs are traditionally higher in the first half of the year and are expected to normalise in the second half.

Operating profit margin at 21.4% (2012: 21.9%) translated into an operating profit of R520.3 million. Headline earnings increased by 11% to R372 million and headline earnings per share by 10.6% to 419 cents.

The interim dividend has been increased by 23.3% to 212 cents per share with the company once again substantially covering the impact of the increase in the rate of withholding tax.

Inventory levels were higher at the end of the period, mainly in preparation for the launch of the new merchandise ranges in October and the festive season trading period. The level of stockholding should normalise by year-end.

After increasing net borrowings by R150 million, the gearing ratio is consistent with the previous year at 26.7%.

Debtor management

Continued focus on credit granting and collections ensured the overall quality of the debtors book remained stable. Debtor costs as a percentage of net debtors declined to 4.6% from 5.1% for the period. Debtor costs were R242 million (2012: R247 million), 2.2% down on last year.

The debtors' book increased by 9% mainly as a result of the average term of new credit contracts increasing from 28 months to 32 months. This is in line with the strategy to offer longer-term deals on new contracts to good-paying customers.

Store expansion

During the period six Lewis and seven Best Home and Electric outlets were opened, bringing the store base to 610 at the end of September 2012. All the new Lewis outlets are the smaller format stores with lower cost structures and higher sales densities. The group is on track to meet its store opening target of 20 to 25 stores for the financial year.

Regulatory

Lewis is satisfied that its policies and procedures are compliant with applicable legislation, and more specifically the National Credit Act, and continues to engage with the regulatory and industry bodies.

Prospects

New merchandise ranges have been introduced and stores are well stocked in preparation for the Christmas trading period. Strong marketing and promotional campaigns have been developed to attract credit customers and drive sales growth in the current competitive environment.

Trading conditions are expected to remain challenging for the rest of the financial year and management will continue to focus on cost control and debtor costs.

Dividend declaration

Notice is hereby given that an interim gross cash dividend of 212 cents per share (LY: 172 cents per share) in respect of the 6 months ended 30 September 2012 has been declared payable to holders of ordinary shares.

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 212 cents and the dividend tax payable is 31.8 cents per share for shareholders who are not exempt. No STC credits have been utilised. The net dividend for shareholders who are not exempt will therefore be 180.2 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.

At the time of this declaration, there were 98 057 959 shares in issue. 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 11 January 2013 |
| Date trading commences "ex" dividend | Monday 14 January 2013 |
| Record date | Friday 18 January 2013 |
| Date of payment | Monday 21 January 2013 |

Share certificates may not be dematerialised or rematerialised between Monday 14 January 2013 and Friday 18 January 2013, both days inclusive.

For and on behalf of the Board.

David Nurek
Independent Non-executive Chairman

Johan Enslin
Chief Executive Officer

Cape Town
12 November 2012

Executive directors: J Enslin (Chief Executive Officer), L A Davies (Chief Financial Officer) **Non-executive directors:** D M Nurek (Chairman) (Ind.), H Saven (Ind.), B J van der Ross (Ind.), Professor F Abrahams (Ind.), Z B M Bassa (Ind.), M S P Marutlulle (Ind.), A J Smart **Company secretary:** M G 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

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



Unaudited interim results

for the six months ended 30 September 2012

Income statement

| Notes | 6 months ended 30 September 2012 | | 6 months ended 30 September 2011 | | 12 months ended 31 March 2012 |
|--|----------------------------------|----------|----------------------------------|------------|-------------------------------|
| | Unaudited Rm | % Change | Unaudited Rm | Audited Rm | Audited Rm |
| | 2 428.6 | 6.6% | 2 278.7 | 4 857.3 | |
| Revenue | | | | | |
| Merchandise sales | 1 161.4 | | 1 091.2 | 2 365.4 | |
| Finance charges earned | 449.3 | | 446.4 | 908.2 | |
| Insurance premiums earned | 445.6 | | 405.2 | 868.5 | |
| Ancillary services | 372.3 | | 335.9 | 715.2 | |
| Cost of merchandise sales | (723.3) | | (670.9) | (1 446.3) | |
| Operating Costs | (1 185.0) | | (1 109.3) | (2 271.9) | |
| Employment costs | (390.2) | | (360.0) | (732.9) | |
| Administration and IT | (105.4) | | (106.1) | (220.7) | |
| Debtor costs | (242.1) | | (247.4) | (522.3) | |
| Marketing | (107.9) | | (97.9) | (184.5) | |
| Occupancy costs | (112.3) | | (98.0) | (207.3) | |
| Transport and travel | (94.8) | | (83.4) | (177.9) | |
| Depreciation | (29.9) | | (27.2) | (48.5) | |
| Other operating costs | (102.4) | | (89.3) | (177.8) | |
| Operating profit | 520.3 | 4.4% | 498.5 | 1 139.1 | |
| Investment income | 47.2 | | 34.6 | 91.9 | |
| Profit before finance costs | 567.5 | | 533.1 | 1 231.0 | |
| Net finance costs | (41.8) | | (30.6) | (63.2) | |
| Interest paid | (48.1) | | (43.9) | (82.2) | |
| Interest received | 5.1 | | 1.3 | 3.8 | |
| Forward Exchange Contracts | 1.2 | | 12.0 | 15.2 | |
| Profit before taxation | 525.7 | | 502.5 | 1 167.8 | |
| Taxation | (152.0) | | (165.1) | (367.2) | |
| Net profit attributable to ordinary shareholders | 373.7 | 10.8% | 337.4 | 800.6 | |

Statement of comprehensive income

| Notes | 6 months ended 30 September 2012 | | 6 months ended 30 September 2011 | | 12 months ended 31 March 2012 |
|---|----------------------------------|----------|----------------------------------|------------|-------------------------------|
| | Unaudited Rm | % Change | Unaudited Rm | Audited Rm | Audited Rm |
| | 373.7 | | 337.4 | 800.6 | |
| Net profit for the year | | | | | |
| Fair value adjustment to available-for-sale investments | 55.6 | | (0.2) | 72.9 | |
| Disposal of available-for-sale investments | (0.1) | | (0.3) | (17.2) | |
| Foreign currency translation reserve | 3.0 | | 2.4 | 1.5 | |
| Other comprehensive income | 58.5 | | 1.9 | 57.2 | |
| Total comprehensive income for the period attributable to equity shareholders | 432.2 | | 339.3 | 857.8 | |

Earnings and dividends per share

| Notes | 6 months ended 30 September 2012 | | 6 months ended 30 September 2011 | | 12 months ended 31 March 2012 |
|--|----------------------------------|----------|----------------------------------|---------|-------------------------------|
| | Unaudited | % Change | Unaudited | Audited | Audited |
| 1 | 88 690 | | 88 392 | 88 463 | |
| Weighted average no. of shares | | | | | |
| Weighted average | 88 690 | | 88 392 | 88 463 | |
| Diluted weighted average | 89 570 | | 89 272 | 89 446 | |
| 2 | 373.7 | | 337.4 | 800.6 | |
| Headline earnings (Rm) | | | | | |
| Attributable earnings | 373.7 | | 337.4 | 800.6 | |
| Profit on disposal of assets and investments | (2.1) | | (2.7) | (19.9) | |
| Headline earnings | 371.6 | 11.0% | 334.7 | 780.7 | |
| 3 | 421.3 | | 381.7 | 905.0 | |
| Earnings per share | | | | | |
| Diluted earnings per share | 417.2 | | 377.9 | 895.1 | |
| 4 | 419.0 | 10.6% | 378.7 | 882.5 | |
| Headline earnings per share | | | | | |
| Headline earnings per share | 419.0 | | 378.7 | 882.5 | |
| Diluted headline earnings per share | 414.9 | | 374.9 | 872.8 | |
| 5 | 270.0 | | 207.0 | 207.0 | |
| Dividends per share (cents) | | | | | |
| Dividends paid per share | 270.0 | | 207.0 | 207.0 | |
| Final dividend 2012 (2011) | | | | | |
| Interim dividend 2012 | 270.0 | | 207.0 | 379.0 | |
| Dividends declared per share | | | | | |
| Interim dividend 2013 (2012) | 212.0 | | 172.0 | 172.0 | |
| Final dividend 2012 | 212.0 | 23.3% | 172.0 | 442.0 | |

Balance sheet

| Notes | 30 September 2012 | | 30 September 2011 | | 31 March 2012 |
|--|-------------------|----------|-------------------|------------|---------------|
| | Unaudited Rm | % Change | Unaudited Rm | Audited Rm | Audited Rm |
| | 6 678.5 | | 5 896.0 | 6 130.4 | |
| Total assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 324.8 | | 297.8 | 311.9 | |
| Deferred taxation | - | | 22.4 | 16.1 | |
| Insurance investments | 1 147.9 | | 879.6 | 1 005.3 | |
| Current assets | | | | | |
| Inventories | 389.6 | | 307.7 | 281.4 | |
| Trade and other receivables | 4 357.5 | | 3 982.2 | 4 064.5 | |
| Insurance investments | 349.8 | | 295.1 | 373.3 | |
| Cash on hand and deposits | 108.9 | | 111.2 | 77.9 | |
| Equity and liabilities | | | | | |
| Capital and reserves | | | | | |
| Share capital and premium | 107.7 | | 96.9 | 95.4 | |
| Other reserves | 347.1 | | 215.0 | 277.9 | |
| Retained earnings | 4 023.5 | | 3 587.3 | 3 901.3 | |
| Non-current liabilities | | | | | |
| Long-term interest bearing borrowings | 850.0 | | 400.0 | 650.0 | |
| Deferred taxation | 125.4 | | 91.4 | 111.4 | |
| Retirement benefits | 65.8 | | 63.7 | 63.6 | |
| Current liabilities | | | | | |
| Trade and other payables | 701.5 | | 645.9 | 585.8 | |
| Taxation | 2.8 | | 42.8 | 21.0 | |
| Short-term interest-bearing borrowings | 454.7 | | 753.0 | 424.0 | |
| Total equity and liabilities | 6 678.5 | | 5 896.0 | 6 130.4 | |

Statement of changes in equity

| Notes | 6 months ended 30 September 2012 | | 6 months ended 30 September 2011 | | 12 months ended 31 March 2012 |
|--|----------------------------------|----------|----------------------------------|------------|-------------------------------|
| | Unaudited Rm | % Change | Unaudited Rm | Audited Rm | Audited Rm |
| | 95.4 | | 93.5 | 93.5 | |
| Share capital and premium | | | | | |
| Opening balance | 95.4 | | 93.5 | 93.5 | |
| Share awards to employees | 16.1 | | 3.4 | 1.9 | |
| Treasury shares purchased | (3.8) | | - | - | |
| Other reserves | | | | | |
| Opening balance | 277.9 | | 207.1 | 207.1 | |
| Other comprehensive income for the year | 58.5 | | 1.9 | 57.2 | |
| Share-based payment | 11.6 | | 9.9 | 19.0 | |
| Other movements | (0.9) | | (3.9) | (5.4) | |
| Retained earnings | | | | | |
| Opening balance | 3 901.3 | | 3 427.5 | 3 427.5 | |
| Net profit attributable to ordinary shareholders | 373.7 | | 337.4 | 800.6 | |
| Distribution to shareholders | (239.8) | | (183.2) | (335.5) | |
| Other movements | (11.7) | | 5.6 | 8.7 | |
| Balance at the end of period | 4 478.3 | | 3 899.2 | 4 274.6 | |

Cash flow statement

| Notes | 6 months ended 30 September 2012 | | 6 months ended 30 September 2011 | | 12 months ended 31 March 2012 |
|--|----------------------------------|----------|----------------------------------|------------|-------------------------------|
| | Unaudited Rm | % Change | Unaudited Rm | Audited Rm | Audited Rm |
| | 828.9 | | 763.9 | 1 358.3 | |
| Cash flow from operating activities | | | | | |
| Cash flow from trading | (550.1) | | (344.5) | (385.9) | |
| Change in working capital | 278.8 | | 419.4 | 972.4 | |
| Cash generated from operations | 52.1 | | 35.5 | 76.6 | |
| Interest and dividends received | (46.9) | | (31.9) | (67.0) | |
| Interest paid | (167.9) | | (169.5) | (377.4) | |
| Taxation paid | 116.1 | | 253.5 | 604.6 | |
| Cash utilised in investing activities | | | | | |
| Net additions to insurance investments | (35.6) | | (75.4) | (194.1) | |
| Acquisition of property, plant and equipment | (48.9) | | (48.9) | (87.8) | |
| Proceeds on disposal of property, plant and equipment | 8.8 | | 5.8 | 10.2 | |
| Cash flow from financing activities | | | | | |
| Dividends paid | (239.8) | | (183.2) | (335.5) | |
| Increase in long-term borrowings | 200.0 | | - | 250.0 | |
| (Decrease)/increase in short-term borrowings | (300.0) | | 150.0 | 50.0 | |
| Proceeds on sale of own shares | 3.5 | | 5.1 | 5.2 | |
| Purchase of treasury shares | (3.8) | | - | - | |
| Net increase in cash and cash equivalents | (299.7) | | 106.9 | 302.6 | |
| Cash and cash equivalents at the beginning of the period | (46.1) | | (348.7) | (348.7) | |
| Cash and cash equivalents at the end of the period | (345.8) | | (241.8) | (46.1) | |
| Analysis of borrowings and banking facilities | | | | | |
| Borrowings | | | | | |
| Long-term | 850.0 | | 400.0 | 650.0 | |
| Short-term | - | | 400.0 | 300.0 | |
| Cash and cash equivalents | | | | | |
| Short-term facilities utilised | 454.7 | | 353.0 | 124.0 | |
| Cash on hand | (108.9) | | (111.2) | (77.9) | |
| Net borrowings | 345.8 | | 241.8 | 46.1 | |
| Unutilised facilities | 1 195.8 | | 1 041.8 | 996.1 | |
| Total banking facilities | 954.2 | | 558.2 | 753.9 | |

Segmental report

| Reportable segment | Lewis Rm | Best Home and Electric Rm | My Home Rm | Group Rm |
|---|---|---------------------------|------------|----------|
| | For the six months ended 30 September 2012 (unaudited) | | | |
| Revenue | 2 037.4 | 328.9 | 62.3 | 2 428.6 |
| Operating profit | 450.7 | 65.7 | 3.9 | 520.3 |
| Operating margin | 22.1% | 20.0% | 6.3% | 21.4% |
| Segment assets | 3 925.8 | 587.4 | 106.2 | 4 619.4 |
| For the six months ended 30 September 2011 (unaudited) | | | | |
| Revenue | 1 917.2 | 305.1 | 56.4 | 2 278.7 |
| Operating profit/(loss) | 435.9 | 63.9 | (1.3) | 498.5 |
| Operating margin | 22.7% | 20.9% | (2.3%) | 21.9% |
| Segment assets | 3 556.6 | 525.2 | 105.2 | 4 187.0 |
| For the 12 months ended 31 March 2012 (audited) | | | | |
| Revenue | 4 083.8 | 653.5 | 120.0 | 4 857.3 |
| Operating profit | 985.1 | 145.6 | 8.4 | 1 139.1 |
| Operating margin | 24.1% | 22.3% | 7.0% | 23.5% |
| Segment assets | 3 624.5 | 535.3 | 104.6 | 4 264.4 |

Notes to the financial statements

1. Basis of reporting

The group's interim financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Accounting Standards (IFRS) including IAS34 (Interim Financial Reporting), and in compliance with the Listing Requirements of the JSE. The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 March 2012.

| Notes | 6 months ended 30 September 2012 | | 6 months ended 30 September 2011 | | 12 months ended 31 March 2012 |
|--|----------------------------------|----------|----------------------------------|------------|-------------------------------|
| | Unaudited Rm | % Change | Unaudited Rm | Audited Rm | Audited Rm |
| | 34.9 | | 49.5 | 405.4 | |
| 2. Debtor costs | | | | | |
| Bad debts, repossession losses and bad debt recoveries | 207.2 | | 197.9 | 116.9 | |
| Movement in impairment provision | 242.1 | | 247.4 | 522.3 | |
| 3. Insurance investments - available for sale | | | | | |
| Listed | | | | | |
| Listed shares | 505.0 | | 369.2 | 442.9 | |
| Fixed income securities | 642.9 | | 510.4 | 562.4 | |
| Unlisted | | | | | |
| Money market | 349.8 | | 295.1 | 373.3 | |
| Total | 1 497.7 | | 1 174.7 | 1 378.6 | |

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

4. Trade and other receivables

| Notes | 6 months ended 30 September 2012 | | 6 months ended 30 September 2011 | | 12 months ended 31 March 2012 |
|--|----------------------------------|----------|----------------------------------|------------|-------------------------------|
| | Unaudited Rm | % Change | Unaudited Rm | Audited Rm | Audited Rm |
| | 6 423.9 | | 5 822.4 | 5 871.1 | |
| Instalment sale and loan receivables | | | | | |
| Provision for unearned finance charges and unearned maintenance income | (281.7) | | (281.3) | (280.9) | |
| Provision for unearned initiation fees | (117.7) | | (105.2) | (109.8) | |
| Provision for unearned insurance premiums | (721.4) | | (600.4) | (622.2) | |
| Net instalment sale and loan receivables | 5 303.1 | | 4 835.5 | 4 858.2 | |
| Provision for impairment | (1 082.4) | | (956.2) | (875.2) | |
| Total | 4 220.7 | | 3 879.3 | 3 983.0 | |
| Other receivables | 136.8 | | 102.9 | 81.5 | |
| Total | 4 357.5 | | 3 982.2 | 4 064.5 | |

Amounts due from instalment sale and loan receivables after 1 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 21.8% (2012: 23.1%) and the average term of the sale is 32.3 months (2012: 28.1 months).

5. Trade and other payables

| Notes | 6 months ended 30 September 2012 | | 6 months ended 30 September 2011 | | 12 months ended 31 March 2012 |
|-----------------------------|----------------------------------|----------|----------------------------------|------------|-------------------------------|
| | Unaudited Rm | % Change | Unaudited Rm | Audited Rm | Audited Rm |
| | 70.8 | | 90.7 | 71.1 | |
| Trade payables | | | | | |
| Accruals and other payables | 216.7 | | 215.8 | 166.0 | |
| Due to reinsurers | 172.6 | | 150.7 | 147.2 | |
| Insurance provision | 241.4 | | 188.7 | 201. | |