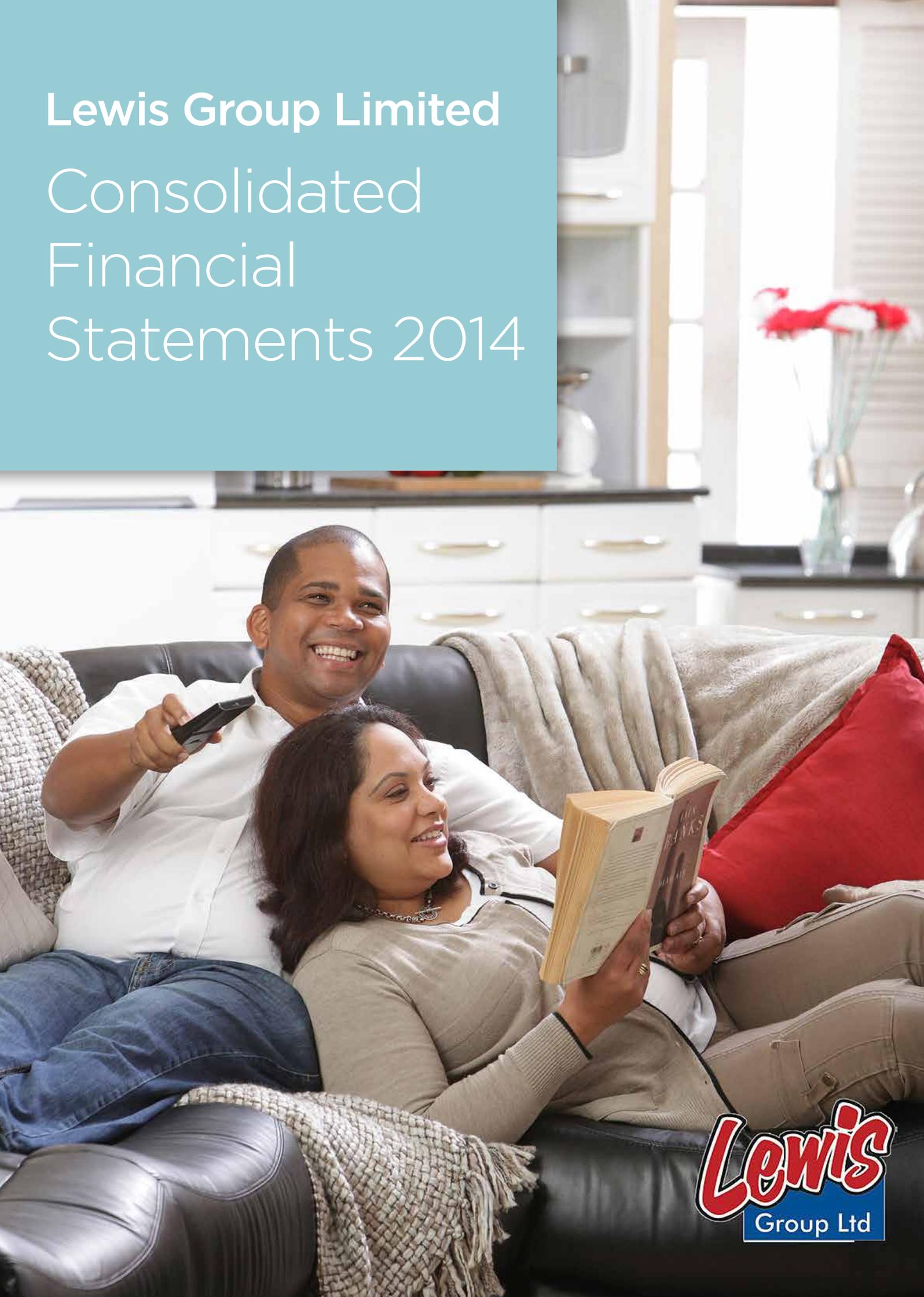


# Lewis Group Limited Consolidated Financial Statements 2014



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# Directors' responsibility statement

Management have prepared the annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa.

The financial statements, which present the results and financial position of the company and its subsidiaries, are the responsibility of the directors.

In fulfilling its responsibility, the board of directors has approved the accounting policies applied and established that reasonable and sound judgements and estimates have been made by management when preparing the financial statements.

Adequate accounting records and an effective system of internal controls have been maintained to ensure the integrity of the underlying information. Internal audit has performed a written assessment confirming the effectiveness of the company's system of internal control and risk management, including internal financial controls. The board is satisfied that the system of internal controls, which includes internal financial controls, operates effectively.

A well established control environment, which incorporates risk management and internal control procedures, exists to provide reasonable, but not absolute, assurance that assets are safeguarded and the risk facing the business is being adequately managed. The board confirms that during the period under review the group has maintained an efficient and effective process to manage key risks. The directors are not aware

of any current or anticipated key risks that may threaten the sustainability of the business.

The board of directors has reviewed the business of the group together with budget and cash flows for the year to 31 March 2015 as well as the current financial position and have no reason to believe that the group will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the financial statements.

PricewaterhouseCoopers Inc., as external auditors, have examined the financial statements and their report appears on page 2.

The financial statements of the group and the company for the year ended 31 March 2014, which appear on pages 8 to 58 have been approved by the board of directors and signed on their behalf by:



**D M NUREK**  
Chairman



**J ENSLIN**  
Chief executive officer



**L A DAVIES**  
Chief financial officer

Cape Town  
28 May 2014

# Company secretary certificate

In my capacity as company secretary, I hereby confirm to the best of my knowledge and belief that all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



**M G McCONNELL**  
Company Secretary

28 May 2014

# Independent auditor's report to the shareholders of Lewis Group Limited

We have audited the consolidated and separate financial statements of Lewis Group Limited set out on pages 8 to 56, which comprise the balance sheets as at 31 March 2014, and the income statements, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies, other explanatory information and Annexure A.

## **Directors' responsibility for the financial statements**

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Lewis Group Limited as at 31 March 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## **Other reports required by the Companies Act**

As part of our audit of the consolidated and separate financial statements for the year ended 31 March 2014, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



## **PricewaterhouseCoopers Inc.**

Director: Z Abrahams

Registered Auditor

Cape Town

28 May 2014

# Directors' report

## Nature of business

Lewis Group Limited is a holding company listed on the JSE Limited, operating through two main trading subsidiaries, Lewis Stores Proprietary Limited and Monarch Insurance Company Limited. Lewis Stores Proprietary Limited offers a selected range of furniture and appliances through 494 Lewis, 129 Best Home and Electric and 13 My Home stores. Sales are mainly on credit. Monarch Insurance Company Limited, a registered short-term insurer, underwrites Customer Protection Insurance benefits to South African customers. In addition, there are also trading subsidiaries in Botswana, Lesotho, Namibia and Swaziland operating under the Lewis brand.

The nature of the business of the subsidiaries is set out on page 56.

## Review of financial results and activities

The financial results and affairs of the group are reflected in the annual financial statements set out on pages 8 to 58.

## Segmental analysis

Segmental information is set out in the segmental report on page 13 of the annual financial statements.

## Share capital

The company's authorised and issued share capital remained unchanged during the year.

## Treasury shares

The group holds 9 216 928 (9.2%) of its own shares through its subsidiary, Lewis Stores Proprietary Limited. Refer note 8.1 and 8.2 for more detail.

## Dividends

The following dividends have been declared or proposed for the financial year ended 31 March 2014:

	Dividend per share	Date declared	Payable
Interim – declared	215 cents	11 November 2013	27 January 2014
Final – proposed	302 cents	28 May 2014	21 July 2014
For the year	517 cents		

Notice is hereby given that a final gross cash dividend of 302 cents per share in respect of the year ended 31 March 2014 has been declared payable to holders of ordinary shares.

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

The dividend has been declared out of income reserves and is subject to a dividend tax of 15%. The dividend for determining the dividend tax is 302 cents and the dividend tax payable is 45.3 cents for shareholders who are not exempt. No STC credits have been utilised. The net dividend for shareholders who are not exempt will therefore be 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 11 July 2014
Date trading commences "ex" dividend	Monday 14 July 2014
Record date	Friday 18 July 2014
Date of payment	Monday 21 July 2014

Share certificates may not be dematerialised or rematerialised between Monday 14 July 2014 and Friday 18 July 2014, both days inclusive.

## Directors

There were no changes to the board of directors this year.

In terms of the Articles of Association of the company the following will retire and have offered themselves for re-election:

A J Smart  
H Saven  
F Abrahams

## Company secretary

M G McConnell remained as company secretary throughout the year. The address of the company secretary is that of the registered offices as stated on page 59.

## Directors' interests

At 31 March 2014, the directors' beneficial direct and indirect interest in the company's issued shares were as follows:

	2014		2013	
	Direct	Indirect	Direct	Indirect
D M Nurek	-	20 000	-	10 000
H Saven	-	6 440	-	2 940
A J Smart	319 070	-	319 070	-
J Enslin	45 000	45 951	20 000	44 856
L A Davies	188 490	36 905	141 185	37 725
	552 560	109 296	480 255	95 521

# Directors' report (continued)

The following share awards have been made to directors:

J Enslin	356 127
L A Davies	271 982

Full details of the terms and conditions in relation to these share awards are set out in note 18.4 to the financial statements.

During the course of the year, no director had a material interest in any contract of significance with the company or any of its subsidiaries that could have given rise to a conflict of interest.

No related party transaction in terms of the JSE Limited Listings Requirements took place between the group and its directors or their associates, other than remuneration for services rendered to the company as set out in note 18.4 to the financial statements.

## ***Subsidiary companies***

Details of the company's subsidiaries are set out on page 56.

The company's interest in the aggregate profits and losses after taxation of the subsidiary companies is as follows:

	2014	2013
	Rm	Rm
Profit	863.1	914.6
Losses	-	-

## ***Borrowing powers***

Borrowings were R1 758.0 million at 31 March 2014 (2013: R1 505.5 million). Borrowings are subject to the treasury policy adopted by the board of directors. In terms of the articles of association, the group has unlimited borrowing powers.

# Audit committee report

The Audit Committee (“the committee”) has pleasure in submitting its report for the year ended 31 March 2014 in compliance with section 94(7) of the Companies Act of 2008, as amended.

## Introduction

The committee has an independent role with accountability to the board. The committee operates in accordance with a documented charter and complies with all relevant legislation, regulation and governance codes. The committee’s terms of reference are reviewed annually and approved by the board.

The committee’s role and responsibilities includes its statutory duties and further responsibilities as assigned by the board. The Audit Committee executed its duties in terms of the requirements of King III.

The committee acts as the Audit Committee for all the subsidiaries in the Lewis Group except for Monarch Insurance Company Limited (“Monarch”) which has its own Audit and Risk Committee.

## Objectives

The objectives of the committee are:

- To assist the board to discharge its duties relating to the safeguarding of assets, the operation of adequate systems and controls, overseeing integrated reporting, reviewing of financial information and the preparation of interim and annual financial statements in compliance with all applicable legal requirements and accounting standards.
- To facilitate and promote communication and liaison between the board of directors and the company’s management in respect of the matters referred to above.
- To recommend the introduction of measures which the committee believes may enhance the credibility and objectivity of financial statements and reports concerning the affairs of the company.
- To perform their statutory functions under section 94 of the Companies Act.
- To advise on any matter referred to the committee by the board of directors.

## Relationship with the Monarch Audit and Risk Committee

- Due to the integrated nature of the groups systems and processes, the Lewis Group Audit Committee bear the responsibility relating to:
  - Internal and external audit management
  - Maintenance of an effective internal control system

- In order for the Monarch Audit and Risk Committee to discharge its responsibilities under the Short-Term Insurance Act, the Lewis Group Audit Committee refers any issues relating to these matters to the Monarch Audit and Risk Committee where such issues impact on Monarch.
- The duty and scope of the Monarch Audit and Risk Committee in monitoring the compliance with legal and regulatory requirements has been extended to include the Financial Advisory and Intermediary Services Act due to its interrelationship with the insurance activities of the group.
- The minutes of all Monarch Audit and Risk Committee meetings are submitted and reviewed by the Lewis Group Audit Committee.

## Membership

The committee comprised the following independent non-executive directors:

H Saven (chairman)

Z Bassa

B J van der Ross

Biographical details of the committee members are provided on page 22 – 23 of the integrated report. Fees paid to the committee members are outlined in the table of directors’ remuneration in note 18.4 to the annual financial statements.

The chairman of the board, chief executive officer, chief financial officer, certain of the other non-executive directors and representatives of the internal and external auditors attend the meetings as invitees.

The chairman of the committee also meets separately with the external and internal auditors, without members of executive management being present. The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

## Committee activities

The committee met four times during the year under review. Attendance of the members has been set out on page 51 of the corporate governance report.

The committee attended to the following material matters:

- **Financial statements**
  - reviewed the interim results and year-end financial statements, including the public announcements of the company’s financial results, and made recommendations to the board for their approval. In the course of its review, the committee:

# Audit committee report (continued)

- took appropriate steps to ensure that the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS);
- considered the appropriateness of accounting policies, disclosures and material judgements applied.
- completed a detailed review of the going concern assumption and confirmed that the going concern assumption was appropriate in the preparation of the financial statements.

## • Integrated report

The committee fulfils an oversight role regarding the company's integrated report and the reporting process.

- considered the company's integrated report and has assessed its consistency with operational, financial and other information known to the audit committee members, and for consistency with the annual financial statements. The committee is satisfied that the integrated report is materially accurate, complete and reliable and consistent with the annual financial statements.
- the committee has, at its meeting held on 26 May 2014, recommended that the integrated report for the year ended 31 March 2014 for approval by the board of directors.

## • External auditors

- reviewed the independence of PricewaterhouseCoopers Inc., the company's external auditors, and the nominee for the appointment of the designated auditor, before recommending to the board that their re-election be proposed to shareholders (refer section on Independence of external auditors);
- approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2014 financial year. The fees paid to the auditors are disclosed in note 21 to the annual financial statements;
- determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services. It is the policy of the group that the auditor is restricted from rendering accounting, IT consulting services, company secretarial, internal audit and human resource services.

- reviewed and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable; and
- reviewed the external audit reports and management's response, considered their effect on the financial statements and internal financial control.

The committee was not required to deal with any complaints relating to accounting practices or internal audit, nor to the content or audit of the group's financial statements, the internal financial controls and related matters.

## • Internal audit

- reviewed and approved the existing internal audit charter which ensures that the group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties;
- satisfied as to the credibility, independence and objectivity of the internal audit function.
- internal audit has direct access to the committee, primarily through the committee's chairman.
- reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of significant business processes was acceptable;
- reviewed the quarterly internal audit reports, covering the effectiveness of internal control, material fraud incidents and material non-compliance with group policies and procedures. The committee is advised of all internal control developments and advised of any material losses, with none being reported during the year;
- considering and reviewing with management and internal auditors any significant findings and management responses thereto in relation to reliable financial reporting, corporate governance and effective internal control to ensure appropriate action is taken.
- oversaw the co-operation between internal audit and external auditors, and the committee is satisfied that the company has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model.

- assessed the performance and qualification of the internal audit function and found them to be satisfactory.

- **Internal financial control and compliance**

- reviewed and approved the group's existing treasury policy and reviewed the quarterly treasury reports prepared by management;
- reviewed the quarterly legal and regulatory reports setting out the latest legislative and regulatory developments impacting the group;
- reviewed the quarterly report on taxation;
- reviewed information technology reports; and
- considered and, where appropriate, made recommendations on internal financial control.

Internal audit has performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This written assessment by internal audit, as well as other information available to the committee, formed the basis for the committee's recommendation to the board, on the effectiveness of the system of internal controls to be included in the Integrated Report.

- **Governance of risk**

The board has assigned oversight of the company's risk management function to the Risk Committee. The minutes of the Risk Committee are made available to the Audit Committee to assist them in fulfilling its oversight role with respect to financial reporting risks arising from internal financial controls, fraud and information technology risks.

- Evaluation of expertise and experience of the chief financial officer and finance function
  - in terms of the JSE Listings Requirements, the committee satisfied itself as to the appropriateness of the expertise and experience of the group's chief financial officer.
  - the committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

### **Independence of external auditors**

The committee is satisfied that PricewaterhouseCoopers Inc. are independent of the group. This assessment was made after considering the following:

- confirmation from the external auditors that they, or their immediate family, do not hold any significant direct or indirect financial interest or have any material business relationship with Lewis. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.
- The auditors do not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from the group.
- The auditor's independence was not impaired by the non-audit work performed having regard to the quantum of audit fees relative to the total fee base and the nature of the non-audit work undertaken.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements.
- The criteria specified for independence by the Independent Regulatory Board for Auditors.
- The audit firm and the designated auditor is accredited with the JSE.

The committee confirms it has functioned in accordance with its terms of reference for the 2014 financial year.



**Hilton Saven**

Chairman  
Audit Committee

28 May 2014

# Group annual financial statements

## Income statement for the year ended 31 March 2014

	Notes	2014 Rm	2013 Restated Rm
<b>Revenue</b>		<b>5 281.7</b>	<b>5 187.6</b>
Merchandise sales		2 409.1	2 470.3
Finance charges and initiation fees earned		1 208.9	1 082.6
Insurance revenue	16	975.5	994.7
Ancillary services		688.2	640.0
<b>Cost of merchandise sales</b>	17	<b>(1 524.4)</b>	<b>(1 523.1)</b>
<b>Operating costs</b>		<b>(2 603.3)</b>	<b>(2 410.9)</b>
Employment costs	18	(818.9)	(786.0)
Administration and IT		(217.1)	(202.8)
Debtor costs	19	(702.4)	(539.6)
Marketing		(173.1)	(191.2)
Occupancy costs		(245.2)	(232.7)
Transport and travel		(192.6)	(185.2)
Depreciation		(58.5)	(55.1)
Other operating costs		(195.5)	(218.3)
<b>Operating profit</b>	21	<b>1 154.0</b>	<b>1 253.6</b>
Investment income	22	125.8	111.8
<b>Profit before finance costs and taxation</b>		<b>1 279.8</b>	<b>1 365.4</b>
<b>Net finance costs</b>		<b>(102.7)</b>	<b>(96.3)</b>
Interest paid	23.1	(116.8)	(105.2)
Interest received	23.2	6.5	6.9
Forward Exchange Contracts	23.3	7.6	2.0
<b>Profit before taxation</b>		<b>1 177.1</b>	<b>1 269.1</b>
Taxation	24	(334.9)	(357.4)
<b>Net profit attributable to ordinary shareholders</b>		<b>842.2</b>	<b>911.7</b>
Earnings per share (cents)	25	948.8	1 027.3
Diluted earnings per share (cents)	25	939.8	1 017.4

Statement of comprehensive income for the year ended 31 March 2014

	2014	2013
	Rm	Restated Rm
Net profit for the year	842.2	911.7
Fair value adjustments of available-for-sale investments	71.5	103.7
Fair value adjustments of available-for-sale investments	82.1	141.6
Tax effect	(10.6)	(37.9)
Disposal of available-for-sale investments recognised	(23.9)	(15.3)
Disposal of available-for-sale investments	(28.2)	(18.2)
Tax effect	4.3	2.9
Foreign currency translation reserve	13.3	6.6
Movement in other reserves (recycled to income statement on disposal)	60.9	95.0
Retirement benefit remeasurements	30.5	0.2
Remeasurements of the retirement asset and liabilities	42.3	0.2
Tax effect	(11.8)	-
<b>Total comprehensive income for the year attributable to ordinary shareholders</b>	<b>933.6</b>	<b>1 006.9</b>

# Group annual financial statements

## (continued)

### Balance sheet at 31 March 2014

	Notes	2014 Rm	2013 Restated Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	327.3	332.6
Deferred taxation	12	0.6	0.6
Retirement benefit asset	13	79.7	22.8
Insurance investments	5	1 415.0	1 238.3
		<b>1 822.6</b>	<b>1 594.3</b>
<b>Current assets</b>			
Inventories	6	324.6	305.8
Trade and other receivables	7	5 078.9	4 840.9
Insurance investments	5	283.7	465.9
Cash-on-hand and deposits		480.1	59.5
		<b>6 167.3</b>	<b>5 672.1</b>
<b>Total assets</b>		<b>7 989.9</b>	<b>7 266.4</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium	8	109.2	88.4
Other reserves	9	436.1	397.8
Retained earnings	10	4 796.5	4 361.1
		<b>5 341.8</b>	<b>4 847.3</b>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings	11	1 000.0	1 250.0
Deferred taxation	12	173.5	154.5
Retirement benefit liability	13	92.9	75.3
		<b>1 266.4</b>	<b>1 479.8</b>
<b>Current liabilities</b>			
Trade and other payables	14	227.9	211.7
Reinsurance and insurance liabilities	15	388.7	472.1
Taxation		7.1	-
Short-term interest-bearing borrowings	11	758.0	255.5
		<b>1 381.7</b>	<b>939.3</b>
<b>Total equity and liabilities</b>		<b>7 989.9</b>	<b>7 266.4</b>

Statement of changes in equity for the year ended 31 March 2014

	Notes	2014 Rm	2013 Restated Rm
<b>Share capital and premium</b>	8		
Opening balance		88.4	95.4
Cost of own shares acquired (treasury shares)		(10.7)	(40.1)
Share awards to employees		31.5	33.1
		<b>109.2</b>	<b>88.4</b>
<b>Other reserves</b>	9		
Opening balance		397.8	277.9
Other comprehensive income:			
Fair value adjustments of available-for-sale investments		71.5	103.7
Disposal of available-for-sale investments recognised		(23.9)	(15.3)
Foreign currency translation reserve		13.3	6.6
Share-based payment		27.0	22.1
Transfer of share-based payment reserve to retained income on vesting		(23.9)	(18.7)
Transfer to contingency reserve		(25.7)	21.5
		<b>436.1</b>	<b>397.8</b>
<b>Retained earnings</b>	10		
Opening balance		4 361.1	3 909.7
Net profit attributable to ordinary shareholders		842.2	911.7
Distribution to shareholders	26	(459.3)	(428.2)
Profit on sale of own shares		0.5	1.0
Transfer of share-based payment reserve to retained income on vesting		23.9	18.7
Transfer to contingency reserve		25.7	(21.5)
Share awards to employees		(28.1)	(30.5)
Retirement benefit remeasurements		30.5	0.2
		<b>4 796.5</b>	<b>4 361.1</b>
<b>Balance as 31 March 2014</b>		<b>5 341.8</b>	<b>4 847.3</b>
<b>Dividends paid per share (cents)</b>			
Final dividend 2013 (2012)		302.0	270.0
Interim dividend 2014 (2013)		215.0	212.0
		<b>517.0</b>	<b>482.0</b>
<b>Dividends declared per share (cents)</b>			
Interim dividend 2014 (2013)		215.0	212.0
Final dividend 2014 (2013)		302.0	302.0
		<b>517.0</b>	<b>514.0</b>

# Group annual financial statements

(continued)

## Cash flow statement for the year ended 31 March 2014

	Notes	2014 Rm	2013 Restated Rm
<b>Cash flow from operating activities</b>			
Cash flow from trading		1 360.2	1 526.6
Change in working capital		(429.3)	(893.8)
Cash generated from operations	27.1	930.9	632.8
Interest and dividends received		104.1	100.5
Interest paid		(109.2)	(103.2)
Taxation paid	27.2	(326.9)	(358.4)
		598.9	271.7
<b>Cash flow from investing activities</b>			
Net disposals/(additions) to insurance business investments		87.6	(183.8)
Acquisition of property, plant and equipment		(59.1)	(85.7)
Proceeds on disposal of property, plant and equipment		6.8	12.4
		35.3	(257.1)
<b>Cash flow from financing activities</b>			
Dividends paid	26	(459.3)	(428.2)
Increase in long-term borrowings		(250.0)	600.0
(Decrease)/increase in short-term borrowings.		650.0	(200.0)
Purchase of own shares		(10.7)	(40.1)
Proceeds on sale of own shares		3.9	3.8
		(66.1)	(64.5)
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		568.1	(49.9)
Cash and cash equivalents at the beginning of the year		(96.0)	(46.1)
<b>Cash and cash equivalents at the end of the year</b>		<b>472.1</b>	<b>(96.0)</b>
<b>Analysis of borrowings and facilities</b>			
<b>Borrowings</b>			
Long-term			
Banking facilities		700.0	1 250.0
Domestic Medium-Term Note Programme		300.0	-
Short-term			
Banking facilities		550.0	100.0
Domestic Medium-Term Note Programme		200.0	-
		1 750.0	1 350.0
<b>Cash and cash equivalents</b>			
Short-term facilities utilised		8.0	155.5
Cash on hand		(480.1)	(59.5)
		(472.1)	96.0
<b>Net borrowings</b>			
Unutilised facilities			
Banking facilities		1 272.1	704.0
Domestic Medium-Term Note Programme		1 500.0	-
<b>Total banking facilities and Domestic Medium-Term Note Programme</b>		<b>4 050.0</b>	<b>2 150.0</b>

Segmental report for the year ended 31 March 2014

Reportable segment	Lewis Rm	Best Home and Electric Rm	My Home Rm	Group Rm
<b>2014</b>				
<b>Segment income statement</b>				
<b>Total revenue from external customers</b>				
Merchandise sales	2 004.5	336.5	68.1	2 409.1
Other revenue	2 395.5	419.1	58.0	2 872.6
	4 400.0	755.6	126.1	5 281.7
<b>Cost of merchandise sales</b>	(1 265.4)	(217.8)	(41.2)	(1 524.4)
<b>Operating costs</b>	(2 171.8)	(361.9)	(69.6)	(2 603.3)
<b>Segment operating profit</b>	962.8	175.9	15.3	1 154.0
<b>Segment operating margin</b>	21.9%	23.3%	12.1%	21.8%
<b>Segment assets (1)</b>	4 421.1	715.3	128.8	5 265.2
<b>Capital expenditure</b>	55.8	2.8	0.5	59.1
<b>Depreciation</b>	52.0	5.5	1.0	58.5
<b>2013 - Restated</b>				
<b>Segment income statement</b>				
<b>Total revenue from external customers</b>				
Merchandise sales	2 039.7	351.0	79.6	2 470.3
Other revenue	2 279.1	385.9	52.3	2 717.3
	4 318.8	736.9	131.9	5 187.6
<b>Cost of merchandise sales</b>	(1 257.1)	(217.2)	(48.8)	(1 523.1)
<b>Operating costs</b>	(2 008.7)	(333.6)	(68.6)	(2 410.9)
<b>Segment operating profit</b>	1 053.0	186.1	14.5	1 253.6
<b>Segment operating margin</b>	24.4%	25.3%	11.0%	24.2%
<b>Segment assets (1)</b>	4 230.9	675.9	120.3	5 027.1
<b>Capital expenditure</b>	76.1	8.3	1.3	85.7
<b>Depreciation</b>	48.8	5.2	1.1	55.1

(1) Segment assets include net instalment sale and loan receivables of R4 940.6 million (2013: R4 721.3 million) and inventory of R324.6 million (2013: R305.8 million).

Geographical	South Africa Rm	BLNS(*) Rm	Total Rm
<b>2014</b>			
Revenue	4 552.4	729.3	5 281.7
Capital expenditure	53.9	5.2	59.1
<b>2013</b>			
Revenue	4 525.8	661.8	5 187.6
Capital expenditure	77.0	8.7	85.7

(\*) Botswana, Lesotho, Namibia and Swaziland

# Notes to the group annual financial statements

for the year ended 31 March 2014

## 1. Summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRIC Interpretations and SAICA Reporting Guidelines and under the historical cost convention, as modified by available-for-sale assets and financial assets and financial liabilities at fair value through profit and loss.

Preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Changes to accounting policies and disclosures arising from the adoption of new standards, amendments and interpretations to standards effective for the current year are disclosed in note 2.

### 1.2 Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is applied for business combinations. The consideration for an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of the exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration and the fair value of the non-controlling interest over the fair value of the identifiable assets and liabilities assumed is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest proportionate share of the recognised amounts of acquirees identifiable net assets.

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount and amounts previously recognised in other comprehensive income in respect of the entity being recognised in the income statement.

Inter-company transactions, balances and unrealised gains and losses between group companies are eliminated. The accounting policies and the year-ends of all subsidiaries are consistent throughout the group.

Common control transactions are business combinations in which the combining entities are ultimately controlled by the same entity prior to the combination. The assets and liabilities of the combining entities are not adjusted to fair value but reflected at their carrying amounts at the date of the transaction. Any difference between the consideration paid/transferred and the net asset value acquired is accounted for in retained earnings. No new goodwill will be recognised as a result of a common control transaction.

Employee share trusts are consolidated. Shares in Lewis Group Limited held by subsidiaries and the shareholders are classified as treasury shares.

In the company's financial statements, investments in subsidiaries are carried at cost less any impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investments.

### 1.3 Goodwill

Goodwill, being the excess of the purchase consideration and the fair value of the non-controlling interest over the attributable fair value of the identifiable assets and liabilities at the date of acquisition, is initially carried at cost. Goodwill is subject to an annual impairment test or more frequently if events or changes in circumstances indicate a potential impairment and written down to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Impairment is recognised immediately as an expense. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying value of goodwill relating to the entity sold.

Any excess in the fair value of the identifiable assets and liabilities over the purchase consideration at the date of acquisition is recognised immediately in the income statement.

### 1.4 Foreign currency translations

#### 1.4.1 Functional and presentation currency

The financial statements of the subsidiaries are measured in the currency of the primary economic environment of the subsidiary ("the functional currency"). The group and company financial statements are presented in South African Rand, the company's functional currency and the group and company's presentation currency.

#### 1.4.2 Foreign currency transactions and balances

Transactions in foreign currency are converted at the exchange rate ruling at the transaction date. Monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses arising from the translation of monetary assets and liabilities at balance sheet date or on subsequent settlement of these monetary items are recognised in the income statement in the period in which they arise. Foreign exchange gains and losses that relate to financing activities are presented in the income statement within finance income or costs. All other foreign exchange gains and losses are presented in the income statement as other foreign exchange gains and losses. Translation differences on available-for-sale financial assets are included in other comprehensive income.

#### 1.4.3 Foreign entities

The assets and liabilities of foreign subsidiaries with different functional currencies (excluding loans which are part of the net investment) are translated at the closing rate, while income, expenditure and cash flow items are translated using the average exchange rate. Differences arising on translation are reflected in a foreign currency translation reserve, a separate component of other comprehensive income. On disposal of a foreign subsidiary, such translation differences are recognised in the income statement as a gain or loss on the sale.

### 1.5 Financial instruments

#### 1.5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks, bank overdrafts and demand loans. Cash and cash equivalents are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate.

#### 1.5.2 Derivative instruments

Derivative instruments are utilised to hedge exposure to foreign currency and interest rate fluctuations. Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Although the derivative instruments entered into by the group provide an effective economic hedge, these derivative instruments have been classified as fair value through profit and loss and, consequently, changes in the fair value are recognised immediately in the income statement.

#### 1.5.3 Financial assets

Investments are classified into three categories, based on the purpose for which the investment was acquired. The classification is determined on initial recognition. Derivative instruments are accounted for in terms of note 1.5.2.

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

## 1.5 Financial instruments (*continued*)

### 1.5.3 Financial assets (*continued*)

The investments are classified as follows:

- (i) Financial assets designated as fair value through profit and loss. A financial asset is classified as such where the asset is acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets where expected to be realised within twelve months of balance sheet date.
- (ii) Available-for-sale assets are assets designated as available-for-sale or those assets that cannot be classified in any of the other categories of financial instruments. Available-for-sale financial assets are included in non-current assets, unless management intends to dispose of the investment within twelve months of the balance sheet date.
- (iii) Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities where management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest rate method. If the group were to sell these assets, the whole category of such assets would be reclassified as available-for-sale.

Purchases and sales of financial assets are recognised on the trade date, being the date that the group commits to the transaction. The financial assets are initially recognised at their fair value with transaction costs being expensed in the income statement in respect of assets classified as fair value through profit and loss and for other categories, added to their carrying value. Assets designated as fair value through profit and loss and as available-for-sale are subsequently carried at fair value and are valued by reference to quoted bid prices at the close of business on the balance sheet date or, where appropriate, by discounted cash flow with maximum use of market inputs.

Realised and unrealised gains and losses arising from a change in the fair value of financial assets classified as fair value through profit and loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from a change in fair value of available-for-sale investments are recognised in other comprehensive income. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustment is included in the income statement as gains and losses on investment.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

At each balance sheet date, an assessment is made as to whether there is objective evidence to impair the financial assets. If any such evidence exists for available-for-sale financial assets, the cumulative impairment loss less any impairments previously recognised is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of an available-for-sale asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is recognised through the income statement.

### 1.5.4 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. They are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate, less a provision for impairment. The provision for impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Changes in the provision are recognised in the income statement.

If collection is expected in one year or less or in the normal operating cycle of the business if longer, they are classified as current assets. If not, they are presented as non-current assets.

## 1.5 Financial instruments (*continued*)

### 1.5.5 Financial liabilities

#### (i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (ii) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Accounts payable are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, they are presented as non-current liabilities.

### 1.5.6 Set off

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 1.6 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are capitalised when it is probable that future economic benefits will arise and the cost can be measured reliably. All other expenditure is recognised through profit and loss.

Assets are depreciated to their residual value, on a straight line basis, over their estimated useful lives. The estimated useful lives of the assets in years are:

Buildings	50 years
Furniture and equipment	3 to 10 years
Vehicles	4 to 6 years

Land is not depreciated.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds to the carrying amount and are recognised in the income statement.

## 1.7 Leased assets

Leases of property, plant and equipment, where the group has a significant portion of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lesser of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs in the income statement, and the capital repayment, which reduces the liability to the lessor. Capitalised leased assets are depreciated to their estimated residual value over the shorter of the lease period or their estimated useful lives.

Leases where the lessor retains a significant portion of the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

## 1.8 Inventories

Inventory, comprising merchandise held for resale, is valued at the lower of cost or net realisable value. Cost is determined using the weighted average basis, net of trade and settlement discounts. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses. Provision is made for slow moving, redundant and obsolete inventory.

## 1.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

## 1.10 Current and deferred taxation

The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. The group periodically evaluates positions taken in tax returns with respect to situations in which applicable legislation and regulations are subject to interpretation. Appropriate provisions are established on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation, using the liability method, is provided on all temporary differences between the taxation base of an asset or liability and its carrying value. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is calculated at current or substantially enacted rates of taxation at balance sheet date. A deferred tax asset is raised to the extent that it is probable that sufficient taxable profit will arise in the foreseeable future against which the asset can be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

## 1.11 Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that takes into consideration current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

## 1.12 Insurance business

### 1.12.1 Classification

Insurance contracts are those contracts that transfer significant risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event in terms of the cover given to the insured.

**1.12 Insurance business (continued)**

**1.12.1 Classification (continued)**

Contracts entered into by the company with reinsurers under which the group's insurer is compensated for losses on contracts issued by it and that meet the requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the group's insurer under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

**1.12.2 Outstanding claims**

Provision is made for the estimated final cost of all claims notified but not settled at the accounting date and claims arising from insurance contingencies that occurred before the close of the accounting period, but which had not been reported by that date. Claims and expenses are charged to income as incurred based on the estimated liability for compensation owed to insurance policyholders. The group's own assessors individually assess claims. Outstanding claims provisions are not discounted.

**1.12.3 Contingency reserve**

A contingency reserve used to be required in terms of the Short Term Insurance Act, 1998. From 1 January 2012, the contingency reserve is no longer required by the Act. The group has opted to maintain the reserve for capital management purposes. Transfers to this reserve are at 10% of premiums written less re-insurance and treated as an appropriation of earnings.

**1.12.4 Provision for unearned premiums**

The provision for unearned premiums and the reinsurer's share of unearned premiums represents that part of the current year's premiums relating to risk periods that extend to the subsequent years. The unearned premiums are calculated on a straight line basis over the period of the contract. The balance is disclosed under accounts receivable as the group manages the unearned premium provision in conjunction with their instalment sale and loan receivables.

**1.12.5 Unexpired risk reserve**

Provision will be made by the group for underwriting losses if it is anticipated that the unearned premiums at reporting date will not be sufficient to cover future claims, including claims handling fees and related administration costs. This liability adequacy test is performed annually to ensure the adequacy of short term insurance liabilities.

**1.12.6 Reinsurance**

Income from reinsurance contracts is deferred over the period of the related reinsurance contract and is recognised as a current liability.

Reinsurance liabilities are premiums payable for reinsurance contracts.

The reinsurer's share of insurance provisions is dependent on the expected claims and benefits arising under the related reinsured insurance contracts and is measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of the reinsurance contract. Reinsurance assets are recognised in respect of unearned premiums, outstanding claims and claims incurred but not yet reported. The reinsurer's share of unearned premiums is disclosed under accounts receivable as the group manages the reinsurers share of unearned premiums in conjunction with unearned premiums and instalment sale and loan receivables.

The group assesses its reinsurance assets for impairment periodically. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of comprehensive income. Impairment losses on reinsurance assets are calculated in the same manner as impairment losses on financial assets.

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

## 1.13 Segmental information

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and the chief financial officer.

The group has identified its reportable segments based on the chains that it operates. These segments reflect how the group's businesses are managed and reported to the chief operating decision makers. All of the business segments operate in the furniture retail business. Set out below is a summary of the operations in each of the reportable segments of the group:

### (i) Lewis

Lewis sells a range of household furniture, electrical appliances and home electronics to customers in the LSM 4 to 7 categories.

### (ii) Best Home and Electric

Best Home and Electric is a retailer of electrical appliances sound and vision equipment and furniture, targeting the LSM 4 to 7 customer.

### (iii) My Home

My Home is a retailer of upmarket furniture to customers in the LSM 7 to 8 categories who have a need for in-store credit facilities.

Information regarding the performance of each segment is disclosed in the segmental report. Performance is measured on the basis of the operating profit (which includes the insurance underwriting result), as management believes that this measure is useful in evaluating the results of the segments, both in relation to each other and in relation to their respective competition. With respect to assets and liabilities, the chief operating decision makers only monitor the trade receivables and inventory for each segment. The remaining assets and the liabilities are reviewed on a group basis.

The group's segments report their segmental result and their segment assets (ie. trade receivables and inventory) in accordance with the group's accounting policies. There are no significant inter-segmental transactions.

## 1.14 Current assets and liabilities

Current assets and liabilities have maturity terms of less than 12 months, except for instalment sale and loan receivables. Instalment sale and loan receivables, which are included in trade and other receivables, have maturity terms of between 6 to 36 months but are classified as current as they form part of the normal operating cycle.

## 1.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including the costs attributable to the acquisition, is deducted from the group's equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in the group's equity. The weighted average number of shares is reduced by the treasury shares for earnings per share purposes. Dividends received on treasury shares are eliminated on consolidation.

## 1.16 Employee benefits

### 1.16.1 Retirement plans

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

**1.16 Employee benefits (continued)**

**1.16.1 Retirement plans (continued)**

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation.

The group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from employees and group companies, taking into account the recommendations of independent, qualified actuaries. The defined benefit obligation is assessed annually by a qualified actuary, in terms of IAS 19, using the projected unit credit method.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the income statement.

For defined contribution plans, the group pays contributions to these separately administered funds on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**1.16.2 Post retirement health care costs**

The group has an obligation to provide post retirement medical aid benefits by subsidising medical aid contributions of certain retired employees and ex-gratia pensioners who joined the group prior to August 1997.

The entitlement to these benefits is conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

**1.16.3 Share-based payments**

The group operates a number of equity-settled share incentive schemes under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of share awards and options granted, excluding the impact of service and non-market performance vesting conditions. Non-market performance and service vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. The total amount expensed is recognised over the vesting period, which is the period over which all vesting conditions are to be satisfied. At each balance sheet date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. Any accelerated vesting of the share awards and options requires immediate recognition of the remaining expense. On vesting, the attributable value of share awards is transferred from the share-based payment reserve to retained income.

Share awards granted by the company over its equity instruments to the employees of subsidiary undertakings in the group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary and a corresponding credit to equity.

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

## 1.16.4 Leave pay accrual

Employee entitlements to annual leave are recognised as they accrue to employees. An accrual is made for the estimated liability for annual leave still owing as a result of services provided by employees up to the balance sheet date.

## 1.17 Trading cycle

The group's trading cycle, consistent with prior financial periods, ends on the fifth day after the month being reported on, unless such day falls on a Sunday, in which case it ends on the fourth day.

## 1.18 Revenue recognition

Revenue is recorded at the fair value of the consideration received or receivable and comprises merchandise sales net of discounts, earned finance charges, earned TV and appliance service contracts, cartage and insurance premiums earned, net of reinsurance premiums paid. Value added tax is excluded.

### (i) Merchandise sales

Revenue from the sale of merchandise is recognised on the date of delivery. Sales are mainly conducted as follows:

- (a) by instalment sale and loan agreements. Such agreements are usually subject to credit legislation in the jurisdictions that the group operates.
- (b) cash and open accounts

### (ii) Finance charges and initiation fees earned

For contracts concluded in South Africa, finance charges are recognised by reference to the daily principle outstanding and the effective interest rate implicit in the agreement. For contracts concluded outside South Africa, finance charges are recognised on a sum-of-digits basis which approximates the effective interest rate. Initiation fees are recognised over the period of the contract on an effective yield basis.

### (iii) Insurance revenue

Insurance revenue consists of gross insurance premiums and reinsurance commission earned less reinsurance premiums. Insurance premiums are recognised on a straight-line basis over the period of the contract, after an appropriate allowance is made for commission and reinsurance. Reinsurance commission is earned on a straight line basis over the period of the contract.

### (iv) Ancillary services

Revenue from maintenance contracts is recognised over a 24-month period to ensure a reasonable profit margin. Revenue from the provision of other services is recognised when the services are rendered.

### (v) Interest and dividends

Interest on investments is recognised on a time proportion basis taking into account the effective yield on the assets. Dividends are recognised when the right to receive payment is established.

## 1.19 Debtor costs

Debtor costs are bad debts written off, net of recoveries, plus the movement in the debtors' impairment provision.

## 2. Changes in accounting policies and disclosures

### 2.1 Adoption of IAS 19 (Employee Benefits)

With effect from 1 April 2013, the group adopted IAS 19 Employee Benefits (revised 2011) and the subsequently revised IFRIC 14. Below is a summary of the impacts of the revised statement and interpretation:

- the elimination of the “corridor” method under which the actuarial gains and losses were only recognised in the income statement when they exceeded 10% of the funds opening obligation or plan assets. In terms of the revised IAS 19, these actuarial gains and losses are fully accounted for in other comprehensive income in the period in which they arise.
- the revised IAS 19 requires the net interest to be calculated on the net liability/asset using the discount rate at the beginning of the year. The effect is to remove the expected return on plan assets under the previous standard.
- the revised IFRIC 14 defines the retirement benefit asset ceiling as the maximum economic benefit arising from a future unconditional right to a refund and from reductions in future contributions in excess of the minimum funding requirement.

In terms of IAS 8 (Accounting Policies), the relevant comparative information has been restated and the effect on the financial statements is as follows:

	12 months ended 31 March 2014 Audited Rm	12 months ended 31 March 2013 Restated Audited Rm
Increase in profit before taxation	14.1	6.0
Increase in taxation	(4.0)	(1.7)
Effect on net profit after taxation	10.1	4.3
Increase in earnings per share (cents)	11.4 cents	4.9 cents
Increase in diluted earnings per share (cents)	11.3 cents	4.8 cents
Increase in opening retained earnings	12.7	8.2
Increase in retirement benefit asset	73.3	16.8
Decrease in retirement benefit liability	(0.8)	(1.0)
Increase in deferred taxation liability	20.8	5.1

To indicate the impact on prior years other than that presented as required by IAS 8, the effect on the 2012 balance sheet is provided below:

	Rm
Effect on 2012 balance sheet:	
Increase in retained earnings	8.2
Increase in retirement benefit asset	10.2
Decrease in retirement benefit liability	(1.4)
Increase in deferred taxation	3.4

### 2.2 Reclassification

Unearned finance charges have been reclassified with unearned initiation fees (previously grouped with unearned maintenance income) in accounts receivable (refer note 7) to be in line with the revenue disclosures in the income statement. The comparative information has been restated and the effect on the financial statements is as follows:

	Previously Reported	Currently Reported
Included in accounts receivable note (note 7)		
Provision for unearned finance charges and initiation fees (previously unearned finance and maintenance charges)	(280.8)	(196.0)
Provision for maintenance charges	-	(214.6)
Provision for initiation fees	(129.8)	-

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

## **2.3 Other standards, interpretations, revisions and amendments effective for the current year**

In addition to revised IAS 19 as set out in note 2.1, the following revisions and amendments to standards and interpretations relevant to the group have become effective for the current financial reporting year, but have had no material impact on the group's results and financial position. However, additional disclosures were required and, where appropriate, have been made in the group's 2014 audited financial statements.

IFRS 7: Financial Instruments (amendment regarding disclosure about offsetting of financial assets and liabilities)

IFRS 10: Consolidated financial statements

IFRS 13: Fair value measurement

IAS 1: Presentation of financial statements (amendment regarding OCI disclosures)

## **3. Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the preparation of the financial statements, the following key estimates were made in determining the assets and liabilities of the group:

### **3.1 Impairment of receivables**

A discounted cash flow model using the contractual interest rate on the expected future collections from customers is applied. The cash flows are calculated using the payment ratings of customers at the balance sheet date. Payment ratings assess the customer's actual payment pattern as compared to the contractual payments. Customer payment ratings are affected by the overall economic and credit environment such as the levels of employment and interest rates and, consequently, the impairment provision will be dependent on the changing financial circumstances of our customers.

### **3.2 Bad debts**

Customer accounts are written off, once it is assessed that the customer is no longer in a position to service the account.

### **3.3 Share-based payment**

The share-based payment was valued in terms of an option pricing model. Details of the option pricing model and the assumptions used are detailed in note 18.2.

### **3.4 Normal and deferred taxation**

The tax and deferred tax liabilities and assets are calculated using considered interpretations of the tax laws of the jurisdictions in which the group operates.

### **3.5 Retirement benefits**

The underlying actuarial assumptions are set out in note 13.

### **3.6 Useful lives and residual values of fixed assets**

The estimated useful lives and residual values are reviewed annually taking cognisance of historical trends for that class of asset and the commercial and economic realities at the time.

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	Land and buildings Rm	Vehicles, furniture, fixtures and equipment Rm	Total Rm
<b>4. Property, plant and equipment Group</b>			
<b>As at 31 March 2014</b>			
Opening net carrying value	113.8	218.8	332.6
Additions	-	59.1	59.1
Disposals	-	(5.9)	(5.9)
Depreciation	(1.1)	(57.4)	(58.5)
Closing net carrying value	112.7	214.6	327.3
Cost	123.7	597.8	721.4
Accumulated depreciation	(11.0)	(383.2)	(394.1)
<b>As at 31 March 2013</b>			
Opening net carrying value	114.9	197.0	311.9
Additions	-	85.7	85.7
Disposals	-	(9.9)	(9.9)
Depreciation	(1.1)	(54.0)	(55.1)
Closing net carrying value	113.8	218.8	332.6
Cost	123.7	559.0	682.7
Accumulated depreciation	(9.9)	(340.2)	(350.1)

A register of the group's land and buildings is available for inspection at the company's registered office.

	2014 Rm	2013 Rm
<b>5. Insurance investments</b>		
<i>Listed investments</i>		
Listed shares – available-for-sale	701.9	583.3
Fixed income securities – available-for-sale	713.1	655.0
<i>Unlisted Investments</i>		
Money market – available-for-sale	283.7	465.9
	<b>1 698.7</b>	1 704.2
Analysed as follows:		
Non-current	1 415.0	1 238.3
Current	283.7	465.9
	<b>1 698.7</b>	1 704.2
<b>Movement for the year</b>		
Beginning of the year	1 704.2	1 378.6
Net (disposals)/additions to investments	(59.4)	202.0
Movement in fair value transferred to equity	53.9	123.6
End of the year	<b>1 698.7</b>	1 704.2

A register of listed investments is available for inspection at the company's registered office. Regular purchases and sales of financial assets are accounted for on the trade date.

<b>6. Inventories</b>		
Cost of merchandise	363.8	342.6
Less: provision for obsolescence	(39.2)	(36.8)
	<b>324.6</b>	305.8

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

	2014	2013
		Restated
	Rm	Rm
<b>7. Trade and other receivables</b>		
Instalment sale and loan receivables	7 314.4	6 958.3
Provision for unearned maintenance income	(211.0)	(214.6)
Provision for unearned finance charges and unearned initiation fees	(230.6)	(196.0)
Provision for unearned insurance premiums	(802.7)	(829.2)
Unearned insurance premiums	(1 282.0)	(1 346.6)
Less: re-insurer's share of unearned premiums	479.3	517.4
Net instalment sale and loan receivables	6 070.1	5 718.5
Provision for impairment	(1 129.5)	(997.2)
	4 940.6	4 721.3
Other receivables	138.3	119.6
	5 078.9	4 840.9

Amounts due from instalment sale and loan receivables after one year are reflected as current, as they form part of the normal operating cycle. The credit terms of instalment sale and loan receivables range from 6 to 36 months.

The average effective interest rate on instalment sale and loan receivables is 21.1% (2013: 21.5%) and the average term of the sale is 32.5 months (2013: 32.7 months).

<b>8. Share capital and premium</b>		
<b>8.1 Share capital and premium</b>		
Share capital	1.0	1.0
Share premium	2 710.6	2 710.6
Reverse acquisition reserve	(2 123.1)	(2 123.1)
	588.5	588.5
Treasury shares:		
Lewis Stores Proprietary Limited	(477.8)	(477.8)
Lewis Employee Share Incentive Scheme Trust	(1.5)	(22.3)
Total share capital and premium	109.2	88.4

The average market price paid for the shares repurchased by the company and the treasury shares held by Lewis Stores Proprietary Limited was R50.45, with the lowest price being R32.99 and the highest R65.90.

On listing, Lewis Group Limited ("Lewis Group") acquired the total shareholding of Lewis Stores Proprietary Limited ("Lewis Stores") through issuing shares to the shareholder at that date. In terms of IFRS3 requirements for reverse acquisitions, Lewis Stores was the acquirer and Lewis Group the acquiree, although Lewis Group is the holding company and Lewis Stores the subsidiary. The group financial statements were in substance a continuation of the operations of Lewis Stores from the date that the reverse acquisition took place.

	000's	000's
<b>8.2 Number of ordinary shares in issue</b>		
Number of shares issued	98 058	98 058
Treasury shares held by:		
Lewis Stores Proprietary Limited	(9 217)	(9 217)
Lewis Employee Share Incentive Scheme Trust	-	(406)
Number of shares in issue	88 841	88 435

# Lewis Group Limited

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	2014	2013
	Rm	Restated Rm
<b>9. Other reserves</b>		
<i>Comprising:</i>		
Fair value reserve	333.5	285.9
Foreign currency translation reserve	(1.0)	(14.3)
Share-based payment reserve	47.2	44.1
Statutory insurance contingency reserve	55.6	81.3
Other	0.8	0.8
	<b>436.1</b>	<b>397.8</b>
Detailed movements in the other reserves are disclosed in the statement of changes in equity.		
<b>10. Retained earnings</b>		
<i>Comprising:</i>		
Company	70.8	77.7
Consolidated subsidiaries	4 725.7	4 283.4
	<b>4 796.5</b>	<b>4 361.1</b>
Distribution by certain foreign subsidiaries will give rise to withholding taxes of R70.2 million (2013: R59.4 million) which may be offset in certain instances against South African tax.		
<b>11. Interest-bearing borrowings</b>		
Long-term	1 000.0	1 250.0
Short-term	758.0	255.5
	<b>1 758.0</b>	<b>1 505.5</b>
Consisting of:		
– Bank borrowings at interest rates linked to 3 month JIBAR. The weighted average interest rate at the end of the reporting period is 7.8% (2013: 7.2%)	950.0	1 050.0
– Bank borrowings at fixed interest rates. The weighted average interest rate at the end of the reporting period is 8.1 % (2013: 8.1%)	300.0	300.0
– 6-month floating note issued under the group's Domestic Medium-Term Note programme at 45 basis points above the 3-month JIBAR.	200.0	-
– 3-year floating note issued under the group's Domestic Medium-Term Note programme at 158 basis points above the 3-month JIBAR.	300.0	-
– Demand loans at short term money market rates.	8.0	155.5
	<b>1 758.0</b>	<b>1 505.5</b>
The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are set out below in terms of financial reporting years:		
Variable interest rates:		
2014	-	100.0
2015	450.0	250.0
2016	700.0	700.0
2017	300.0	-
Fixed interest rates:		
2015	300.0	300.0
On demand	8.0	155.5
	<b>1 758.0</b>	<b>1 505.5</b>
The above borrowings are unsecured. The group has committed facilities with banks and financial institutions of R2 050 million (2013: R2 150 million) and has established a Domestic Medium-Term Note programme ("DTMN") in October 2013, under which the group can issue notes up to R2 billion.		

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

	2014	2013
	Rm	Restated Rm
<b>12. Deferred taxation</b>		
Balance at the beginning of the year	153.9	98.7
<i>Movement for the year attributable to:</i>		
Income statement credit (debit)	0.9	20.0
Deferred tax on fair value adjustment in other comprehensive income	6.3	35.2
Deferred tax on retirement benefit remeasurements	11.8	-
<b>Balance at the end of the year</b>	<b>172.9</b>	<b>153.9</b>
<i>This balance comprises</i>		
Capital allowances	31.9	30.0
Available-for-sale assets	73.0	66.8
Debtors allowances	167.2	158.5
Income and expense recognition	(1.3)	(1.0)
Other provisions	(97.9)	(100.4)
<b>Balance at the end of the year</b>	<b>172.9</b>	<b>153.9</b>
Disclosed as:		
<b>Deferred tax asset</b>	(0.6)	(0.6)
<b>Deferred tax liability</b>	173.5	154.5
	172.9	153.9
<b>13. Retirement benefits</b>		
<b>Amounts recognised in the balance sheet</b>		
Defined benefit retirement plan asset	(79.7)	(22.8)
Defined benefit retirement plan asset	2.2	2.2
Post-retirement healthcare benefits	90.7	73.1
	13.2	52.5

## Retirement plans

The group operates a number of retirement funds, all of which are held separate from the group's assets. There are three defined contribution funds; namely the Lewis Stores Provident Fund; the Lewis Stores Namibia Provident Fund for Namibian employees; and the SACCAWU Provident Fund for employees belonging to SACCAWU Trade Union. In addition, there are two defined benefit funds; namely the Lewis Stores Group Pension Fund which was closed to new members on 1 July 1997; and the Lewis Stores Retirement Fund for executive management. Both defined benefit plans are registered under the Pension Funds Act No. 24 of 1956.

The number of employees on these plans are as follows:

	No. of employees	
Lewis Group Pension Fund	152	170
Lewis Stores Retirement Pension Fund	26	29
SACCAWU Provident Fund	1 693	1 377
Lewis Stores Provident Fund	3 836	3 617
Lewis Stores Namibia Provident Fund	246	197

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	2014	2013
	Rm	Restated Rm
<b>13. Retirement benefits (continued)</b>		
<b>Defined benefit plans</b>		
The defined benefit funds are final salary defined benefit plans. These schemes are valued by an independent actuary on an annual basis in terms of IAS 19 using the projected unit credit method. The latest valuation was carried out as at 1 January 2014.		
<b>Amounts recognised in the balance sheet</b>		
<i>(i) Defined benefit plans</i>		
Present value of obligations	444.1	426.0
Fair value of plan assets	(523.8)	(448.8)
Defined benefit retirement plan asset	(79.7)	(22.8)
The above defined benefit retirement plan asset was not subject to the asset ceiling as determined in IFRIC 14 being the maximum economic benefit arising from a future unconditional right to a refund and from reductions in future contributions in excess of the minimum funding requirement.		
<i>(ii) Unfunded benefit plans</i>		
Present value of obligations	2.2	2.2
<i>(iii) Total benefit plan (asset)/liability</i>		
Present value of obligations	446.3	428.2
Fair value of plan assets	(523.8)	(448.8)
Defined benefit retirement plan (asset)/liability	(77.5)	(20.6)
<b>Total amounts recognised in the income statement</b>		
Current service cost	12.2	11.3
Interest (income)/cost	(1.6)	(0.8)
Total included in employment costs	10.6	10.5
<b>Total movement in retirement benefit (asset)/liability</b>		
Present value at the beginning of the year	(20.6)	(8.0)
Income statement charge	10.6	10.5
Actuarial gains and losses included in other comprehensive income	(56.5)	(10.6)
Contributions paid during the year	(11.0)	(12.5)
Present value at the end of the year	(77.5)	(20.6)
<b>Total present value of defined benefit obligations</b>		
Beginning of the year	428.2	386.6
Current service cost	12.2	11.3
Interest cost	33.0	33.8
Employee contributions	1.2	1.4
Benefit payments	(45.2)	(35.2)
Actuarial gains and losses recognised in other comprehensive income	16.9	30.3
End of the year	446.3	428.2
<b>Fair value of defined benefit plan assets</b>		
Beginning of the year	448.8	394.6
Employee contributions	1.2	1.4
Employer contributions	11.0	12.5
Interest income	34.6	34.6
Benefit payments	(45.2)	(35.2)
Actuarial gains and losses recognised in other comprehensive income	73.4	40.9
End of the year	523.8	448.8

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

	2014	2013
	Rm	Restated Rm
<b>13. Retirement benefits (continued)</b>		
Principal actuarial assumptions used were as follows:		
Discount rate	9.00%	8.00%
Inflation rate	6.40%	6.00%
Future salary increases	7.40%	7.00%
Future pension increases	6.40%	6.00%
Assumptions regarding future mortality experience are based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at age 65 on valuation date is as follows:		
Male	14.3 years	14.5 years
Female	16.4 years	16.9 years
Actual return on plan assets	23.9%	18.2%
The weighted average duration of the actuarial liability is 9.8 years.		
The employer's future contribution is set on an annual basis in consultation with the fund's actuary.		

### Sensitivity analysis

The effect of a 1% increase and decrease in the following assumptions on the present value of the obligation are shown in the table below:

Assumption	Variation	Change in present value of obligation
Discount rate	+1%	-4.6%
	-1%	5.5%
Salary increases	+1%	3.1%
	-1%	-2.8%
Pension increases	+1%	1.8%
	-1%	-1.5%
Mortality	x+1	0.2%
	x-1	-0.6%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

### Actuarial risks

The defined benefit funds exposes the group to the risk that the benefit provided in the various funds cost more than the accumulated assets set aside to meet such benefits and ultimately will require additional funding from the group.

The risks can be categorised into a number of actuarial risks as set out below:

Investment risk is the risk of a fall in the asset values of the fund. This market risk to which the funds are exposed may affect the solvency level of the funds. This is reduced via an investment in a diverse portfolio of assets and a variety of asset managers.

Inflation risk is the risk that salaries increases are higher than expected or that inflation itself is higher than expected which then impacts the pension increases increasing the liabilities. The risk is mitigated via investment in real assets which in the long run are expected to match the increases in liabilities.

The funds have a mismatch risk as a change in the bond yields will have the effect on the liabilities of the fund which are not necessarily matched by an equivalent change in the assets. The risk is substantially covered by the surplus assets in the fund and establishment of a solvency reserve.

Liquidity risk is the risk of not having sufficient cash to pay for withdrawals, pensions and expenses of the fund. This is a risk for the Lewis Group Pension Fund due to it being a closed fund.

Longevity risk is the risk that pensioners live longer than expected. This risk has not been significant in the current membership profile.

The funds are exposed to legislative changes which are closely monitored by the fund's consultant to enable timeous action to be taken to mitigate any changes that emerge.

	2014	2013
	Rm	Restated Rm
<b>13. Retirement benefits (continued)</b>		
<b>Plan assets</b>		
The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:	2014	2013
	%	%
Cash	14.7	10.5
Bonds – listed	11.9	14.6
Equity – listed	46.1	49.7
International equity – listed	21.3	15.4
International bonds – listed	1.8	8.0
Other	4.2	1.8
	100.0	100.0
<b>Trends</b>	<b>Experience adjustments</b>	
	<b>Obligation</b>	<b>Gain/(loss)</b>
		Plan      Plan
		Assets      Liabilities
	Rm	Rm      Rm
2014	446.3	73.4      (16.9)
2013	428.2	40.9      (30.3)
2012	386.6	(3.5)      (15.6)
2011	352.9	18.9      (8.1)
2010	325.9	23.8      (26.7)
		2014      2013
		Rm      Rm
<b>Defined contribution plans</b>		
For defined contribution plans, the group pays contributions to the funds on a contractual basis. Once the contributions have been paid, the group has no further payment obligations.		
Defined contribution plan costs		35.6      31.0
<b>Post-retirement healthcare benefits</b>		
The group provides a subsidy of medical aid contributions to retired employees. Only those employees employed prior to 1 August 1997 qualify for this benefit. The liability was valued as at 31 March 2014 by a qualified actuary in accordance with the requirements of IAS 19. The group has a commitment to meet these unfunded benefits.		
<b>Amounts recognised in the income statement</b>		
Current service cost	1.2	0.9
Interest cost	5.7	5.0
Income statement charge	6.9	5.9
<b>Movement in post-retirement healthcare liability</b>		
Present value of liability at the beginning of the year	73.1	60.2
Charged to income statement	6.9	5.9
Actuarial gains and losses recognised in other comprehensive income	14.3	10.4
Employer benefit payments	(3.6)	(3.4)
Post-retirement healthcare benefits liability	90.7	73.1

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

	2014	2013
	Rm	Restated Rm
<b>13. Retirement benefits (continued)</b>		
<b>Present value of post-retirement healthcare obligations</b>		
Beginning of the year	73.1	60.2
Current service cost	1.2	0.9
Interest cost	5.7	5.0
Benefit payments	(3.6)	(3.4)
Actuarial gains and losses recognised in other comprehensive income	14.3	10.4
End of the year	<b>90.7</b>	<b>73.1</b>
<b>Principal actuarial assumptions used were as follows:</b>		
Health care inflation rate	8.70%	6.20%
CPI inflation	6.70%	6.20%
Discount rate	9.20%	8.00%
Average retirement age (years)	63	63

The weighted average duration of the actuarial liability is 15.9 years.

### Sensitivity analysis

The effect of a 1% increase and decrease in the following assumptions on the present value of the obligation are shown in the table below:

Assumption	Variation	Change in present value of obligation
Discount rate	+1%	-12.5%
	-1%	15.8%
Healthcare cost	+1%	15.5%
	-1%	-12.5%
Expected retirement age	x+1	-2.7%
	x-1	2.7%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

### Actuarial risks

The risks faced by Lewis as a result of the post-retirement healthcare obligation can be summarised as follows:

**Inflation:** The risk that future CPI inflation healthcare cost inflation is higher than expected and uncontrolled.

**Longevity:** The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.

**Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain.

**Future changes in legislation:** The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for Lewis.

### Trends

	Obligation	Adjustments Gain/(loss)
The trends of the present value of the obligation and experience adjustments are as follows:		
2014	90.7	14.3
2013 (restated)	73.1	10.4
2012	61.6	(1.0)
2011	55	(7.8)
2010	43.8	1.1

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	2014	2013
	Rm	Restated Rm
<b>14. Trade and other payables</b>		
Trade payables	54.9	55.6
Accruals and other payables	173.0	156.1
	<b>227.9</b>	<b>211.7</b>
<b>15. Reinsurance and insurance liabilities</b>		
Due to reinsurers	133.7	202.4
Reinsurance and insurance provisions	255.0	269.7
	<b>388.7</b>	<b>472.1</b>
<b>16. Insurance revenue</b>		
Gross insurance premiums	973.3	1 158.0
Reinsurance commission	334.3	338.6
Reinsurance premiums	(332.1)	(501.9)
	<b>975.5</b>	<b>994.7</b>
<b>17. Cost of merchandise sales</b>		
Purchases	1 543.2	1 547.5
Movement in inventory	(18.8)	(24.4)
Cost of merchandise sales	<b>1 524.4</b>	<b>1 523.1</b>
	<b>884.7</b>	<b>947.2</b>
<b>18. Directors and employees</b>		
<b>18.1 Employment costs</b>		
Salaries, wages, commissions and bonuses	734.3	707.8
Retirement benefit costs	53.1	47.6
Share-based payments	27.0	22.1
Other employment costs	4.5	8.5
	<b>818.9</b>	<b>786.0</b>
<b>18.2 Share-based payments</b>		
As the fair value of the services received cannot be measured reliably, the services have been valued by reference to the fair value of shares and options granted. The fair value of such options and shares is measured at the grant date using the Black-Scholes model. In terms of IFRS 2, share-based payments are required to be expensed over the vesting period. Any accelerated vesting of the awards and options requires immediate recognition of the unrecognised portion.		
<b>Value of services provided</b>		
In respect of share awards and options granted subsequent to date of listing (refer note 18.3)	27.0	22.1
	R	R
Significant assumptions used were:		
Weighted average share price	65.43	65.03
Weighted average expected volatility	51.7%	59.2%
Weighted average expected dividend yield	6.0%	5.4%
Weighted average risk-free rate (bond yield curve at date of grant)	6.6%	7.2%

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for the year ended 31 March 2014 (continued)

	2014	2013
<b>18.3 Share incentive schemes</b>		
The employee share incentive schemes are in operation for employees, executives and directors holding salaried employment office. The aggregate number of shares which may be utilised for these schemes shall not exceed 10% of the issued share capital of the company.		
<b>Lewis executive performance scheme</b>		
In terms of the scheme, senior executives have been offered the right to acquire shares of the group for no consideration subject to the achievement of performance targets. The shares will vest after 3 years and is conditional upon the executive still being in the employ of the company other than in the event of death, ill-health, retirement or retrenchment.		
The performance targets are set by the Remuneration and Nomination Committee and are approved by the board. These targets will be set at the beginning of each of the three years and a proportionate number of the shares granted will be allocated to each year.		
No performance shares will accrue if the group achieves less than 90% of target. Any achievement between 90% and 100% of target will result in a proportionate accrual of shares weighted towards 100% of target.		
Beginning of the year	1 065 421	1 243 408
Granted	1 212 448	229 271
Forfeited	(9 189)	(3 789)
Vested	(426 671)	(403 469)
End of the year	<u>1 842 009</u>	<u>1 065 421</u>
<b>Lewis co-investment scheme</b>		
Senior executives are eligible for an annual bonus based on achievement of performance targets. These eligible executives can elect to invest all or part of their net bonus in the group's shares ("invested shares").		
These shares are deferred for three years and matching shares equal to the before tax bonus are awarded for no consideration at the end of the period. The matching share award will lapse, should the executive terminate his or her employment before the completion of the three-year period other than in the event of death, ill-health, retirement or retrenchment.		
The grant in respect of the matching share option is as follows:		
Beginning of the year	252 323	213 663
Granted	106 881	81 312
Forfeited	-	-
Vested	(87 772)	(42 652)
End of the year	<u>271 432</u>	<u>252 323</u>
Invested shares paid for through the investment of executives' net bonuses amounted to 162 603 shares (2013: 151 137 shares). These shares are held by the Trust on the executives' behalf.		

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	2014	2013
	R	R
<b>18.4 Directors' emoluments</b>		
Non-executive directors – fees as directors		
D M Nurek – company	812 000	749 500
– for subsidiary	187 000	176 000
H Saven – company	647 000	607 250
– for subsidiary	244 000	229 000
A J Smart – company	546 000	446 750
– for subsidiary	242 000	227 000
B van der Ross	530 250	499 000
F Abrahams	575 750	515 500
M S P Marutlulle	475 750	446 750
Z Bassa	475 750	446 750
	4 735 500	4 343 500
<b>Executive Director – J Enslin (paid by subsidiary)</b>		
Salary	3 018 924	2 790 480
Bonuses paid during the year	1 604 250	1 640 600
Contributions to pension scheme	483 028	446 477
Contribution to medical aid	97 524	87 921
Gains on share awards	6 503 059	6 428 848
	11 706 785	11 394 326
<b>Executive Director – L A Davies (paid by subsidiary)</b>		
Salary	2 333 040	2 195 112
Bonuses paid during the year	1 262 125	1 314 950
Contributions to pension scheme	373 286	351 218
Contribution to medical aid	92 370	99 708
Gains on share awards	5 056 225	5 440 932
	9 117 046	9 401 920
<b>Gains on share awards – Executive directors</b>		
J Enslin		
Share awards vested	<b>102 521</b>	88 593
Offer date	<b>7 June 2010/17 Sept. 2009</b>	10 June 2009/17 Sept. 2009
Date vested	<b>7 June 2013/12 Nov. 2013</b>	10 June 2012/13 Nov. 2012
Market value on date of vesting	<b>6 503 059</b>	6 428 848
Gain	<b>6 503 059</b>	6 428 848
L A Davies		
Share awards vested	<b>79 918</b>	74 444
Offer date	<b>7 June 2010/17 Sept. 2009</b>	10 June 2009/17 Sept. 2009
Date vested	<b>7 June 2013/12 Nov. 2013</b>	10 June 2012/13 Nov. 2012
Market value on date of vesting	<b>5 056 225</b>	5 440 932
Gain	<b>5 056 225</b>	5 440 932

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

	2014		2013	
<b>18.4 Directors' emoluments (continued)</b>				
<b>Outstanding share awards</b>				
	<b>J Enslin</b>	<b>L A Davies</b>	<b>J Enslin</b>	<b>L A Davies</b>
<b>Lewis executive performance scheme:</b>				
17 September 2009	40 000	26 666	80 000	53 333
7 June 2010			38 429	31 494
20 June 2011	31 782	25 468	31 782	25 468
13 June 2012	37 527	29 520	37 527	29 520
14 June 2013	50 232	38 819		
14 June 2013	120 000	90 000		
<b>Lewis co-investment scheme –</b>				
<b>Matching scheme options:</b>				
7 June 2010			24 092	21 757
20 June 2011	28 399	23 269	28 399	23 269
13 June 2012	22 270	17 850	22 270	17 850
14 June 2013	25 917	20 390		
	<b>356 127</b>	<b>271 982</b>	<b>262 499</b>	<b>202 691</b>

In terms of the Lewis Co-investment Scheme, the Trust holds 82 856 shares (2013: 82 581 shares) on behalf of the above directors by virtue of the investment of their bonuses into the scheme.

	2014	2013
	Rm	Rm
<b>18.5 Remuneration of key executives</b>		
Salary	9.6	9.2
Bonus	5.4	5.2
Retirement and medical contributions	1.9	1.9
Gains on share awards vested	20.1	20.1
	<b>37.0</b>	<b>36.4</b>

Key executives comprise the directors of Lewis Stores Proprietary Limited, the main operating subsidiary.

Non-executive directors fees are disclosed in note 18.4.

#### 18.6 Directors' interest

The directors' interest are set out on page 8.

<b>19. Debtor costs</b>		
Bad debts, repossession losses and bad debt recoveries	570.1	417.6
Movement in doubtful debts provision	132.3	122.0
	<b>702.4</b>	<b>539.6</b>

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	2014	2013
	Rm	Restated Rm
<b>20. Lease commitments</b>		
The group leases the majority of its properties under operating leases. The lease agreements of certain store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover.		
Payments on a cash flow basis:		
Within one year	138.7	133.7
Two to five years	257.7	299.3
Over five years	-	-
	<b>396.4</b>	<b>433.0</b>
Payments on a straight-line basis:		
Within one year	137.1	135.3
Two to five years	238.1	279.1
Over five years	-	-
	<b>375.2</b>	<b>414.4</b>
<b>21. Operating profit is stated after</b>		
<b>Initiation and service fees on accounts receivable</b>	409.5	352.0
<b>Surplus on disposal of property, plant and equipment</b>	0.9	2.5
<b>Depreciation - owned assets</b>	58.5	55.1
<b>Fees payable:</b>		
Investment management fee - insurance investments	4.3	3.9
Outsourcing of IT function	41.9	37.9
	<b>46.2</b>	<b>41.8</b>
Operating lease payments on a cash flow basis	180.0	167.2
Lease adjustment	2.7	4.9
Operating leases on a straight-line basis	<b>182.7</b>	<b>172.1</b>
<b>Auditors' remuneration</b>		
Audit fees - current year	2.0	1.9
Other services	0.6	1.4
	<b>2.6</b>	<b>3.3</b>
<b>22. Investment income</b>		
Interest - insurance business	78.5	72.7
Dividends from listed investments - insurance business	19.1	20.9
Realised profit on disposal of insurance investments	28.2	18.2
	<b>125.8</b>	<b>111.8</b>

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

	2014	2013
	Rm	Restated Rm
<b>23. Net finance costs</b>		
<b>23.1 Interest paid</b>		
Bank loans and other	116.8	105.2
<b>23.2 Interest received</b>		
Bank and other	(6.5)	(6.9)
<b>23.3 Forward exchange contracts</b>		
Realised	(9.8)	(2.6)
Unrealised	2.2	0.6
	(7.6)	(2.0)
<b>23.4 Net finance costs</b>	102.7	96.3
<b>24. Taxation</b>		
<b>24.1 Taxation charge</b>		
South Africa	334.0	337.4
Foreign	0.9	20.0
Taxation per income statement	334.9	357.4
Comprising:		
Normal taxation		
Current year	345.3	342.5
Prior year	(11.3)	(5.1)
Deferred taxation		
Current year	(3.5)	20.0
Prior year	5.3	-
Rate change	(0.9)	-
Taxation per income statement	334.9	357.4
<b>24.2 The rate of taxation on profit is reconciled as follows:</b>		
Profit before taxation	1 177.1	1 269.1
Taxation calculated at a tax rate of 28% (2013: 28%)	329.6	355.4
Differing tax rates in foreign countries	5.0	6.6
Disallowances and exemptions	7.2	0.5
Prior years	(6.9)	(5.1)
Taxation per income statement	334.9	357.4
Effective tax rate	28.5%	28.2%

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	2014	2013
	Rm	Restated Rm
<b>25. Earnings per share</b>		
<b>25.1 Weighted average number of shares</b>	<b>000's</b>	<b>000's</b>
Weighted average shares for earnings and headline earnings per share	88 762	88 749
Dilution resulting from share awards outstanding	852	863
Weighted average shares for diluted earnings and headline earnings per share	89 614	89 612
<p>Diluted earnings and headline earnings per share is calculated by adjusting the weighted average number of ordinary shares assuming that all share options will be exercised. The dilution is determined by the number of shares that could have been acquired at fair value (determined as the average annual market price of the shares) less the number of shares that would be issued on the exercise of all the share options.</p>		
<b>25.2 Headline earnings</b>	<b>2014</b>	
	Rm	Rm
	Gross	Income tax effect
Attributable earnings	8 42.2	-
Profit on disposal of property, plant and equipment	(0.9)	0.3
Profit on disposal of available-for-sale investments	(28.3)	4.3
Headline earnings	813.0	4.6
	Rm	Rm
	Gross	Income tax effect
Attributable earnings	911.7	-
Profit on disposal of property, plant and equipment	(2.5)	0.7
Profit on disposal of available-for-sale investments	(18.2)	2.7
Headline earnings	891.0	3.4
<b>25.3 Earnings per share</b>	<b>Cents</b>	<b>Cents</b>
Earnings per share	948.8	1 027.3
Diluted earnings per share	939.8	1 017.4
<b>25.4 Headline earnings per share</b>		
Headline earnings per share	921.1	1 007.8
Diluted headline earnings per share	912.4	998.1
<b>26. Dividends paid</b>	<b>Rm</b>	<b>Rm</b>
Dividend no. 16 declared on 22 May 2012 and paid on 22 July 2012	-	264.7
Dividend no. 17 declared on 12 November 2012 and paid on 21 January 2013	-	207.9
Dividend no. 18 declared on 22 May 2013 and paid on 22 July 2013	296.2	
Dividend no. 19 declared on 11 November 2013 and paid on 27 January 2014	210.8	
Dividends received on treasury shares:		
Lewis Stores Proprietary Limited	(47.6)	(44.3)
Lewis Employee Share Incentive Scheme Trust	(0.1)	(0.1)
	459.3	428.2

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

	2014	2013
	Rm	Restated Rm
<b>27. Notes to the cash flow statements</b>		
<b>27.1 Cash generated from operations</b>		
Operating profit	1 154.0	1 253.6
<i>Adjusted for:</i>		
Share-based payments	27.0	22.1
Depreciation	58.5	55.1
Surplus on disposal of property, plant and equipment	(0.9)	(2.5)
Movement in debtors impairment provision	132.3	122.0
Movement in retirement benefits provision	3.0	0.7
Movement in other provisions	(13.7)	75.6
	<b>1 360.2</b>	<b>1 526.6</b>
<i>Changes in working capital:</i>		
Increase in inventories	(20.7)	(29.7)
Increase in trade and other receivables	(357.0)	(891.8)
Increase/(Decrease) in payables	(51.6)	27.7
	<b>930.9</b>	<b>632.8</b>
<b>27.2 Taxation paid</b>		
Amount due at the beginning of the year	-	(21.0)
Amount charged to the income statement	(334.9)	(357.4)
Adjustment for deferred taxation	0.9	20.0
Amount owing at the end of the year	7.1	-
	<b>(326.9)</b>	<b>(358.4)</b>

## 28. Financial risk management

Risk management is the identification of actual and potential areas of risk, followed by a process of risk mitigation. Responsibility for this process of risk management is with the Risk Working Group ("RWG"), a committee consisting of the members of the Executive Committee and the company secretary. The RWG formally reports to the Risk Committee on a quarterly basis.

The Risk Working Group is responsible for identifying, evaluating and monitoring all significant risks facing the business. Members of the RWG are responsible for integrating risk management into the day-to-day activities of the business and ensuring that the staff are aware and accountable for managing risk and maintaining internal control.

The group is exposed to financial risks being credit risk, market risk (including currency, interest rate and price risks), and liquidity risk. The group manages the overall risk by focusing on minimising the potential adverse effects of these risks on the group's financial performance.

The group's primary business is that of a credit retailer. As such, credit risk features as the dominant financial risk. It provides the foundation of the group's profitability, yet the mismanagement of credit risk will threaten the ongoing sustainability of the business.

Due to its pervasive and strategic importance, credit policies are continually evaluated by the Executive Committee to ensure that they are in line with prudent lending practices, yet maintain the group's overall profitability and return on assets. The responsibility for the implementation of these policies rests with the chief operating officer, credit risk executive and their teams.

## 28.1 Credit risk

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. The maximum credit exposure is that of accounts receivable, fixed income securities and deposits.

### (i) Accounts receivable

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 places.

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 which is done annually.
- 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 dynamic basis.

The group manages its risk effectively by assessing the borrower'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.

In addition, a payment rating system manages the customer's payment profile. A payment rating is applied to each customer individually and is based on the customer's payment history relative to their contractual arrangements. This payment rating is integral to the calculation of the debtor's impairment provision in terms of IAS 39. IAS 39 requires that all impaired receivables are carried at their net present value of the expected cash flows from such accounts, discounted at the original effective rate implicit in the credit agreement.

	2014	2013
	Rm	Rm
The total net receivable balance can be analysed as follows:		
Receivables satisfactory paid	4 145.8	3 968.6
Slow paying and non-performing receivables which have been impaired	1 924.3	1 749.9
	6 070.1	5 718.5

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

The payment ratings categorise individual customers into 13 distinct categories which have been summarised into four main groupings:

	No. of customers		Distribution of impairment provision		
	2014	2013	2014	2013	
<i>Satisfactory paid</i>					
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 an <i>in duplum</i> provision.	No. <b>463 048</b>	478 093	Rm	<b>22.9</b>	27.5
	% <b>68.3%</b>	69.4%	%	<b>2.0%</b>	2.8%
<i>Slow payers</i>					
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 79% of amounts due and includes an <i>in duplum</i> provision (2013: 12% to 79%)	No. <b>56 876</b>	58 155	Rm	<b>121.3</b>	111.4
	% <b>8.4%</b>	8.5%	%	<b>10.8%</b>	11.2%
<i>Non-performing customers</i>					
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 90% of the amounts due (2013: 23% to 90%)	No. <b>51 640</b>	55 202	Rm	<b>180.0</b>	177.9
	% <b>7.6%</b>	8.0%	%	<b>15.9%</b>	17.8%
<i>Non-performing customers</i>					
Customers who have paid 55% or less of amounts due over the period of the contract. The provision in this category ranges from 33% to 100% of the amounts due (2013: 33% to 100%).	No. <b>106 545</b>	97 093	Rm	<b>805.3</b>	680.4
	% <b>15.7%</b>	14.1%	%	<b>71.3%</b>	68.2%
Total	No. <b>678 109</b>	688 543	Rm	<b>1 129.5</b>	997.2
Debtors impairment provision as a % of net debtors				<b>18,6%</b>	17,4%

The ageing of satisfactory paid receivables past due but not impaired as a percentage of satisfactory paid receivables is as follows:

1 instalment in arrear	<b>3.9%</b>	4.0%
2 instalments in arrear	<b>2.6%</b>	2.6%
3 instalments in arrear	<b>1.9%</b>	1.8%
4 instalments in arrear	<b>1.3%</b>	1.3%
5 or more instalments in arrear	<b>2.8%</b>	2.7%
	<b>12.5%</b>	12.4%

*(ii) Fixed income securities and deposits*

Credit risk may also arise when an entity has its credit rating downgraded causing the fair value of the group's investment in that entity's financial instruments to fall. The credit ratings of the financial institutions holding deposits on our behalf and those whose securities we hold are monitored on a regular basis.

Deposits are placed with high-quality South African institutions. Included in the cash on hand and deposits are bank balances held in foreign currency amounting to R31.2 million (2013: R7.1 million).

Fixed income securities are almost entirely risk-free government bonds or government-backed securities.

## 28.2 Market risk

Treasury management is carried out by the chief financial officer and senior members of the finance team under policies approved by the Audit Committee ("the Committee"). The Committee provides written treasury policies covering cash management, foreign exchange management, interest rate management and investment risk.

The group's attitude to treasury risk can be summarised as follows:

- investment risk: maximise returns at an acceptable level of risk.
- foreign exchange risk: eliminate transaction risk and net investment risk as far as practically possible.
- interest rate risk: manage short-term volatility

*(i) Foreign exchange risk management*

Foreign exchange risk is present in respect of imports of merchandise and the net investment in Botswana.

*Imports of merchandise*

Merchandise is sourced from foreign suppliers, particularly in the Far East. In order to minimise exposure to foreign currency fluctuations, forward cover is taken out to cover forward purchase commitments made with foreign suppliers. The group strives to maintain forward cover for the next six to nine months purchase commitments.

During the year, 27.8% (2013: 24.6) of the purchases were in foreign denominated currencies. Below is a summary of the amounts payable under forward contracts:

	Term	Rate	Foreign currency FC'm	Rand equivalent R'm	Fair value (gain)/loss R'm
<b>2014</b>					
US dollar	Less than 4 months	Rates vary from R10.86 to R10.98	10.1	110.1	2.2
<b>2013</b>					
US dollar	Less than 3 months	Rates vary from R8.95 to R9.43	6.2	56.7	0.6

Below is a sensitivity analysis of the effect of currency movements of 5% and 10% respectively on the year-end valuation of the forward exchange contracts:

	-10%	-5%	+5%	+10%
<b>2014</b>				
Effect on (profit)/loss	7.6	3.8	(3.8)	(7.6)
(Increase)/Decrease in equity	7.6	3.8	(3.8)	(7.6)
<b>2013</b>				
Effect on (profit)/loss	4.4	2.2	(2.2)	(4.4)
(Increase)/Decrease in equity	4.4	2.2	(2.2)	(4.4)

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

## 28.2 Market risk (continued)

### *Net investment in foreign entities*

The currency exposure is limited to the net investment in Botswana of R90.5 million (2013: R60.1 million), which includes a long-term loan account. The currency exposure is managed by keeping the net investment at a minimum practical level by remitting cash to South Africa on a regular basis through loan repayments and dividends.

Below is a sensitivity analysis of the effect of currency movements of 5% and 10% on the year-end value of our net investment in Botswana:

	-10%	-5%	+5%	+10%
<b>2014</b>				
(Increase)/Decrease in equity	8.7	4.4	(4.4)	(8.7)
<b>2013</b>				
(Increase)/Decrease in equity	6.0	3.0	(3.0)	(6.0)

There is no impact on profit or loss for both years.

### *(ii) Interest rate risk*

The principal objective of interest rate management is to:

- minimise the impact of interest rate volatility on profits in the short-term
- ensure that the group is protected from volatile interest rate movements for the medium-to long-term

### *Borrowings*

As part of the process of managing floating rate interest-bearing debt, the interest rate characteristics of borrowings are positioned according to the expected movements in interest rates. The chief financial officer may recommend to the Audit Committee ("the committee") the use of fixed interest debt and interest rate swaps as circumstances dictate. The use of such instruments must be specifically approved by the committee. During the current year, no interest rate swaps were entered into.

Interest rate profiles are analysed by the changes in its borrowing levels and the interest rates applicable to the facilities available to the group. The sensitivity analysis for a 50 basis points change in the interest is set out below, assuming the current level of borrowings at year-end is maintained throughout the year:

	+50bp	-50bp
<b>2014</b>		
Effect on (profit)/loss	6.8	(6.8)
(Increase)/Decrease in equity	6.8	(6.8)
<b>2013</b>		
Effect on (profit)/loss	4.7	(4.7)
(Increase)/Decrease in equity	4.7	(4.7)

### *Accounts receivable*

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.

As there is no observable market for instalment sale and loan receivables of the nature that the group holds, fair value is not readily available and consequently as a valuation could be misleading. The carrying value of trade and other receivables approximates their fair values.

The average effective interest rate on instalment sale and loan receivables is 21.1% (2013: 21.5%) and the average term of the sale is 32.5 months (2013: 32.7 months).

## 28.2 Market risk (continued)

### (ii) Interest rate risk - continued

#### Interest rate profile

The interest rate profiles of financial instruments are as follows:

	Term of Investment	Average closing effective interest rate %	Floating or fixed	Carrying Value R m
<b>2014</b>				
<b>Assets</b>				
Gross instalment sale and loan receivables	Up to 3 years	21.1%	Fixed	7 314.4
Fixed income securities	Varies	8.6%	Fixed	713.1
Money Market investments	Up to 12 months	5.7%	Floating	283.7
<b>Liabilities</b>				
Long-term interest-bearing borrowings	Varies (refer note 11)	7.7%	Floating	1 000.0
Short-term interest-bearing borrowings	Varies (refer note 11)	7.4%	Floating	758.0
<b>2013</b>				
<b>Assets</b>				
Gross instalment sale and loan receivables	Up to 3 years	21.5%	Fixed	6 958.3
Fixed income securities	Varies	8.8%	Fixed	655.0
Money Market investments	Up to 12 months	5.1%	Floating	465.9
<b>Liabilities</b>				
Long-term interest-bearing borrowings	Varies (refer note 11)	7.4%	Floating	1 250.0
Short-term interest-bearing borrowings	Varies (refer note 11)	6.9%	Floating	255.5

### (iii) Price risk

There is exposure to securities price risk because of investments held by Monarch Insurance Company Limited ("Monarch"). These investments are classified as available-for-sale investments.

Monarch holds investments in order to meet the insurance liabilities and solvency margins required by the Short-term Insurance Act of 1998. The investments are managed by Sanlam Investment Management (Pty) Ltd ("Sanlam") on Monarch's behalf.

The overall management objectives of the portfolio are:

- preservation of capital over the long term
- managing market risk over the short to medium term
- to ensure the portfolio is adequately diversified

Monarch's board controls the investment strategy adopted by Sanlam. At each of the board's quarterly meetings, a comprehensive report from Sanlam is presented and discussed. Particular emphasis is placed on:

- current market conditions and future expectations
- asset allocations considering the above
- returns under each asset category
- detailed reviews of the equity portfolio and the positioning of the bond portfolio
- recommendations of the asset manager going forward

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

## 28.2 Market risk (continued)

### (iii) Price risk (continued)

The Monarch board considers the recommendations of the asset managers. The investment strategy is then formulated for the following quarter and authority given to the chief financial officer to implement the strategy. The performance of this portfolio is presented to the group's Audit Committee on a quarterly basis.

The market risk of the fixed security portfolio is monitored through the modified duration of the portfolio, a measure which approximates the movement in the fair value of such securities relative to interest rate movements. The modified duration of the fixed income portfolio at the respective year-ends and the JSE All-Bond Index are as follows:

	2014	2013
Modified duration of Monarch's fixed income portfolio	5.0	5.1
Modified duration of the JSE All Bond index	6.2	6.3
The market risk of the equity portfolio is monitored through the portfolio's sectoral allocation and beta. The respective measures for the portfolio at year-end can be summarised as follows:		
Portfolio sectorial analysis:		
Resources	10.5%	10.7%
Financials	31.7%	28.7%
Industrial	57.8%	60.6%
Beta of portfolio relative to JSE index	0.98	1.00
Beta of portfolio relative to JSE index, excluding resources	0.66	1.02

Beta measures the portfolio volatility relative to the market index, which by definition has a beta of 1.0.

## 28.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the group maintains flexibility in funding through the use of committed facility lines.

Management monitors the group's cash flows through the monitoring of actual inflows and outflows against forecasted cash flows and the utilisation of borrowing facilities. A quarterly analysis is presented to the Audit Committee.

Below is a summary of the committed facilities and the utilisation thereof at year-end:

	2014	2013
	Rm	Rm
Total facilities – Banking and DTMN programme	4 050.0	2 150.0
Less: drawn portion of facility	(1 758.0)	(1 505.5)
Plus cash on hand	480.1	59.5
Available cash resources and facilities	2 772.1	704.0

The maturity profile of financial liabilities has been set out in note 30.

## 29. Insurance risk

The risks covered under insurance contracts entered into with customers by the group's insurer, Monarch Insurance Company ("Monarch"), are as follows:

- settlement of customer's outstanding balance in the event of death or disability,
- replacement of customer's goods in the event of damage or theft of goods, and
- settlement of customer's account, should the customer become unemployed after 3 months subsequent to the sale.

As Monarch is part of the group, the underwriting of the above insurance risks will form part of the credit assessment made prior to entering an instalment sale or loan with the customer for the purchase of goods.

The risk under the insurance contract is the possibility that the insured events as detailed above occur and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contract, this risk is random and therefore unpredictable.

The principle risk that the group faces is that the actual claims exceed the amount of the insurance claims provisions. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number of claims will vary from year to year from the estimated claims provision established using historical claims patterns.

The development of insurance claims provisions provides a measure of the group's ability to estimate the ultimate value of the claims. The group does not underwrite long-term risks and, consequently, the uncertainty about the amount and timing of claim payments is limited. Regular estimates of claims are performed in reviewing the adequacy of the insurance claims provisions. Claims development is reviewed by management on a regular basis. Insurance claim provisions will generally be settled within one year.

The frequency and severity of claims can be affected due to unforeseen factors such as patterns of crime, AIDS and employment trends. The group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The geographical spread of the group ensures that the underwritten risks are well-diversified. No significant concentrations of insurance risks exist.

Reinsurance is used to manage insurance risk. This does not discharge Monarch's liability as a primary insurer. If a reinsurer fails to pay a claim for any reason, Monarch still remains liable for the payment to the policyholder. There is some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.

A proportional reinsurance arrangement has been entered into by Monarch to facilitate the transfer of 40% of the risk under these policies to an external reinsurer. Catastrophe cover has been placed with third-party insurers and reinsurers in order to reduce the potential impact of a single event on the earnings and capital of Monarch. Due to the nature of the insurance risk, claims can be measured reliably. Past experience has indicated that claims provision estimates approximate the actual claims costs. The insurance result is dependent on the trend in the group's merchandising sales. There is no insurance business other than with the group's customers.

	2014 Rm	2013 Rm
<b>Movement in provisions:</b>		
<b>(i) Unearned premium reserve</b>		
Opening balance	829.2	622.2
Recognised in the income statement	(26.5)	207.0
Closing balance	802.7	829.2
Comprising:		
Unearned premiums	1 282.0	1 346.6
Less: reinsurers share of provision	(479.3)	(517.4)
Net balance	802.7	829.2
<b>(ii) Reinsurance and insurance provisions</b>		
<b>Reinsurance and insurance provisions include deferred reinsurance acquisition reserve, outstanding claims and IBNR reserve.</b>		
Opening balance	269.7	201.5
Recognised in the income statement	(14.7)	68.2
Closing balance	255.0	269.7
Gross reinsurance and insurance provisions	273.8	295.4
Less: reinsurers share of insurance provisions	(18.8)	(25.7)
Net balance	255.0	269.7

### Regulatory requirements

The group's insurer, Monarch Insurance Company Limited ("Monarch"), is required to maintain certain insurance liabilities and have a minimum solvency margin of 15% as set out in the Short-term Insurance Act of 1998. FSB Notice 169 of 2011 was issued in respect of the value of assets, liabilities and capital adequacy requirements. In this notice, the minimum solvency is determined as either 15% as required by the Act or the new solvency capital adequacy requirement (including valuation of assets and liabilities), the calculation of which is set out in the said notice. This notice became effective from 1 January 2012.

The group insurer is required to hold certain prescribed assets to meet its insurance liabilities and solvency margins. These assets are subject to various limits in order to ensure an adequate spread and diversification of assets.

Monarch has met all the requirements of the Short-term Insurance Act regarding its insurance liabilities, solvency margins, capital adequacy requirements, prescribed assets and asset spread.

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

## 30. Financial instruments

### (i) Categories

#### Assets

##### 2014

	Loans and receivables	Available-for-sale	Amortised cost	Total
Insurance investments		1 698.7		1 698.7
Trade and other receivables	5 078.9			5 078.9
Cash on hand and on deposit*			480.1	480.1

\*The Group's cash and cash equivalents was invested in the following financial institutions. The Group uses the Moody's credit ratings (unless otherwise indicated):

Financial institutions	Credit Rating	2014	2013
FNB	AA (zaf)	363.1	33.2
ABSA	AAA (zaf)	115.8	21.3
Other		1.2	5.0
Total		480.1	59.5

##### 2013

Insurance investments		1 704.2	1 704.2
Trade and other receivables	4 840.9		4 840.9
Cash on hand and on deposit*		59.5	59.5

#### Liabilities

##### 2014

Trade payables		54.9	54.9
Borrowings		1 758.0	1 758.0

##### 2013

Trade payables		55.6	55.6
Borrowings		1 505.5	1 505.5

### (ii) Maturity profile of financial liabilities

The maturity profiles of financial liabilities are as follows:

	0-12 months	2-5 years	>5 years	Total
<b>2014</b>				
Borrowings	(758.0)	(1 000.0)		(1 758.0)
Trade payables	(54.9)			(54.9)
Amounts due to reinsurer	(133.7)			(133.7)
	(946.6)	(1 000.0)	-	(1 946.6)
<b>2013</b>				
Borrowings	(255.5)	(1 250.0)		(1 505.5)
Trade payables	(55.6)			(55.6)
Amounts due to reinsurer	(202.4)			(202.4)
	(513.5)	(1 250.0)	-	(1 763.5)

The fair value of trade payables and borrowings approximate their carrying values.

**30. Financial instruments (continued)**

*(iii) Fair value estimation*

The fair value of financial instruments traded in active markets is based on quoted prices at the balance sheet. The quoted market price used is the current bid price.

The fair value of interest swaps and collars is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the balance sheet dates.

*iv) Fair value hierarchy*

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

	Level 1	Level 2	Total
<b>2014</b>			
Available-for-sale assets:			
Insurance investments:			
Equities	701.9		701.9
Fixed income securities	713.1		713.1
Money market		283.7	283.7
Forward exchange contracts		(2.2)	(2.2)
	1 415.0	281.5	1 696.5
<b>2013</b>			
Available-for-sale assets:			
Insurance investments:			
Equities	583.3		583.3
Fixed income securities	655.0		655.0
Money market		465.9	465.9
Forward exchange contracts		(0.6)	(0.6)
	1 238.3	465.3	1 703.6

A description of the categorisation of the valuation techniques used to value the assets and liabilities at fair value is set out below:

Level 1:

Financial instruments valued with reference to quoted prices in active markets where the quoted price is readily available and the price represents actual and recurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2:

Financial instruments valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets/liabilities in an active market
- quoted prices for identical or similar assets/liabilities in inactive markets
- valuation model using observable inputs
- valuation model using inputs derived from/corroborated by observable market data

Level 3:

Financial instruments valued using inputs that are not based on observable market data. The group does not have any assets or liabilities that fall into this category.

# Notes to the group annual financial statements

for the year ended 31 March 2014 (continued)

2014  
Rm

2013  
Rm

## 31. Capital risk management

The group's objectives when managing capital are to:

- safeguard the group's ability to continue as a going concern
- provide returns for shareholders
- provide benefits for other stakeholders
- maintain an optimal capital structure as approved by the board.

In order to maintain the optimal capital structure, dividends paid to shareholders may be adjusted, capital could be returned to shareholders or new shares could be issued.

Consistent with others in the industry, capital is monitored on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents.

During the 2014 financial year, the strategy was to maintain the gearing below 30%, which in the current credit conditions is considered to be prudent. The gearing rates at 31 March 2014 and 31 March 2013 were as follows:

Interest-bearing borrowings	1 758.0	1 505.5
Less: cash and cash equivalents	(480.1)	(59.5)
Net debt	1 277.9	1 446.0
Shareholders' equity	5 341.8	4 847.3
<b>Gearing ratio</b>	<b>23.9%</b>	<b>29.8%</b>

## 32. Contingencies

Bank guarantees given by the group to third parties. The directors are of the opinion that no loss will be incurred on these guarantees.

8.5                      8.5

## 33. Capital commitments

Material capital commitments contracted for or authorised and contracted at the end of the year

-                                      -

## 34. Post balance sheet events

There were no significant post balance sheet events that occurred between the year-end and the date of approval of the financial statements by the directors.

### 35. New Standards and Interpretations not yet effective

The following standards, amendments resulting from the Improvements Project and interpretations are not yet effective and have not been adopted by the group:

Financial assets and financial liabilities

IFRS 9: Financial instruments	New standard that forms part of a three-phase project to replace IAS 39 Financial Instruments: Recognition and Measurement. To date, only the classification and measurement of financial assets and liabilities has been dealt with. The main impact is that classification of financial assets is now driven by the entity's business model for managing these assets. Impairment has been issued as an exposure draft. The hedging section has been issued as part of IFRS 9.
IFRS 2: Share-based payment	The amendment clarifies the definition of a "vesting condition" and separately defines "performance condition" and "service condition".
IFRS 3: Business combinations	The standard is amended to clarify whether an obligation to pay contingent consideration is classified as a financial liability or as equity.
IFRS 8: Operating segments	The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.
IFRS 13: Fair value measurement	Amendment to allow the entity to measure short-term receivables and payables at invoice amounts in certain circumstances.
IAS 16: Property, plant and equipment and IAS 38 Intangible	Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
IAS 24: Related party disclosures	The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity')

Annual improvements to IFRS issued December 2013 for annual periods commencing on or after 31 March 2014. Management has not performed an assessment of the potential impact, if any, that the implementation of these standards and interpretations will have on the consolidated financial statements.

It should be noted that IFRS 9 introduces new requirements for classifying and measuring financial assets. This standard will be developed further and new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting. No investigation of the impact has been made since the statement is still evolving. However, it is very likely that the complete standard will have a significant impact on the group's accounting.

# Company annual financial statements

for the year ended 31 March 2014

## Company income statement at 31 March 2014

	Notes	2014 Rm	2013 Rm
<b>Revenue</b>	2	521.0	472.7
<b>Operating costs</b>	3	(7.0)	(7.2)
<b>Interest paid to note holders under DTMN programme</b>		(13.9)	-
<b>Profit before taxation</b>		500.1	465.5
<b>Taxation</b>	4	-	-
<b>Net profit and comprehensive income attributable to ordinary shareholders</b>		500.1	465.5

## Company balance sheet for the year ended 31 March 2014

	Notes	2014 Rm	2013 Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Interest in subsidiaries	5	2 847.2	2 844.1
Loan to subsidiary	6	300.0	-
<b>Current assets</b>			
Loan to subsidiary	6	200.0	-
Income accruing from subsidiary		6.0	-
Deposits at bank		0.2	-
<b>Total assets</b>		3 353.4	2 844.1
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium	7	2 711.6	2 711.6
Share-based payment reserve		47.2	44.1
Retained earnings		70.7	77.6
		2 829.5	2 833.3
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings	8	300.0	-
<b>Current liabilities</b>			
Trade and other payables		7.3	1.3
Short-term interest-bearing borrowings	8	200.0	-
Amounts due to subsidiary		16.6	9.5
		223.9	10.8
<b>Total equity and liabilities</b>		3 353.4	2 844.1

## Company statement of changes in equity for the year ended 31 March 2014

	Share capital and premium Rm	Share-based payment reserve Rm	Retained earnings Rm	Total Rm
<b>Balance as at 1 April 2012</b>	2 711.6	40.7	84.8	2 837.1
Net profit attributable to ordinary shareholders			465.5	465.5
Dividends paid			(472.7)	(472.7)
Capital contribution in respect of share-based payment		3.4		3.4
<b>Balance as 31 March 2013</b>	<b>2 711.6</b>	<b>44.1</b>	<b>77.6</b>	<b>2 833.3</b>
Net profit attributable to ordinary shareholders			500.1	500.1
Dividends paid			(507.0)	(507.0)
Capital contribution in respect of share-based payment		3.1		3.1
<b>Balance as 31 March 2014</b>	<b>2 711.6</b>	<b>47.2</b>	<b>70.7</b>	<b>2 829.5</b>

## Company cash flow statement for the year ended 31 March 2014

	Notes	2014 Rm	2013 Rm
<b>Cash flow from operating activities</b>			
Cash utilised in operations	9	(0.9)	(7.4)
Dividends received		507.0	472.6
		506.1	465.2
<b>Cash flow from investment activities</b>			
Loan to subsidiary		(500.0)	-
Loans to subsidiary companies		-	-
		(500.0)	-
<b>Cash flow from financing activities</b>			
Dividends paid		(507.0)	(472.7)
Increase in borrowings		500.0	-
Increase in amounts due (to)/from from subsidiary		1.1	7.5
		(5.9)	(465.2)
<b>Net decrease in cash and cash equivalents</b>		0.2	-
Cash and cash equivalents at the end of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>0.2</b>	<b>-</b>

# Notes to the company annual financial statements

for the year ended 31 March 2014

	2014 Rm	2013 Rm
<b>1. Accounting policies</b>		
The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act. The accounting policies used in the preparation of these financial statements are set out on pages 21 to 29.		
<b>2. Revenue</b>		
Dividends received from subsidiary - Lewis Stores Proprietary Limited	507.1	472.7
Interest received from subsidiary - Lewis Stores Proprietary Limited	13.9	-
	<b>521.0</b>	<b>472.7</b>
<b>3. Operating profit</b>	R	R
Stated after:		
Audit fees - current year	60 000	55 000
Other services	-	-
	<b>60 000</b>	<b>55 000</b>
Directors fees' (refer note 18.4 to the group financial statements)	4 735 500	4 343 500
<b>4. Taxation</b>	Rm	Rm
Taxation	-	-
	-	-
<b>The rate of taxation on profit is reconciled as follows:</b>		
Profit before taxation	500.1	465.5
Taxation calculated at a tax rate of 28% (2013: 28%)	140.0	130.3
Exempt income	(140.0)	(130.3)
Taxation per income statement	-	-
<b>5. Interest in subsidiaries</b>		
Shares at cost	2 800.0	2 800.0
Capital contribution for share-based payment	47.2	44.1
	<b>2 847.2</b>	<b>2 844.1</b>
<b>6. Loan to subsidiary</b>		
Long-term	300.0	-
Short-term	200.0	-
	<b>500.0</b>	<b>-</b>
The commercial terms of all the above loans will mirror the applicable terms of the notes issued under the Domestic Medium-Term Note programme. Refer to note 8		
<b>7. Share capital and premium</b>		
<b>Authorised</b>		
150 000 000 ordinary shares of 1 cent each	1.5	1.5
<b>Issued</b>		
98 057 959 (2013: 98 057 959) ordinary shares of 1 cent each	1.0	1.0
Share premium	2 710.6	2 710.6
Total share capital and premium	<b>2 711.6</b>	<b>2 711.6</b>

## Lewis Group Limited Consolidated financial statements

	2014 Rm	2013 Rm
<b>8. Borrowings</b>		
– 6-month floating note issued under the group's Domestic Medium-Term Note programme at 45 basis points above the 3-month JIBAR.	200.0	-
– 3-year floating note issued under the group's Domestic Medium-Term Note programme at 158 basis points above the 3-month JIBAR.	300.0	-
	<b>500.0</b>	<b>-</b>
<p>The group has established a Domestic Medium-Term Note programme in October 2013, under which the group can issue notes up to R2 billion. For further details, refer to note 11 in the group annual financial statements.</p>		
<b>9. Cash generated from operations</b>		
Profit before taxation	500.1	465.5
Dividends received	(507.0)	(472.6)
Increase/(Decrease) in trade and other payables	6.0	(0.3)
	<b>(0.9)</b>	<b>(7.4)</b>

# Annexure A

## Interest in subsidiary companies for the year ended 31 March 2014

	Nature of business	2014 Carrying value of subsidiaries Rm	% Holding	2013 Carrying value of subsidiaries Rm	% Holding
<b>Directly held</b>					
Lewis Stores Proprietary Limited	F	2 800.0	100%	2 800.0	100%
<b>Indirectly held</b>					
<b>Incorporated in South Africa</b>					
Monarch Insurance Company Limited	I				
Kingtimm Proprietary Limited	L				
Lifestyle Living Proprietary Limited	F				
<b>Incorporated in Botswana</b>					
Lewis Stores (Botswana) (Pty) Ltd	F				
Lewis Insurance Services (Botswana) (Pty) Ltd	M				
Lewis Management Services (Botswana) (Pty) Ltd	D				
<b>Incorporated in Swaziland</b>					
Lewis Stores (Swaziland) (Pty) Ltd	F				
<b>Incorporated in Namibia</b>					
Lewis Stores (Namibia) (Pty) Ltd	F				
Lewis Management Services (Namibia) (Pty) Ltd	M				
<b>Incorporated in Lesotho</b>					
Lewis Stores (Lesotho) (Pty) Ltd	F				
<b>Cost of subsidiaries</b>		2 800.0		2 800.0	
<b>Capital contribution in respect of share-based payment</b>		47.2		44.1	
Loan to subsidiaries:					
Long-term		300.0			
Short-term		200.0			
Income accruing from subsidiary		6.0			
Amounts due to subsidiary		(16.6)		(9.5)	
<b>Interest in subsidiaries</b>		<b>3 336.6</b>		<b>2 834.6</b>	

F Furniture dealer

I Insurance company

M Management services company

L Company holding property leases

# Annexure B

## Shareholders' information

### Shareholders' spread as at 31 March 2014

	No. of shareholders		No. of shares	
	Total	%	Total	%
1 - 1 000 shares	2 424	61.68	1 064 422	1.09
1 001 - 10 000 shares	1 148	29.21	3 608 089	3.68
10 001 - 100 000 shares	245	6.23	8 310 124	8.47
100 001 - 1 000 000 shares	96	2.44	27 415 547	27.96
1 000 001 shares and over	17	0.43	57 659 777	58.80
<b>Total</b>	<b>3 930</b>	<b>99.99</b>	<b>98 057 959</b>	<b>100.00</b>

### Distribution of shareholders as at 31 March 2014

	No. of shareholders		No. of shares	
	Total	%	Total	%
<b>Public:</b>	<b>3 922</b>	<b>99.79</b>	<b>88 142 284</b>	<b>89.89</b>
Unit Trusts/Mutual Funds			40 648 698	41.46
Pension Funds			22 185 250	22.62
Other managed funds			15 119 523	15.42
Other			10 188 813	10.39
<b>Non-public:</b>	<b>8</b>	<b>0.21</b>	<b>9 915 675</b>	<b>10.11</b>
Lewis Stores (Pty) Ltd	1	0.03	9 216 928	9.40
Directors:				
Lewis Group Limited	5	0.13	661 856	0.67
Lewis Stores (Pty) Ltd	2	0.05	36 891	0.04
	<b>3 930</b>	<b>100.00</b>	<b>98 057 959</b>	<b>100.00</b>

### Major shareholdings as at 31 March 2014

According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 56 of the Companies Act of 2008, the following entities owned in excess of 3% of the company's shares as at 31 March 2014:

#### Beneficial shareholders:

Government Employee Pension Fund	14.78
Lewis Stores Proprietary Limited	9.40
Trimark Global Endeavour Fund	4.24
Old Mutual Life Assurance Company Limited	3.09

#### By Fund Manager:

Public Investment Commissioners	13.62
Old Mutual Asset Managers	8.04
FIL Limited/FMR LLC	6.61
Invesco Trimark	6.3
Sanlam Investment Managers	6.09

### Geographical analysis of shareholders

#### Beneficial shareholders:

South Africa	58.34
North America	26.02
Europe	10.52
United Kingdom	4.39
Rest of World	0.73
	<u>100.00</u>

#### By Fund Manager:

South Africa	58.39
North America	26.07
Europe	4.85
United Kingdom	4.58
Rest of World	6.11
	<u>100.00</u>

# Annexure B (continued)

## Domestic medium term note programme

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Under this program, the following notes have been issued:

- 3 year floating note maturing on 31 October 2016
- 6 month floating note maturing on 30 April 2014

In accordance with section 56(7) of the Companies Act, disclosure of beneficial holdings in excess of 5% of each class of note issued is set out below:

**3 Year floating rate note:**

Nedcor Capital Treasury	50.00
Sanlam Life Insurance Limited	23.66
PT Conservative Managed Fund	13.33

**6 month floating rate note:**

National Fund for Municipal Workers	11.50
PT International Balanced Fund of Funds	10.00
Old Mutual Symmetry Money Market Fund	10.00
Sanlam Money Market Fund	10.00
PT Conservative Managed Fund	9.50
Allan Gray Stable Fund	6.00
Glacier Money Market Fund	5.00

# Company information

Registration number:	2004/009817/06
Registered address:	53A Victoria Road Woodstock 7925
Postal address:	PO Box 43 Woodstock 7915
Auditors:	PricewaterhouseCoopers Inc. Cape Town
Attorneys:	Edward Nathan Sonnenbergs
Bankers:	ABSA Bank Ltd First National Bank of Africa Ltd Investec Bank Limited