Integrated Annual Report 2012

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Highlights and achievements

Revenue up	6.1%
Gross profit margin	38.9%
Operating profit margin	23.5%
HEPS up	13.0%
Final dividend up	30.4%

Included in the

JSE Socially Responsible Investment (SRI) index

Introducing the report

As we complete our second year of integrated reporting the group remains committed to providing stakeholders with greater insight into how the business creates and sustains value.

The 2012 report builds on the enhanced disclosure contained in last year's first Integrated Report and has been prepared in line with best practice based on the principles of King III.

The provisions of the new Companies Act have been applied and summarised financial statements published as part of the Integrated Report. This underlines the group's commitment to environmental sustainability and will also lead to savings in paper, printing and postage costs. The audited annual financial statements are available to shareholders on the Lewis Group website www.lewisgroup.co.za and by request from the company secretary. In addition, the website contains reports on the group's environmental sustainability, stakeholder engagement and corporate social investment programmes.

Scope and boundaries of the report

This report covers the activities and performance of Lewis Group ("the group") which includes Lewis Stores (Proprietary) Limited, the main operating company of the group, and all its subsidiaries for the period 1 April 2011 to 31 March 2012. The companies operate in South Africa, Namibia, Botswana, Swaziland and Lesotho. The majority of group revenue and profit is generated in South Africa. There has been no change from last year in the scope and boundary of the report. Management's interpretation of materiality has been applied in determining the financial and non-financial content and disclosure.

The reporting complies with International Financial Reporting Standards ("IFRS"), the Companies Act and the JSE Listings Requirements, while management has also considered the reporting guidelines of the Integrated Reporting Committee of SA.

Independent assurance

Assurance of the annual financial statements and the abridged financial statements has been provided by the external auditor, PricewaterhouseCoopers. The group's broad-based black economic empowerment scorecard has been verified by accredited rating agency, AQRate, while the group's carbon emissions and environmental impact has been measured by sustainability consultancy, The Green House.

Forward-looking statements

The Integrated Report includes forward-looking statements relating to the financial position and results of the group's operations. These statements by their nature involve uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic conditions, the cyclical nature of the retail sector, changes in interest rates, credit and the associated risk of lending, collections, inventory levels, gross and operating margins, capital management, the execution of the business model, and competitive and regulatory factors.

Lewis Group undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the group's auditors.

Approval of the Integrated Report

The Audit Committee has oversight for integrated reporting and for the preparation of the Integrated Report. The committee recommended the report for approval by the board of directors and this was obtained on 21 May 2012.

Creating value for our stakeholders

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Group profile

Lewis Group is a leading retailer of household furniture, electrical appliances and home electronics sold mainly on credit through the Lewis, Best Home and Electric, and My Home brands.

The group has 602 stores across all major metropolitan areas and a strong presence in rural South Africa, with 56 of the stores located in the neighbouring southern African countries of Botswana, Lesotho, Namibia and Swaziland.

Lewis is the country's largest furniture chain with 416 stores and is one of the most recognisable brands in furniture retailing.

Monarch Insurance, the group's financial services subsidiary, provides short-term insurance cover to customers purchasing merchandise on credit.

Focused primarily on the expanding middle to lower income market in the living standards measurement ("LSM") 4 to 7 categories, the group has a credit customer base of close to 700 000. Customers are predominantly from black communities, with 55% being female.

Lewis Group is committed to service excellence and offering quality, exclusive merchandise. The high levels of repeat sales are evidence of service satisfaction, trust and customer loyalty. As part of the commitment to service excellence, the group ensures that shoppers are served by staff from their own communities, with stores being located close to the places where Lewis customers live, work, shop and commute.

The group's history dates back to 1934 when entrepreneur Meyer Lewis bought Woodstock Auction Mart in Cape Town.

The business changed its name to M Lewis and Company a few years later and new furniture was introduced into its offering. The UK-based retailer, GUS plc, acquired a controlling interest in Lewis Stores in 1947.

The business expanded nationally through the 1950s and started opening stores in the neighbouring countries Botswana, Lesotho, Namibia and Swaziland from the late 1960s. Trade predominantly took place under the Lewis and Dan Hands brands before Dan Hands was rebranded to Lewis in 1997. Ongoing organic growth saw the store base reach 500 in 2007.

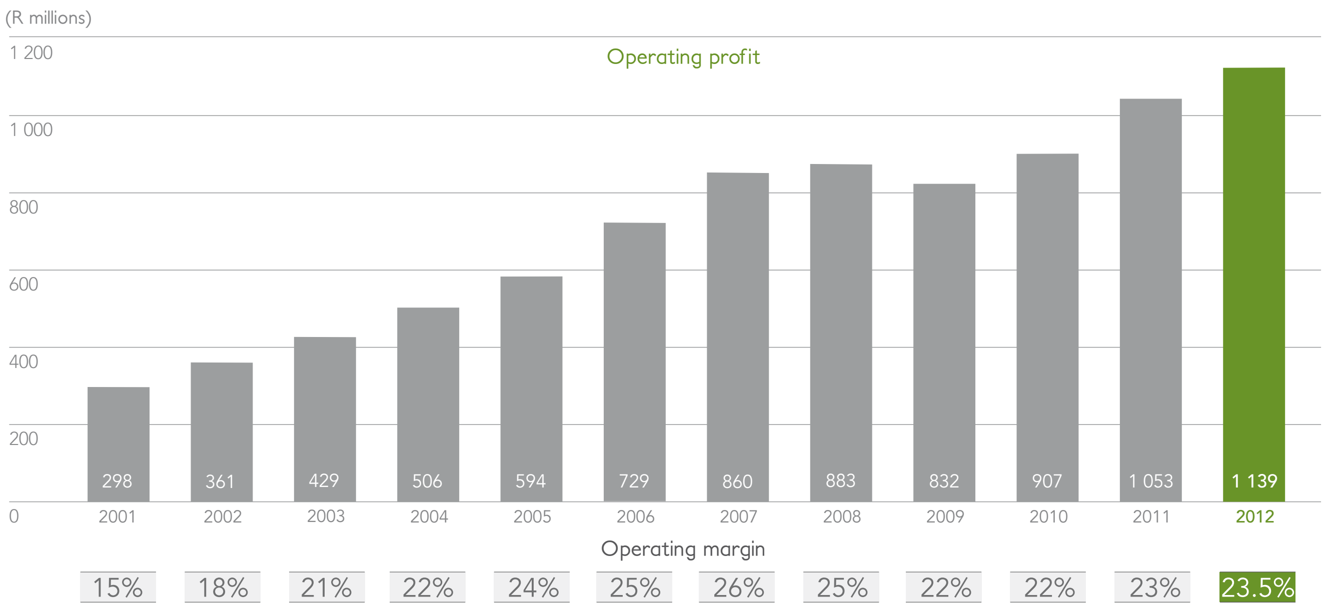
Monarch Insurance was established in 1994 and four years later Best Electric was launched to sell branded electrical merchandise. Best Electric was rebranded Best Home and Electric in 2008 and the product range expanded to include furniture lines.

Lewis Group was listed on the JSE in 2004 with a market capitalisation of R2.8 billion. GUS plc sold 46% of its shareholding to facilitate the listing and disposed of its remaining 54% interest in the following year.

Detail on the group's history over the past eight decades is available on the website.

Operating profit history

Over the past 12 years – compound annual growth of 13%



Lewis strives to be an integral part of the community we serve

OUR VALUES

Our values are echoed in the Lewis Group pledge, which presents a code of behaviour that we stand by, having invested much time and focus in bringing it "to life" throughout the business.

OUR PLEDGE

We place excellent customer service first
We honour the highest standards of integrity
We value and are committed to our customers
We are totally dedicated to offering quality merchandise
We take pride in belonging to the Lewis Group

Creating value for our stakeholders

Business model

Lewis Group's commitment to a decentralised, store-based business model has ensured sustainable performance through all market conditions.

The model is based on the principle that the sale of furniture and the provision of credit are interdependent. All aspects of the customer relationship are managed by the staff in the stores, except for the granting of credit which is managed centrally to ensure consistency of decision-making and prudent credit risk management. This model has been consistently applied since the inception of the business.

The personal and relationship-based interaction with customers engenders trust and confidence. This also generates high levels of loyalty and repeat sales. The business model proved its resilience through the economic downturn of the past few years and is appropriate for the group's target market where customers are attracted by the merchandise offering and then rely on credit being offered by the retailer.

Customer relationships managed by stores

STORE

Stores are accountable for all aspects of the customer relationship

Strong relationships are developed with customers over the lifespan of a contract

Stores are located close to where Lewis customers work, shop, live and commute

Customers are serviced by staff from their own communities

Store managers are empowered to influence performance of stores and incentivised on results

Merchandise sales and credit applications	Customer re-serve programme	Collections	Supply chain and delivery to customers
Furniture ranges and appliances are sold mainly on credit	Re-serve programme identifies existing customers for further credit based on payment history	Stores are responsible for cash collection and follow-up of defaulting customers	Merchandise is delivered directly by suppliers to stores
Credit applications are completed by stores and submitted to head office	High level of sales to existing customers through the re-serve programme	Convenient for customers to pay at stores	Lewis Group does not operate distribution centres or centralised warehouses
Customer protection insurance is an optional offer on credit purchases	Targeted mailings and promotional offers aimed at these customers	Collection staff develop long-term relationships with customers	Stores are responsible for all deliveries to customers
Store staff are commission-based and incentivised on sales targets		Interaction with customers visiting stores monthly to pay accounts creates opportunities for repeat sales	Average of 90% of deliveries are completed within 24 hours of sale
Community-focused in-store promotions are a major marketing tool		Collection staff incentivised on collections and satisfactory paid targets	

Centralised credit assessment and approval

HEAD OFFICE

Credit is granted centrally to ensure credit risk policies are consistently applied, removing any subjectivity in the credit-granting process

Credit application and granting

- Credit applications are submitted to head office from stores
- Industry-leading technology used to determine creditworthiness of a customer
- Advanced application and behavioural risk scorecards are applied
- Credit policies determine credit limit, term and deposit required from customer
- Decisions on credit applications relayed to stores within an average of nine seconds

Refer to Credit Report on page 38

Creating value for our stakeholders

Strategy

Material areas and risks that are likely to impact on the group's strategy and its ability to sustain growth into the future are identified as part of the annual planning process.

The material areas were reviewed for the year ahead, and have been extended to include Information Technology.

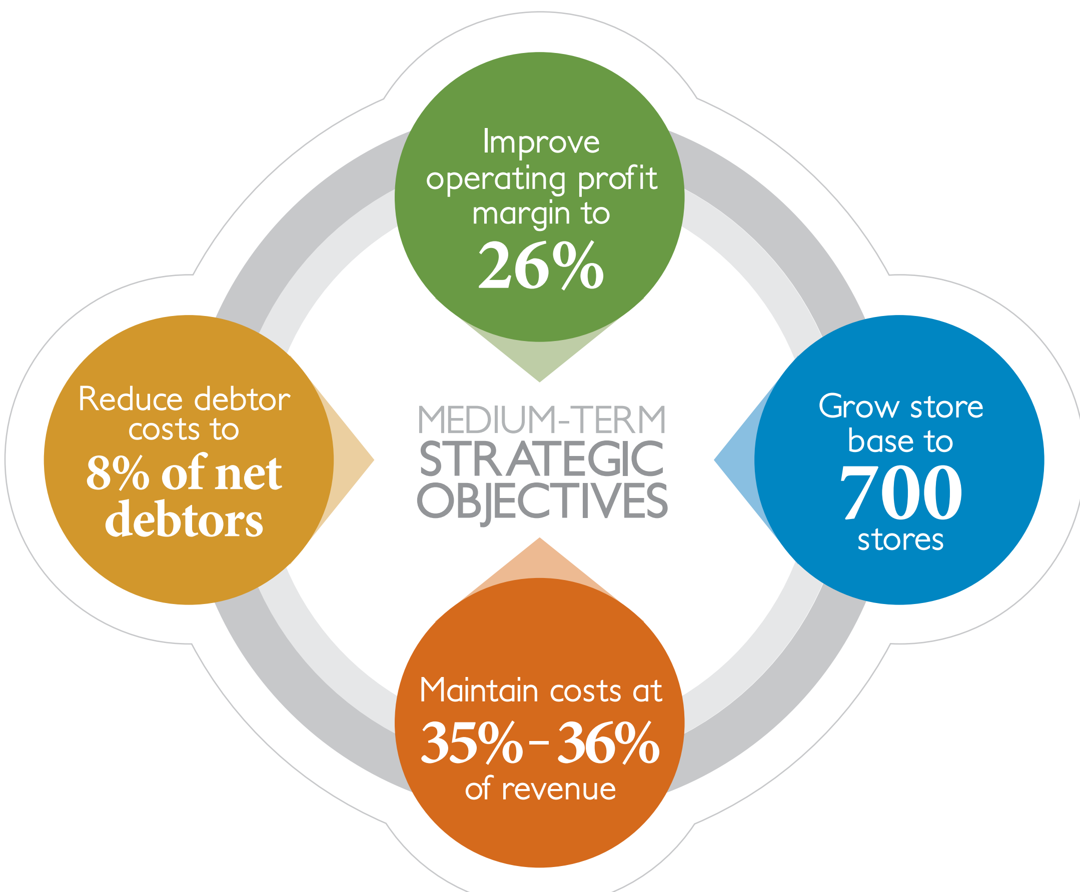
This section of the report outlines the strategic objective for addressing each material area, the key risks, management plans to implement the strategy and performance relative to both one-year and medium-term targets.

The process of identifying material areas is aligned to the stakeholder engagement process which is central to the group's social, economic and environmental sustainability. Management believes that engagement aimed at establishing mutually beneficial relationships not only limits risks to the business but also creates opportunities to enhance revenue and performance, and ultimately ensures longer term sustainability. Stakeholder engagement at Lewis focuses primarily on those groups which are likely to have a material effect on sustainability.

The group has identified the following primary stakeholders who have an interest in the business or who could influence the business in a positive or negative manner:

- **Customers** across the three trading brands.
- **Shareholders** and the broader investment community.
- **Employees** at head office and stores throughout the group.
- **Suppliers** of merchandise and services.
- **Communities** in which the group operates.
- **Industry regulators** who monitor compliance.

For further information on stakeholder engagement refer to the group's website.



Merchandising

Strategic objective

Maintain competitive advantage through sourcing exclusive, quality merchandise

Key risks

- Suppliers and distribution partners performing below standard
- Lack of depth in supplier base
- Exchange rate fluctuations

Management action plans

- Ensure reliable back-up supplier channel
- Continue to invest in enterprise development
- Increase exclusive appliance brands
- Further improve supply chain management through system enhancements
- Develop new products and offers for regular launches
- Manage foreign currency risk

Performance indicators and targets

	Achieved	Target	
	2012	2013	Medium-term
– Gross profit margin (%)	38.9	36 – 38	36 – 38
– Inventory turn	5.1	5 – 5.5	5 – 5.5

34 Refer to merchandising and trading brands report

Credit management

Strategic objective

Optimise the quality of the debtors' book by improving collections, reducing debtor costs and exploring further sales opportunities

Key risks

- Inability to maintain optimal quality of debtors' book owing to high levels of unemployment, aggressive unsecured lending in market and challenging economic environment

Management action plans

- Focus on increasing satisfactory paying customers
- Strengthening the operational credit management team focusing on collections productivity
- Customer segmentation and credit limit strategies
- Reward best rated credit customers

Performance indicators and targets

	Achieved	Target	
	2012	2013	Medium-term
– Debtor costs as a percentage of net trade receivables	10.8	9.5 – 10.5	8
– Satisfactory paid customers (%)	72.1	73 – 75	75

38 Refer to credit report

Strategy continued

Execution of business model

Strategic objective

Effective execution of the customer-focused business model

Key risks

- Poor execution of the strategies and procedures of the business model by management
- Insufficient experienced operational staff

Management action plans

- Focus on re-serve programme and local promotions
- Provide quality customer service
- Focus on stable store management through training, recruitment and selection strategies
- Expanding store footprint focusing on smaller stores with electronic catalogue
- New customer acquisition initiatives

Performance indicators and targets

	Achieved	Target	
	2012	2013	Medium-term
– Operating margin (%)	**23.5**	23 – 24	26
– New store openings	**29**	20 – 25	20 – 25
– Credit sales as a percentage of total sales	**71.4**	70 – 72	70 – 72
– Operating cost ratio (excluding debtor costs) (% of revenue)	**36**	36 – 37	35 – 36

6 Refer to business model

Capital management

Strategic objective

Effective management of financial risks and the liquidity requirements of the business

Key risks

- Ineffective capital management could impact on profitability and returns to shareholders

Management action plans

- Ensure access to capital at all times
- Manage currency exposure
- Manage investment portfolio

Performance indicators and targets

	Achieved	Target	
	2012	2013	Medium-term
– Gearing (%)	**23.3**	28 – 32	<35
– Dividend payout ratio (%)	**54**	50 – 55	50 – 55

24 Refer to chief financial officer's report

Human capital

Strategic objective

Ongoing development of staff for management positions; retention of current management and attract competent individuals as required

Key risks

– Inability to attract, develop and retain suitable staff for executive and operational management positions

Management action plans

– Training and development programmes
– Remuneration retention schemes
– Focused recruitment and selection practices
– Implement a formal talent management function
– Transformation through broad-based black economic empowerment

Performance indicators and targets

	Achieved	Target	
	2012	2013	Medium-term
– Skills development – number of staff trained annually	5 604	>3 000	>3 300
– B-BBEE level contributor	4	5	4

42 48 Refer to remuneration report and transformation report

Information technology

Strategic objective

Develop and maintain industry-leading information systems

Key risks

– Security of data due to exposure of systems to mobile devices and various interfacing systems
– Availability of main operating systems
– Outdated software solutions

Management action plans

– Develop and implement Information Security Management System (ISMS)
– Regular review and implementation of software solutions to improve productivity and assist management in achieving strategic objectives
– Enhance IT governance processes across the business

Performance indicators and targets

– The IT Steering Committee reports to the Risk Committee and manages IT performance on projects and IT controls

52 Refer to corporate governance report

Creating value for our stakeholders

Investment case

Lewis Group has a clear strategic focus, proven business model and is positioned in a growth segment of the South African consumer market. This makes the group attractive to potential investors seeking equity exposure to the domestic retail sector. The following factors should ensure a sustainable future for the group and competitive returns to shareholders.

Strong strategic focus

- Focused on core business of furniture retailing
- Lewis is the single largest furniture brand in South Africa
- Primary focus on LSM 4 – 7 groups
- Operating in a growing target market which benefits from fiscal stimulus

4 Group profile
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Robust business model

- Integrated credit and marketing strategies
- Centralised credit approval and granting process
- Decentralised cash collection process
- Differentiated and exclusive merchandise ranges

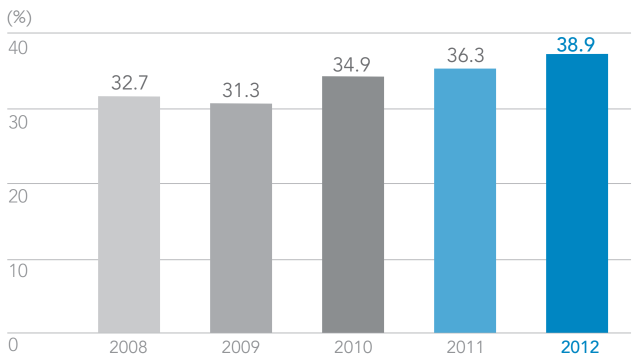
6 Business model
34 Merchandise and trading brands 38 Credit report

Sound credit management

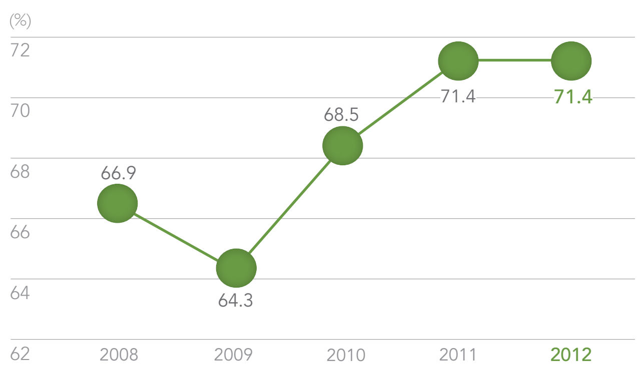
- Credit offered across all brands to facilitate sales growth
- Advanced application and behavioural risk scorecards
- High proportion of credit business 71.4% (71.4% in 2011)
- Opportunity to sell insurance to credit customers

38 Credit report

Gross Margin



Credit sales % of Merchandise sales



Sustained financial performance

– Historically high operating margins – medium-term target of 26%
– 13% p.a. compound growth in operating profit since 2001
– High dividend payout ratio
– Low cost structure and internal culture of cost consciousness

24 Chief financial officer's report 28 Five year review

Customer loyalty and store presence

– 55% of credit sales from existing customers through re-serve programme
– 602 stores across all major metropolitan and rural areas
– Stores conveniently located for needs of target customers
– Targeting to expand store base to 700 in the medium term
– High levels of brand awareness

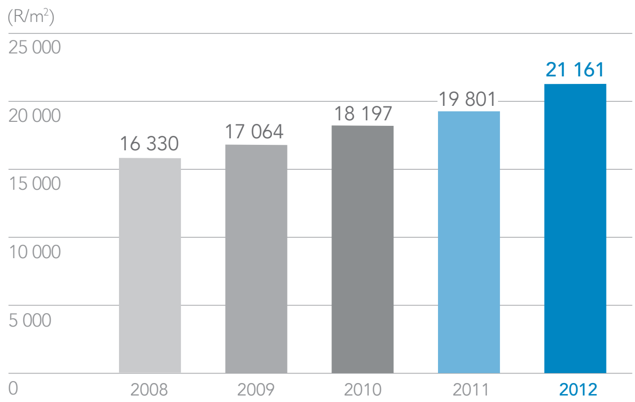
6 Business model 34 Merchandise and trading brands

Experienced management team

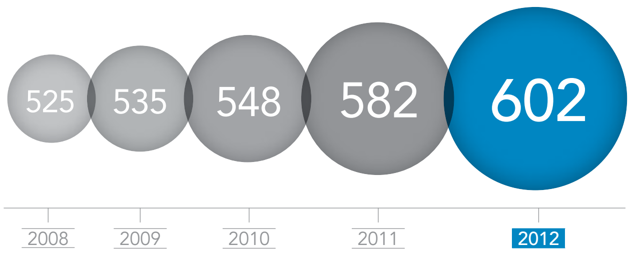
– Strong blend of company and industry experience
– Stable long-serving executive management team
– Culture of promoting from within

22 Operating board of Lewis Stores (Proprietary) Limited

Trading density



Number of stores

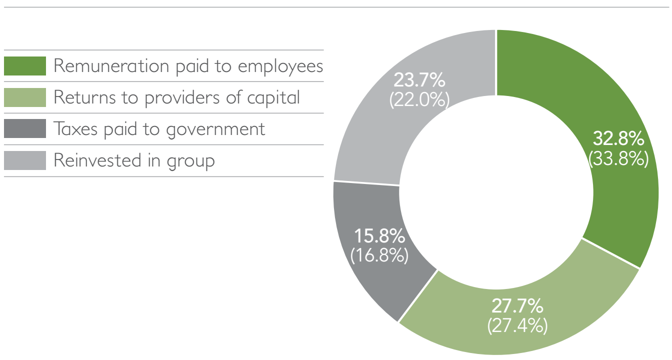


Creating value for our stakeholders

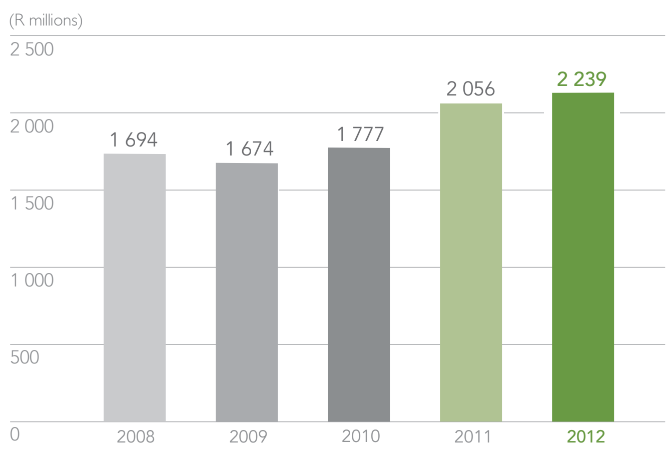
Value-added statement for the year ended 31 March 2012

	Group			
	2012		2011	
	Rm	%	Rm	%
Revenue	4 857.3		4 577.7	
Paid to suppliers for goods and services	2 618.6		2 521.9	
Value added by operating activities	2 238.7		2 055.8	
Distributed as follows:				
Remuneration to employees	732.9	32.8%	693.5	33.8%
Returns to providers of capital:	619.7	27.7%	564.0	27.4%
To provide lenders with a return on their capital utilised	82.2		87.1	
To provide lessors with a return for the use of their premises	202.0		181.3	
To provide shareholders with a return on their equity	335.5		295.6	
Taxes paid to governments	354.6	15.8%	345.3	16.8%
Income taxation	349.3		340.5	
Municipal rates	5.3		4.8	
Reinvested in the group	531.5	23.7%	453.0	22.0%
Depreciation and amortisation	48.5		46.5	
Deferred taxation	17.9		(9.8)	
Net earnings retained	465.1		416.3	
Total wealth distributed	2 238.7	100.0%	2 055.8	100.0%

Distribution of value-added 2012 (2011)



Value added



Board and leadership

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Board and leadership

Chairman's report

Lewis Group qualified for inclusion in the JSE Socially Responsible Investment ("SRI") index. The SRI index is acknowledged as the benchmark of sustainability and recognises listed companies for incorporating sustainability practices into their business operations

Introduction

Lewis Group continues to reap the benefits of the clear strategic focus on its core business of furniture retailing. This strategy is supported by the decentralised, store-based business model where all aspects of the customer relationship are managed by staff in the stores.

The business model again proved its resilience in the past year. As the year progressed, trading conditions became increasingly challenging as consumers faced further cost pressures, mainly from rising transport and utility costs.

Trading environment

While overall consumer confidence in the country remains stable but fragile, sentiment among lower middle income consumers – the Lewis target market – has declined steadily over the past two years. Confidence levels at the end of the first quarter of 2012 were +3, having fallen from +8 at the corresponding period in 2011 and from +16 in 2010. There is a close correlation between consumer spending and consumer confidence, and the declining levels of confidence in our target market point to a muted retail environment in the months ahead.

Transport costs account for an estimated 10% of the disposable income of Lewis customers. The 20% year-on-year increase in the price of fuel, including the 13% increase in the first quarter of 2012 alone, placed further strain on our customers. Electricity costs have risen by 25% per annum for the past two years and a further increase of 16% was implemented in April 2012.

Unemployment levels remain unacceptably high in South Africa and increased to 25.2% in the first quarter of 2012 from 23.9% in the fourth quarter of 2011. This equates to 4.52 million South Africans who are jobless. The unemployment level among the group's customer base has remained stable at around 3% over the past two years. Job creation remains key to stimulating economic growth in the country, with our target customer likely to benefit most from government's ambitious job creation plans.

While interest rates are expected to start rising from their current low levels in late 2012 or early 2013, shareholders should note that customers in the Lewis target market have limited exposure to asset-based finance, hence their need for store credit.

Real wage growth in the public sector has continued to outpace that of the private sector. This is positive for the group as a high proportion of the Lewis customer base is employed in the public sector. This benefit should continue to flow even if Government is able to contain the rate of increases going forward as the past increases are already in the base of the wages for so many of our customers.

Financial performance

Against this background of pressure on consumer spending, the group's revenue for the period increased by 6.1% to R4.9 billion, with merchandise sales rising 3.3% to R2.4 billion.

Continued merchandise innovation contributed to the gross profit margin improving from 36.3% in 2011 to 38.9%. This benefited headline earnings per share which grew by 13.0%.

Shareholders will receive a final cash dividend of 270 cents per share, an increase of 30.4% over the previous year. The increase in the dividend substantially covers the impact of the recently introduced dividend withholding tax of 15% on shareholders. The total dividend for the year was 21.8% higher at 442 cents.

The group's trading and financial performance is covered in the Chief Executive Officer's Report and in the Chief Financial Officer's Report on the following pages.

Governance

In the environment of increasing regulatory and legislative compliance, the group's governance structures and processes are regularly reviewed to align with best practice. During the past year further King III recommendations were adopted and the group implemented the changes required by the new Companies Act which came into effect on 1 May 2011.

A Social and Ethics Committee was established, as required by the Companies Act. The mandate of the board's Transformation Committee has been incorporated into this newly constituted Social, Ethics, and Transformation Committee.

The members of the Audit Committee were elected for the first time by shareholders at the annual general meeting ("AGM") in August 2011, while the group's remuneration policy was proposed to shareholders for a non-binding advisory vote at the AGM.

"The group has delivered a commendable performance in what has been a tough economic and trading environment."

David Nurek Chairman

The group qualified for inclusion in the JSE Socially Responsible Investment ("SRI") index. The SRI index is acknowledged as the benchmark of sustainability and recognises listed companies for incorporating sustainability practices into their business operations.

Qualification for the index is based on an independent evaluation of environmental, social, governance and sustainability practices.

Transformation

Transformation and empowerment are critical areas of sustainability in the South African business environment.

The group improved its externally B-BBEE contributor status to level 4, despite the regulatory changes in the Department of Trade and Industry's scoring methodology which has made the employment equity and preferential procurement elements more challenging. The transformation strategy has focused on increasing black representation in middle and senior management, and increasing procurement from BEE compliant suppliers. The group remains committed to maintaining its level 4 status in the medium-term.

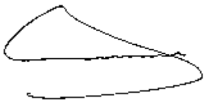
The group performed well in the authoritative Financial Mail Top Empowerment Companies survey. Pleasing progress has been made in creating a diverse workforce which is representative of the Lewis customer base. Black employees now account for 90% of the total staff complement and women comprise 55% of our staff. The board of directors is also highly transformed, with 57% of the non-executive directors being black and 43% women.

Appreciation

The group has delivered a commendable performance in what has been a tough economic and trading environment. At the start of the financial year few would have anticipated conditions becoming as challenging as the year progressed.

We have a strong and stable leadership team which is making its mark in the retail sector. On behalf of the board I would again like to express my confidence in Johan Enslin and his senior management team. I also thank our more than 7 000 staff across the country and in our neighbouring states for their commitment to meeting the needs of our customers. Thank you also to my fellow non-executive directors for their active participation in the group's affairs.

I also extend my thanks to our external stakeholders, including our shareholders, customers, suppliers and manufacturers, regulators, business partners and the media.



David Nurek
Independent Non-executive Chairman

Board and leadership

Board of directors

David Nurek (62) – Dip in Law, Grad Dip Company Law

Independent Non-executive Chairman, Chairman of the Nomination Committee, Member of the Risk, Remuneration and Social, Ethics and Transformation Committees, Appointed July 2004

David was appointed non-executive chairman of Lewis Stores in 2001 and chairman of Lewis Group in 2004. His directorships include Clicks Group, The Foschini Group, Sun International, Trencor and Distell Group.

David practised as an attorney with Sonnenberg Hoffmann Galombik for over 30 years, ultimately serving as chairman. He joined Investec Bank in 2000 and is regional chairman of their Western Cape operations. David has been a non-executive director and chairman of a number of listed companies for over 21 years. He has served on the Audit and Risk Committees of most of these companies, giving him wide-ranging business experience and extensive experience of participation in audit committee activities. He is currently a member of the Audit and Risk Committees of Distell Group, Sun International, Trencor and Clicks Group and was until recently a member of the Risk Committee of Aspen Pharmacare. During the course of his legal practice, David specialised in corporate and commercial matters and more recently in his position as a senior executive at Investec Group, he has been involved in dealing with a wide range of corporate and commercial issues.

Fatima Abrahams (49) – B Econ (Hons), M Com, D Com

Independent Non-executive Director, Chairperson of the Social, Ethics and Transformation Committee, Member of the Audit, Risk, Remuneration and Nomination Committees, Appointed September 2005

Fatima is a senior professor in industrial psychology at the University of the Western Cape ("UWC") and a registered industrial psychologist. Her directorships include Clicks Group, The Foschini Group, Iliad Africa and she is chairperson of TSiBA Education, a non-profit private higher educational institution.

She was previously chairperson of the Department of Industrial Psychology and Dean of the Faculty of Economic and Management Sciences at UWC. She is an acknowledged academic who has presented papers at international and national conferences and published a number of accredited articles and academic works on human resources issues. She was also active in various professional bodies, including holding executive membership of the Education Committee of the Health Profession Council of South Africa (HPCSA). She was previously a non-executive director of Transnet, B2B Africa and chairperson of Victoria and Alfred Waterfront Holdings. She has served and continues to serve on the Audit and Risk Committees, Transformation and Remuneration Committees of several companies and has built up sound business experience, with formidable networks over the years.

Zarina Bassa (47) B Acc, CA (SA)

Independent Non-executive Director, Member of the Audit, Risk, Nomination and Remuneration Committees, Appointed October 2009

Zarina is the chief executive officer of Zarina Bassa Investments and executive chairman of Songhai Capital. She is a non-executive director of Kumba Iron Ore, Vodacom South Africa, Sun International, Oceana Group, National Business Initiative, the Financial Services Board, Senwes, Woolworths Holdings and Woolworths Financial Services of which she is deputy chairman and immediate past chairman. She is also the chairman of Yebo Yethu Limited and the Kumba Iron Ore Audit and Risk Committees.

Zarina is a former partner of Ernst & Young and was previously an executive director at Absa Bank and a member of the Absa Group executive committee, with accountability for private banking. She has also previously chaired the Public Accountants and Auditors Board and the Auditing Standards Board and has been a member of the Accounting Standards Board, the JSE's GAAP Monitoring Panel, the board of the SA Institute of Chartered Accountants and vice president of ABASA. Zarina was named Top Woman in Business and Government in 2007 and Top Business Personality in Financial Services: Banking in 2008.

Les Davies (56) CA (SA)

Chief Financial Officer, Appointed as director in April 2007

Les is the Chief Financial Officer. He has also served as a director of the group's insurer, Monarch Insurance, for 16 years and has been Chief Executive Officer of Monarch since 2008.

Les has over 30 years' experience in financial management within the retail industry and has been the financial director of Lewis Stores since 1989. Prior to joining the group Les spent five years as the financial director of AMC Classic. His experience covers a wide range of financial, administrative, legal, contractual, insurance and statutory compliance matters.

Johan Enslin (38)

Chief Executive Officer, Member of the Social, Ethics and Transformation Committee, Appointed as director in October 2009

Johan was appointed Chief Operating Officer in 2007 with responsibility for the retail operations of the group. Johan was appointed Chief Executive Officer in October 2009.

He joined the Lewis Group as a salesman in 1993. He rose rapidly through the ranks of the organisation, holding positions including Branch Manager, Regional Controller, Divisional General Manager, General Manager Operations and Operations Director of Lewis Stores (Proprietary) Limited where he was responsible for all facets of Lewis and Best Home and Electric.

Sizakele (Za) Marutlulle (44) MA (Sociology)

Independent Non-executive Director, Member of the Audit, Risk, Remuneration and Nomination Committees, Appointed October 2009

Sizakele is a non-executive director of Rhodes Food Group, Zani Health Solutions, a member of the council for Vega School of Brand Communications and a member of the Institute of Directors.

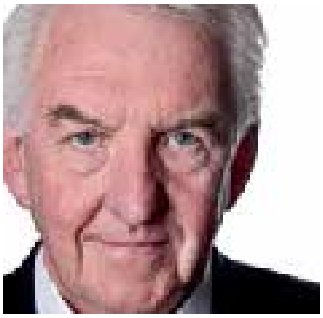
She has held senior positions internationally and locally at SA Tourism, Herdbuoys McCann-Erickson, and various agencies. She founded multi-cultural communications and marketing consultancy, Moonchild, and is currently CEO of Grey SA. Her experience includes growth strategy planning, innovation and organisational change driving marketing, brand management and sales capabilities.

Hilton Saven (59) – B Com, CA (SA)

Independent Non-executive Director, Chairman of the Audit and Risk Committees, Member of the Remuneration and Nomination Committees, Appointed June 2004

Hilton has been in the accounting profession since 1975 with Mazars. He is chairman of Mazars South Africa and serves on the group executive board of Mazars International. He is chairman of the Praxity Africa/Middle East region and serves on the governing council of Praxity, a global alliance of independent accounting firms. He is also the non-executive chairman of Truworths International.

Hilton serves on a number of Audit, Risk and Remuneration Committees as well as consulting on the establishment and implementation of risk procedures and practices. His varied professional experience across numerous sectors enables him to add substantial value to the Lewis Group's accounting and financial disclosure obligation in relation to corporate governance, transaction structuring and communication with shareholders.



Alan Smart (67)

Non-executive Director, Member of the Risk, Remuneration, Nomination and Social, Ethics and Transformation Committees, Appointed as a Non-executive director in 2009

Alan served as the Chief Executive Officer of the Lewis Group from 1991 until his retirement in 2009 when he was appointed as a non-executive director.

Alan started his career with Lewis in 1969. During this period he held various financial and operational positions including Credit Director and joint Managing Director. From 1995, in addition to his Lewis responsibilities he was chairman of GUS Canada Inc, a retail furniture group of 65 stores in eastern Canada and oversaw a turnaround programme. Alan served on the board of GUS plc from 1996 to 2004.

Ben van der Ross (65) – Diploma in Law

Independent Non-executive Director, Chairman of the Remuneration Committee, Member of the Audit, Risk and Nomination Committees, Appointed June 2004

Ben practiced as an attorney for 18 years and continues to consult to Van der Ross Motala attorneys. His directorships include Naspers, FirstRand, Pick n Pay Stores, MMI Holdings and Distell Group. Ben is a former director of the Urban Foundation, the Independent Development Trust and CEO of Business South Africa. He was a commissioner of the Independent Electoral Commission for the first democratic elections in South Africa in 1994.

Ben has been a non-executive director of a number of listed companies for over 20 years and has served on the Audit and Risk Committees of most of these companies. He is currently a member of the Audit Committees of Naspers, FNB and Pick n Pay.

Board and leadership

Chief executive officer's report

The merchandise strategy is to provide customers with quality, exclusive and differentiated furniture ranges at affordable prices as we believe customers are attracted into our stores by the product offer rather than the credit offer.

Introduction

Lewis Group continued to deliver solid returns for its shareholders in a challenging environment where consumers came under renewed pressure from rising living costs.

The group has improved margins, strengthened its balance sheet, expanded its store base and continued to offer exclusive and innovative merchandise ranges. However, lower disposable income has placed pressure on both sales and credit collections for the period.

Trading performance

Revenue for the period increased by 6.1% to R4.9 billion, with merchandise sales rising 3.3% to R2.4 billion. The Chairman in his report has outlined the economic factors which are impacting on the trading environment and placing financial pressure on our customers.

Merchandise sales in the flagship Lewis brand, which accounts for 83.3% of total sales, increased by 3.6%. Best Home and Electric sales grew by 10.6%, with furniture growing to 34% of the brand's sales (2011: 32%).

Furniture and appliance sales increased by 4.8% while sales of electronic goods were 3.5% lower, reflecting the slowdown in discretionary spending. Furniture sales comprise 54% of total merchandise sales (2011: 53%). Credit sales as a percentage of total sales were consistent with 2011 at 71.4%.

The high levels of customer loyalty and brand awareness are particularly important during challenging trading periods. In the past year, 55% of credit sales were made to existing customers through the customer re-serve programme. The high volume of repeat sales is also an indicator of customer satisfaction, with the group achieving consistently high scores in independent customer service surveys.

Better buying, the introduction of innovative merchandise ranges and the continued shift in the merchandise mix to higher margin furniture sales contributed to a 260 basis point increase in the gross profit margin to 38.9%.

Operating profit margin increased by 50 basis points to 23.5%, with operating profit growing 8.2% to R1.14 billion.

The group's financial performance is covered in the Chief Financial Officer's Report.

Merchandise strategy

The merchandise strategy is to provide customers with quality, exclusive and differentiated furniture ranges at affordable prices as we believe customers are attracted into our stores by the product offer rather than the credit offer.

Innovative product sourcing locally and abroad ensures the group offers distinctive merchandise. In the year ahead the group will be increasing its range of exclusive appliance brands. Through the import programme furniture ranges are developed using the latest designs and manufacturing techniques which allows for product differentiation and competitive pricing.

New furniture ranges are introduced twice each year to offer ongoing newness to customers.

During the past year we continued to focus on increasing sales of the higher margin furniture and appliance product categories, which accounts for 83% of total merchandise sales. This also had a positive impact on the gross margin.

Further detail on the merchandise strategy and supply chain is contained in the Merchandise and Trading Brands Report on page 34.

Debtor management

Debtor costs settled at 10.8% of net debtors in a tight collections environment, marked by inconsistent collections patterns as could be expected in the tough credit climate. An encouraging feature of the second six months of the year was the containment of the increase in debtor costs at 8.7% compared to the 20.1% increase in the first half.

The operational credit management team has been strengthened to enhance the focus on collections productivity. Debtor costs are anticipated to decline to around 8% of net debtors in the medium term.

The centralised credit granting process has been a core strength in managing credit risk in the current economic

"While the current environment is challenging, the group has strategies in place to meet these challenges and continues to invest for growth."

Johan Enslin Chief Executive Officer

environment. Credit risk management strategies have been consistently applied in the past year and it is company policy not to reschedule payment terms. The credit application decline rate increased from 31.5% to 33.0%, reflecting the higher indebtedness levels of customers.

Affordability of instalments for our customers is key to sustaining growth. We also recognise that our customers are highly aspirational and we will therefore be extending the maximum repayment term on new contracts from 30 to 36 months for our top-rated customers

Further details are contained in the Credit Report on page 38.

Store expansion

Our store base passed the 600 mark following the opening of 17 Lewis and 12 Best Home and Electric outlets, bringing the store footprint to 602.

All the new Lewis outlets are the smaller format stores which average 250 m^2 compared to the conventional stores of around 400 m^2. These small stores have enabled Lewis to gain access to high traffic areas at more affordable rentals as the stores have lower cost structures and higher sales densities. The stores offer customers key merchandise lines, with the full range available on the electronic catalogue and display screens in-store. Lewis has 54 small format stores in its portfolio and these stores generate the same level of turnover as the larger format stores

The group plans to grow the store base to 700 in the medium term.

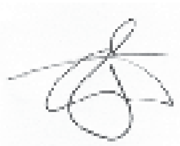
Prospects

There has been a rapid growth in unsecured credit in the Lewis target market. Consumers are also under increasing pressure from rising fuel, electricity and food costs and job creation remains key to stimulating growth in this sector of the market. Management expects trading conditions to remain challenging in the year ahead.

The group has strategies in place to meet these challenges and continues to invest for growth by expanding the retail footprint through adding 20 to 25 smaller format stores in the year ahead.

Appreciation

In closing I thank our Chairman, David Nurek, for his decisive leadership of the board and my fellow directors for their guidance and insight. Thank you to my executive colleagues for their ongoing support. I would also like to echo the sentiments of our Chairman in thanking all our staff at head office and our stores for their continued commitment to the group.



Johan Enslin
Chief Executive Officer

Board and leadership

Operating board of Lewis Stores (Proprietary) Limited

Johan Enslin (38)

Chief Executive Officer and Executive Director of Lewis Group

Johan Enslin is the Chief Executive Officer and his biography is on page 19.

Les Davies (56) CA (SA)

Chief Financial Officer and Executive Director of Lewis Group

Les Davies is the Chief Financial Officer and his biography is on page 18.

Charles Irwin (58)

Group IT Director, Appointed March 1999

Charles has spent his entire career in the retail industry, specialising for the last 25 years in information technology. During his earlier career, he had operational experience in general retail management. Prior to joining Lewis Stores in 1998 he spent nine years at McCarthy Limited.

Neil Jansen (40) – MBL (UNISA), Diploma in Labour Law

Human Resources Director, Appointed September 2008

Neil spent the first 10 years of his career as an HR practitioner with the Transnet Group. In 2004 he joined the Naspers Group, initially as group HR manager for Via Afrika and then spent four years as general manager human resources for Media24, the print media division of Naspers. He joined the Lewis Group in September 2008.

Derek Loudon (49)

Merchandising Director, Appointed October 2008

Derek has over 30 years' retail experience, starting at Pick n Pay Stores where he progressed from trainee floor manager to buyer, as procurement manager at Airflex Furniture Industries and as the electrical merchandise executive at Morkels Limited. Derek joined Lewis as the General Manager: Merchandise in May 2000.

Shareholders

Chief financial officer's report	24
Five year review	28

Chief financial officer's report

Gross profit margin improved by 260 basis points from 36.3% to 38.9%. After considering the current volatility in the Rand, management has set the 2013 margin target at 36% – 38%.

Introduction

Lewis Group continued to generate competitive returns for shareholders in the period, with headline earnings growth of 13.3% driven mainly by the improvement in the gross profit margin and cost containment. The board has shown its confidence in the group's long-term outlook by increasing the final dividend for the year by 30.4% to 270 cents.

Financial performance

The following review of the group's financial performance for the year ended 31 March 2012 should be read together with the abridged financial statements on pages 64 to 73. The audited annual financial statements, together with supplementary reporting, are available to shareholders on the Lewis Group website www.lewisgroup.co.za.

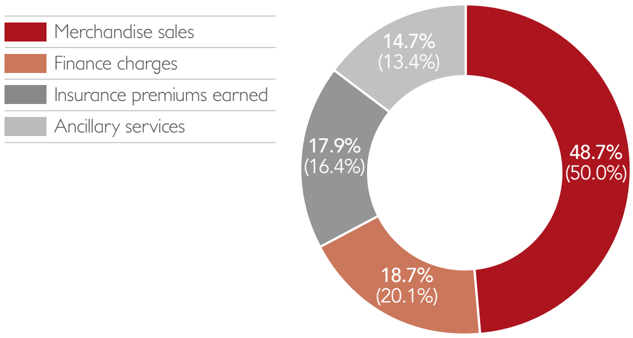
Income statement

The group's revenue increased by 6.1% to R4 857 million (2011: R4 578 million) and comprised the following:

- Merchandise sales grew by 3.3% to R2 365 million (2011: R2 290 million), with sales evenly distributed over the first and second half of the year.
- During the year 29 stores were opened, most of which were in the smaller format.
- Insurance income rose by 15.4% owing to the higher proportion of longer term contracts now in the debtor base. Growth in insurance premiums is expected to be generally in line with sales growth in the short term.
- Revenue from finance charges declined 1.2% due to the lower average interest rate in the debtors' book for the period.
- Revenue from ancillary services, comprising monthly service and initiation fees and extended warranty contracts increased by 16.2%.

Gross profit margin improved by 260 basis points from 36.3% to 38.9%. After considering the current volatility in the Rand management has set the 2013 margin target at 36% – 38%.

Revenue Mix



Operating costs, excluding debtor costs, increased by 8.8%. Cost growth for the second half of the year was contained at 6.5%. Expenses were impacted by higher marketing and promotional activity to support sales, as well as increasing electricity and transport costs. Operating costs as a percentage of revenue was in line with the target of 35% to 36% and includes the costs associated with the opening and operating of 29 new stores..

Analysis of operating costs	2012 Rm	2011 Rm	Change %
Employment costs	733	693	5.7
Admin and IT	221	208	6.3
Marketing	185	156	17.6
Occupancy costs	207	186	11.4
Transport/Travel	178	148	20.6
Depreciation	49	47	4.3
Other operating costs	177	170	4.9
Total	1 750	1 608	8.8
% of revenue	36.0%	35.1%	

"The board has shown its confidence in the group's long-term outlook by increasing the final dividend for the year by 30.4% to 270 cents."

Les Davies Chief Financial Officer

Debtor costs increased from 10.2% to 10.8% of net debtors in a tight collections environment. Debtor costs include bad debts and repossession losses net of recoveries and the movement in the impairment provision. An encouraging feature of debtor costs was the containment in the growth to 8.7% in the second six months, averaging growth of 13.8% for the year.

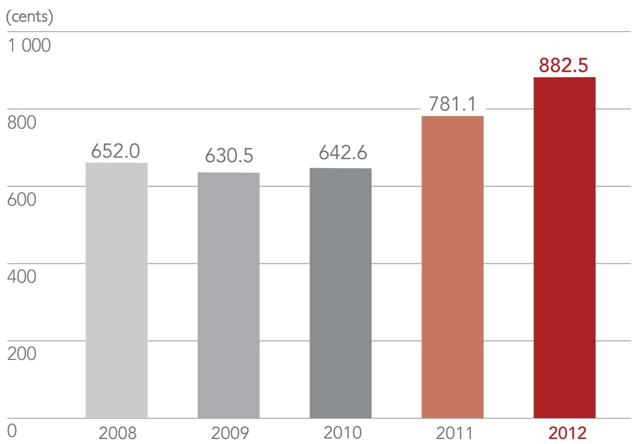
The impairment provision increased from 16.8% to 18.0% of net debtors owing to the higher capital investment in longer term contracts and the difficult collections environment.

Operating profit margin increased from 23.0% to 23.5%, translating into an 8.2% growth in operating profit to R1 139 million (2011: R1 052).

Investment income rose by 12.1% to R92 million comprising interest income, dividend income and realised equity gains of R17 million.

Headline earnings increased to R780.6 million (2011: R688.9 million), with headline earnings per share 13.0% higher at 882.5 cents (2011: 781.1 cents) benefiting from foreign exchange gains of R15.2 million (2011: loss of R8.0 million).

Headline EPS



Segmental performance

		Group	Lewis	Best Home and Electric	My Home
Revenue (Rm)		4 857	4 084	653	120
Revenue growth (%)		6.1	6.0	11.0	(11.6)
Operating profit (Rm)		1 139	985	146	8
Operating margin (%)	2012	23.5	24.1	22.3	7.0
	2011	23.0	23.9	21.4	5.0

- Lewis increased revenue by 6% and accounted for 84% of the group's total revenue with merchandise sales increasing by 3.6%. The operating margin improved from 23.9% to 24.1%.
- Best Home and Electric grew revenue by 11.0%, with merchandise sales 10.6% higher. Operating margin increased from 21.4% to 22.3%.
- My Home expanded operating margin from 5.0% to 7.0%.

Refer to the detailed financial and operational performance summaries of the three brands in the Merchandise and Trading Brands Report on pages 34 to 37.

Balance sheet

Insurance investments increased by R281 million to R1 379 million. Monarch's investment portfolio is managed in conjunction with Sanlam Investment Management and at year-end 32% of the assets were held in listed equities and 68% in cash and bonds.

Inventory levels settled at R281 million at year-end. Inventory turn was 5.1 times and within our range.

Net instalment sale and loan receivables increased by 7.5% to R4 845 million (2011: R4 518 million) and the group's net asset value increased by 14.6% to R4 275 million.

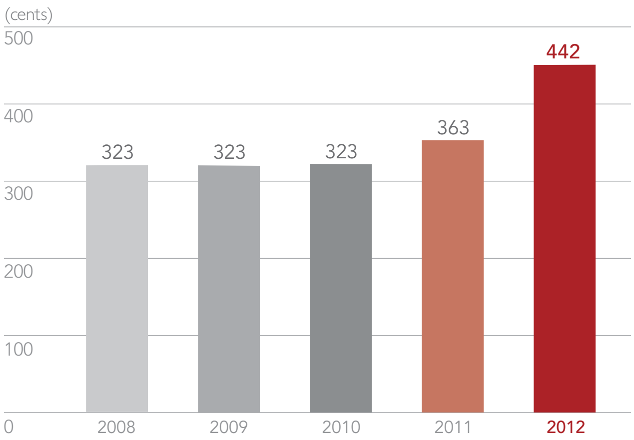
Capital ratios	**2012**	2011
ROE	**20.0%**	20.3%
ROCE	**16.7%**	17.2%
ROA	**21.1%**	21.8%

Chief financial officer's report continued

Cash and capital management

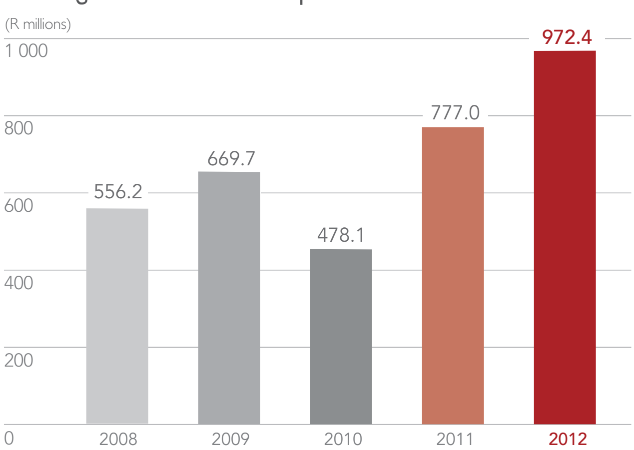
Shareholders will receive a total dividend for the year of 442 cents per share (2011: 363 cents), an increase of 22% over the previous year. The payout comprises an interim dividend of 172 cents (2011: 156 cents) and a final dividend of 270 cents (2011: 207 cents). The final dividend has been increased by 30.4% to soften the impact of the recently introduced dividend withholding tax of 15%.

Dividends per share



Cash generated from operations reflected a solid increase of R200 million as a result of the improvement in operating margin and slower growth in the debtor book. The group's gearing ratio reduced to 23.3% from 26.8% in the previous year.

Cash generated from operations



The year ahead

Capital expenditure of R94 million has been budgeted for the 2013 financial year. The majority of the expenditure will be allocated to the ongoing renewal of the delivery fleet. No share buy-back is planned for 2013 as the group will continue to invest in the growth of the debtor book.

The planned opening of 20 to 25 new stores across the Lewis and Best Home and Electric brands will not materially increase trading space as a large proportion will be smaller format stores.

Financial and operating targets	2013	Medium-term
Gross profit margin (%)	36 – 38	36 – 38
Operating costs as a % of revenue	36 – 37	35 – 36
Debtor costs as a % of net trade receivables	9.5 – 10.5	8
Operating profit margin (%)	23 – 24	26
Inventory turn (times)	5 – 5.5	5 – 5.5
Gearing (%)	28 – 32	<35
Dividend payout ratio (%)	50 – 55	50 – 55

Appreciation

Thank you to the investment community both locally and internationally for your positive engagement with the group. We also welcome shareholders who invested in the group for the first time this year. The group is committed to enhancing financial reporting and disclosure as we strive to achieve best practice.

Les Davies
Chief Financial Officer

Shareholders

Five year review

Group income statements

		2012 Rm	% change on LY	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Revenue		4 857.3	6.1%	4 577.7	4 110.6	3 807.1	3 596.4
Merchandise sales		2 365.4	3.3%	2 290.3	2 045.5	1 919.9	1 889.7
Cost of sales		(1 446.3)		(1 458.6)	(1 330.6)	(1 318.3)	(1 272.1)
Gross profit		919.1	10.5%	831.7	714.9	601.6	617.6
Gross profit margin		38.9%		36.3%	34.9%	31.3%	32.7%
Other revenue		2 491.9	8.9%	2 287.4	2 065.1	1 887.2	1 706.7
Finance charges earned		908.2		919.6	907.1	826.6	794.9
Insurance premiums earned		868.5		752.4	616.0	581.4	564.2
Ancillary services		715.2		615.4	542.0	479.2	347.6
Operating costs – excluding debtor costs		1 749.6	8.8%	1 607.7	1 438.6	1 317.7	1 250.4
Employment costs		732.9		693.5	607.4	542.0	523.3
Administration and IT		220.7		208.1	194.7	176.0	177.4
Marketing		184.5		156.5	134.3	124.0	118.3
Occupancy costs		207.3		186.1	165.1	150.5	135.1
Transport and travel		177.9		147.5	135.9	138.8	127.3
Depreciation		48.5		46.5	46.3	47.3	44.0
Other operating costs		177.8		169.5	154.9	139.1	125.0
Operating costs – excluding debtor costs (% of revenue)		36.0%		35.1%	35.0%	34.6%	34.8%
Debtor costs		522.3	13.8%	458.9	434.2	338.8	190.4
Operating profit		1 139.1	8.2%	1 052.5	907.2	832.3	883.5
Operating profit margin		23.5%		23.0%	22.1%	21.9%	24.6%
Investment income		91.9		82.0	77.5	76.9	71.7
Profit before finance costs		1 231.0	8.5%	1 134.5	984.7	909.2	955.2
Finance costs		(63.2)		(91.9)	(121.2)	(86.5)	(56.8)
Interest		(78.4)		(83.9)	(88.7)	(97.0)	(61.7)
Forward exchange contracts		15.2		(8.0)	(32.5)	10.5	4.9
Net profit before tax		1 167.8	12.0%	1 042.6	863.5	822.7	898.4
Taxation		(367.2)		(330.7)	(272.1)	(261.5)	(289.9)
Attributable profit		800.6	12.5%	711.9	591.4	561.2	608.5
Headline earnings		780.7	13.3%	688.9	565.5	556.2	584.1
Productivity							
Number of stores		602		582	548	535	525
Trading space	m^2	229 542		231 184	225 891	223 102	220 236
Trading density	R/m^2	21 161		19 801	18 197	17 064	16 330
Revenue per store	R000's	8 069		7 865	7 501	7 116	6 850
Operating profit per store	R000's	1 892		1 808	1 655	1 556	1 683
Revenue per employee	R000's	688		669	616	588	537
Operating profit per employee	R000's	161		154	136	128	132
Operating profit per m^2	R	4 962		4 553	4 016	3 731	4 012
Inventory turn	times	5.1		5.7	6.0	5.8	5.5

Group balance sheets

		2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Assets						
Non-current assets						
Property, plant and equipment		311.9	278.7	251.1	225.1	197.5
Insurance investments		1 005.3	857.1	716.0	535.1	505.4
		1 317.2	1 135.8	967.1	760.2	702.9
Current assets						
Inventories		281.4	256.3	210.0	228.0	230.4
Trade and other receivables		4 064.5	3 835.0	3 427.6	2 893.4	2 571.8
Insurance investments		373.3	240.2	178.1	199.1	159.5
Cash on hand and deposits		77.9	84.3	62.2	54.8	66.8
		4 797.1	4 415.8	3 877.9	3 375.3	3 028.5
Total assets		6 114.3	5 551.6	4 845.0	4 135.5	3 731.4
Equity and liabilities						
Capital and reserves		4 274.6	3 728.1	3 273.7	2 900.3	2 696.2
Liabilities						
Interest-bearing borrowings		1 074.0	1 083.0	961.4	737.0	703.4
Insurance creditors		352.7	319.2	251.5	176.4	135.5
Trade payables, accruals and other payables		233.1	247.8	198.5	227.7	166.9
Taxation and deferred taxation		116.3	114.0	108.1	40.2	(28.3)
Other liabilities		63.6	59.5	51.8	53.9	57.7
		1 839.7	1 823.5	1 571.3	1 235.2	1 035.2
Total equity and liabilities		6 114.3	5 551.6	4 845.0	4 135.5	3 731.4
Credit ratios						
Credit sales %		71.4%	71.4%	68.5%	64.3%	66.9%
Bad debts as a % of net debtors		8.3%	7.4%	8.3%	6.0%	5.9%
Debtors costs as a % of net debtors		10.8%	10.2%	10.9%	10.0%	6.5%
Debtors impairment provision as a % of net debtors		18.0%	16.8%	16.0%	15.7%	13.5%
Satisfactory paid customers		72.1%	74.5%	72.7%	72.0%	75.1%
Arrear instalments on satisfactory paid accounts as a % of net debtors		10.3%	10.1%	9.3%	9.5%	10.6%
Arrear instalments on slow paying and non-performing accounts as a % of net debtors		21.9%	19.9%	19.8%	20.9%	19.3%
Doubtful debts provision on non-performing accounts		76.9%	78.8%	74.9%	71.3%	69.6%
Credit applications decline rate		33.0%	31.5%	27.5%	25.4%	22.5%
Solvency and liquidity						
Gearing ratio		23.3%	26.8%	27.5%	23.5%	23.6%
Financing cover	times	19.5	12.3	8.1	10.5	16.8
Current ratio	times	4.7	3.4	3.5	3.2	3
Returns						
Return on average shareholders funds (after-tax)		20.0%	20.3%	19.2%	20.1%	23.3%
Return on average capital employed (after-tax)		16.7%	17.2%	17.2%	17.7%	20.4%
Return on average assets managed (pre-tax)		21.1%	21.8%	21.9%	23.0%	26.7%

Shareholders

Five year review continued

Group cash flow statements

	2012 Rm	2011 Rm	2010 Rm	2009 Rm	2008 Rm
Cash flow from operating activities					
Cash flow from trading	1 358.3	1 295.6	1 130.0	1 050.1	949.0
Change in working capital	(385.9)	(518.6)	(651.9)	(380.4)	(392.8)
Cash generated from operations	972.4	777.0	478.1	669.7	556.2
Dividends and interest received	76.6	66.0	59.9	96.3	61.0
Interest paid	(67.0)	(95.1)	(127.2)	(108.5)	(68.2)
Tax paid	(377.4)	(328.0)	(214.2)	(185.6)	(290.4)
	604.6	419.9	196.6	471.9	258.6
Cash utilised in investing activities					
Net additions to insurance investments	(194.1)	(160.4)	(60.5)	(111.7)	(43.2)
Acquisition of property, plant and equipment	(87.8)	(78.6)	(74.0)	(77.0)	(59.8)
Proceeds on disposal of property, plant and equipment	10.2	11.7	8.2	5.7	5.7
	(271.7)	(227.3)	(126.3)	(183.0)	(97.3)
Cash flow from financing activities					
Dividends paid	(335.5)	(295.6)	(284.4)	(284.3)	(262.7)
Increase/(decrease) in borrowings	300.0	0.0	450.0	200.0	(1.0)
Transactions on own shares	5.2	3.5	(2.9)	(50.2)	(140.6)
	(30.3)	(292.1)	162.7	(134.5)	(404.3)
Net cash movement in cash and cash equivalents	302.6	(99.5)	233.0	154.4	(243.0)
Cash and cash equivalents at the beginning of the year	(348.7)	(249.2)	(482.2)	(636.6)	(393.6)
Cash and cash equivalents at the end of the year	(46.1)	(348.7)	(249.2)	(482.2)	(636.6)
Analysis of borrowings and banking facilities					
Borrowings					
Long-term	650.0	400.0	350.0	100.0	–
Short-term	300.0	250.0	300.0	100.0	–
	950.0	650.0	650.0	200.0	–
Cash and cash equivalents					
Short-term facilities utilised	124.0	433.0	311.4	537.0	703.4
Cash on hand	(77.9)	(84.3)	(62.2)	(54.8)	(66.8)
	46.1	348.7	249.2	482.2	636.6
Net borrowings	996.1	998.7	899.2	682.2	636.6
Unutilised facilities	753.9	451.3	550.8	567.8	363.4
Total banking facilities	1 750.0	1 450.0	1 450.0	1 250.0	1 000.0

Indicators

		2012	2011	2010	2009	2008
Share performance						
Earnings per share	cents	**905.0**	807.2	672.0	636.2	679.3
Headline earnings per share	cents	**882.5**	781.1	642.6	630.5	652.0
Dividends per share	cents	**442**	363	323	323	323
Dividend payout ratio	%	**54%**	50%	53%	56%	50%
Cash flow per share	cents	**1 099.2**	881.0	543.3	759.2	620.9
Net asset value per share	cents	**4 828.1**	4 225.1	3 718.8	3 302.6	3 019.7
Share price:						
Closing price	R	**76.20**	74.50	56.50	42.69	41.90
High	R	**89.00**	85.00	61.30	52.00	75.00
Low	R	**66.15**	56.00	40.06	28.51	43.00
Price-earnings ratio		**8.4**	9.2	8.4	6.7	6.2
Number of shares in issue	million	**98.1**	98.1	98.1	98.1	99.2
Volume of shares traded	million	**79.9**	68.5	95.9	96.0	110.5
Value of shares traded	million	**6 191**	4 577	4 911	3 680	6 285
Market capitalisation	million	**7 472**	7 305	5 540	4 188	4 156
Number of shareholders		**4 173**	6 161	1 968	1 609	1 501
Social and environmental						
Average number of employees (permanent employees only)		**7 062**	6 842	6 668	6 480	6 696
Number of staff trained		**5 604**	3 096	2 627	2 148	2 698
B-BBEE level (current enacted scorecard)		**4**	5	7	n/a	n/a
Employment equity: black employees	%	**90%**	89%	88%	83%	81%
Gender equity: female employees	%	**55%**	55%	55%	55%	55%
Socio-economic development expenditure	Rm	**8.3**	7.3	6.1	2.6	1.5
Carbon footprint (estimated tonnes of CO_2 equivalents)		**49 063**	46 539	47 266	n/a	n/a
Participation in Carbon Disclosure Project		**Yes**	Yes	Yes	–	–
Inclusion in JSE SRI Index		**Yes**	–	–	–	–

Explanatory notes:

1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The 2008 and 2009 results have restated for the change in accounting policy with regard to the deferred costs on initiation fees.
3. The 2008 to 2010 figures for the cash flow statement has been restated to exclude of the short-term portion of long-term borrowings.
4. Total assets exclude the deferred tax asset.
5. The BBBEE scorecard level has only been disclosed from 2010 onwards since this was the first score done on the current methodology prescribed by the Department of Trade and Industry.
6. The carbon footprint has only been calculated since the 2010 financial year.

Shareholders

Five year review continued

Definitions

The definitions below should be read in conjunction with the accounting policies set out in the group annual financial statements (these are available on our website www.lewisgroup.co.za or available from the company secretary).

Return on average shareholders' funds

Profit attributable to ordinary shareholders as a percentage of average shareholders' equity.

After tax return on average capital employed

After tax return for capital is the profit attributable to ordinary shareholders plus finance costs paid to providers of capital less the attributable tax on finance costs.

Capital employed is shareholders' interest and interest-bearing debt.

The after tax return on average capital employed is the after tax return for capital as a percentage of the average capital employed for the year.

Before tax return on average assets managed

The before tax return on average assets managed is the profit before interest and tax as a percentage of the average total assets.

Gross profit margin

Gross profit as a percentage of merchandise sales.

Operating profit margin

Operating profit as a percentage of revenue.

Inventory turn

Cost of merchandise sales divided by the closing inventory.

Slow paying accounts (receivables)

These are customers who, to date, have paid between 65% and 70% of the amount due to Lewis over the whole period of the contract.

Non-performing accounts (receivables)

These are customers who, to date, have paid less than 65% of the amount due to Lewis over the whole period of the contract.

Financing cover

Profit before finance costs and taxation divided by the finance costs.

Gearing ratio

Interest-bearing debt, reduced by cash and cash equivalents, divided by shareholders' equity.

Current ratio

Current assets divided by current liabilities.

Earnings per share

Profit attributable to ordinary shareholders divided by the weighted average number of shares in issue.

Headline earnings per share

Headline earnings divided by the weighted average number of shares in issue.

Cash flow per share

Cash generated from operations divided by the weighted average shares in issue.

Net asset value per share

The net asset value divided by the number of shares in issue, after deducting treasury shares, at the end of the year.

Price earnings ratio

The closing price on the JSE Limited on 31 March divided by the earnings per share.

Dividends per share

The dividends declared in respect of the financial year expressed as cents per share. Note that this will not correlate to the dividends reflected in the financial accounts since dividends for financial statement purposes are only recorded on payment.

Customers

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Customers

Merchandise and trading brands

Merchandise strategy

The group's merchandise strategy is based on the philosophy that customers are attracted into stores by the product offer rather than the credit offer.

The focus is therefore on providing customers with quality, exclusive and differentiated furniture ranges. This is achieved through the following:

- Innovative product sourcing both locally and offshore enables the group to offer customers exclusive and distinctive furniture ranges at affordable prices.
- Added value features and components on products ensure differentiation and enhance the perceived value of the merchandise.
- New furniture ranges are launched twice each year to offer ongoing newness to customers.

During the past year management has continued to focus on increasing sales of the higher margin furniture and appliance product categories, which now accounts for 83% of total sales.

Merchandise sourcing

Products are sourced from local and international suppliers with a view to ensure exclusive product ranges.

The import programme ensures furniture ranges are developed using the latest designs and manufacturing techniques. International factories accommodate a broader range of developmental designs and offer a wider variety of raw materials which allows for product differentiation. Imports offer price and design advantages and mitigate the risk of disruption in local supply. Direct imports accounted for 26% of total purchases in the period under review.

All products are supported by local and overseas after-sales service to ensure quality standards are maintained. Before consignments are despatched from suppliers a sample of all imported products are assembled and tested for quality purposes.

Products are sourced to meet the specific needs of the group's target customers in the lower to middle income group. The offering includes branded merchandise which is appealing to this target market, selling more contemporary lines in each furniture category to attract younger customers and furniture ranges for smaller homes.

An electronic merchandise catalogue is displayed in all stores. As the complete merchandise range cannot be stocked in stores owing to space constraints, sales staff assist customers to navigate their way through the full range on a large touch screen, as well as view all the available colour and fabric options.

Supply chain and logistics

The group's supply chain model is based on merchandise being delivered directly by suppliers to stores. The group does not operate distribution centres or centralised warehouses. Each store has a storage facility which is located close to the store, generally in an area with lower rentals than retail space. Stores have their own vehicles and are responsible for all deliveries to customers. In the past year an average of 90% of deliveries were completed within 24 hours of the sale.

LEWIS

Lewis is South Africa's largest furniture brand and contributes 83% of the group's merchandise sales. Stores sell a range of household furniture, electrical appliances and home electronics to customers in the LSM 4 to 7 target market.

Stores are generally located in main streets and town centres, with a limited presence in shopping centres.

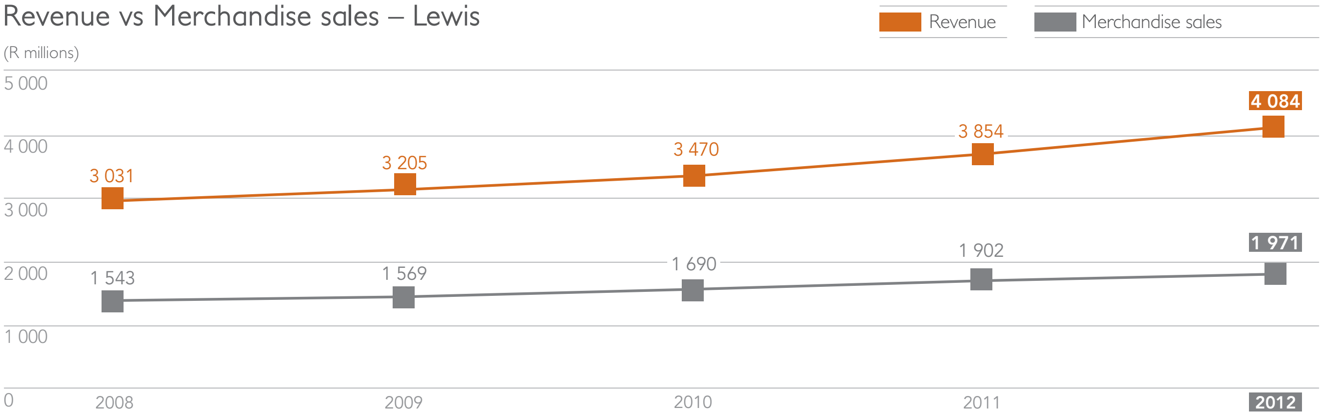
Each store carries a basic range of merchandise and stores then select a further optional range to cater for specific markets and regional differences.

Lewis has 468 stores, including 52 stores in Botswana, Lesotho, Namibia and Swaziland.

Conventional stores average 400 m^2 and the smaller format stores 250 m^2. The smaller format store, introduced three years ago, has enabled the chain to gain access to high traffic areas at more affordable rentals. This store format offers customers key merchandise lines, with the full range available on the electronic catalogue and display screens in-store. Lewis now has 54 small format stores in its portfolio.

Financial and operating performance		2012	2011
Revenue	Rm	4 083.8	3 853.5
Revenue growth	%	6.0	11.0
Merchandise sales	Rm	1 971.0	1 901.9
Merchandise sales growth	%	3.6	12.6
Credit sales	%	72.1	72.2
Operating profit	Rm	985.1	919.7
Operating profit margin	%	24.1	23.9%
New stores opened		17	21
Total stores		468	454
Total trading space	m^2	206 205	206 953
Annual revenue per m^2	R'000	19.8	18.6

Revenue vs Merchandise sales – Lewis



Customers

Merchandise and trading brands continued

BEST HOME AND ELECTRIC

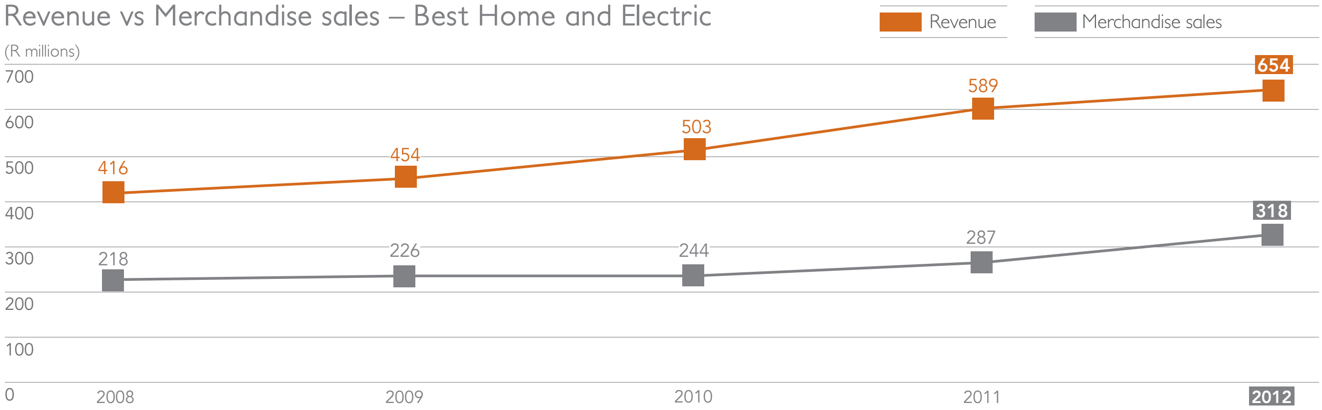
Best Home and Electric is a retailer of electrical appliances, sound and vision equipment and selected furniture lines. The chain offers branded merchandise which is differentiated from Lewis to create a distinctive electrical goods brand to its targeted customers in the growing LSM 4 to 7 groups

The electronic catalogue is used extensively to market furniture ranges, and furniture now accounts for 34% of sales in the chain after being introduced four years ago.

Stores are smaller than Lewis stores and average 150 m², being located mainly in high traffic areas with high trading densities.

Financial and operating performance		2012	2011
Revenue	Rm	653.5	588.5
Revenue growth	%	11.0	16.9
Merchandise sales	Rm	318.0	287.4
Merchandise sales growth	%	10.6	17.9
Credit sales	%	70.0	70.8
Operating profit	Rm	145.6	126.0
Operating profit margin	%	22.3	21.4
New stores opened		12	15
Total stores		118	107
Total trading space	m²	16 881	15 415
Annual revenue per m²	R'000	38.7	38.2

Revenue vs Merchandise sales – Best Home and Electric



MY HOME

My Home targets customers in the LSM 7 to 8 categories who require more aspirational furniture while utilising in-store credit facilities.

Introduced as a pilot project in 2010, My Home focuses on offering exclusive and innovative ranging of aspirational yet still traditional furniture.
Although aimed at a higher earning target market than Lewis, My Home applies the existing Lewis business model and utilises the group's well-established credit infrastructure.
Stores average 400 m^2 and are located mainly in high traffic areas.
My Home's performance over the next 12 months will be key to determining the future of the brand.

MONARCH INSURANCE

The retail chains are supported by Monarch Insurance, the group's short-term insurer, which offers a range of short-term insurance products to customers purchasing merchandise on credit.

Insurance cover is provided for the settlement of customers' outstanding debt in the event of death, permanent disability, retrenchment and the replacement of goods as a result of accidental loss, such as fire, theft or natural disaster.
Customers buying insurance products through Monarch qualify for free membership of the Lewis Club.
Monarch is registered with the Financial Services Board and operates under a short-term insurance licence.

Customers

Credit

During the period the consumers' wallet was impacted by rising food, utility and transport costs. The group's centralised credit granting and decentralised collection processes has been a core strength in managing debtor cost in this tight environment.

Debtor costs settled at 10.8% of net debtors. An encouraging feature of the second six months of the year was the containment of the increase in debtor costs at 8.7% against 13.8% for the full year. The medium term target is to reduce debtor costs to 8% of net debtors.

An analysis of the group's debtors' book based on payment ratings shows that 72.1% of customers are in the "satisfactory paid" category compared to 74.5% the previous year. Non-performing accounts increased from 11.2% to 13.0% at year-end. These non-performing accounts remain on the debtors' book while it is economically viable to collect the outstanding debt and are covered by an average impairment provision of 95%.

The group is adequately provided with the impairment provision at 18% which compares to average debtor costs of between 10% and 11% over the last four years.

Credit applications increased by 5.9% supported by a strong customer acquisition strategy and credit sales as a percentage of total sales were consistent with 2011 at 71.4%.

The group's credit policy was consistently applied during the year. The decline rate increased from 31.5% to 33.0% and speaks to the indebtedness of consumers.

Credit ratios and statistics

		2012	2011
Credit sales as % of total sales	%	71.4	71.4
Net debtors	Rm	4 858.2	4 518.1
Increase in net debtors	%	7.5	13.7
Debtors' impairment provision	Rm	875.2	758.3
Debtors' impairment provision as % of net debtors	%	18.0	16.8
Debtors costs	Rm	522.3	458.9
Debtors costs as a % of net debtors	%	10.8	10.2
Bad debts as a % of net debtors	%	8.3	7.4
Satisfactory paid accounts as a % of net debtors	%	72.1	74.5
Arrear instalments on satisfactory paid accounts as a % of net debtors	%	10.3	10.1
Arrear instalments on slow-paying and non-performing accounts as a % of net debtors	%	21.9	19.9
Debtors' impairment provision on non-performing accounts	%	76.9	78.8
Credit application decline rate	%	33.0	31.5

Credit risk management

Credit risk management strategies have been consistently applied and it remains company policy to never re-schedule contracts.

Credit applications are transmitted to head office where the credit application scorecards are applied. Application risk scorecards predict the risk of a potential new customer becoming delinquent in the future taking into account the applicant's payment record with other credit providers. Credit policies determine the credit limit, term and deposit required for each customer. The group currently uses 15 risk scorecards, while 76 risk segments have been defined for the application of credit policies across the group.

Behavioural scorecards predict the risk for repeat customers and are based on customers' payment behaviour with Lewis as well as outside credit providers. All existing customers are referenced at the credit bureau on a monthly basis to ensure that risk and affordability assessments are current.

When entering into a new credit agreement, every customer is interviewed by the store manager and the cost of credit, terms and conditions of the credit are explained.

As a responsible provider of credit, an important factor in granting credit is the level of indebtedness of an applicant as this impacts directly on the ability to service debt. The average ratio of household debt to disposable income of current customers has increased from 44.2% to 45.8% an indication of the increasing pressure customers are facing from rising fuel, electricity and food costs. However, the level compares favourably with the national average of 75% reflecting the potential for credit sales in the target market.

Credit collection

Lewis operates a decentralised credit collection process, with stores responsible for the cash collection and follow-up of defaulting customers.

This decentralised model is very effective as stores are located close to where the customers work, shop, commute and live. Customers pay their monthly accounts in the store and the convenient locations make it easy to visit the stores.

Store collection staff have a direct relationship with the customers who are often from the same community and this benefits the collection rate.

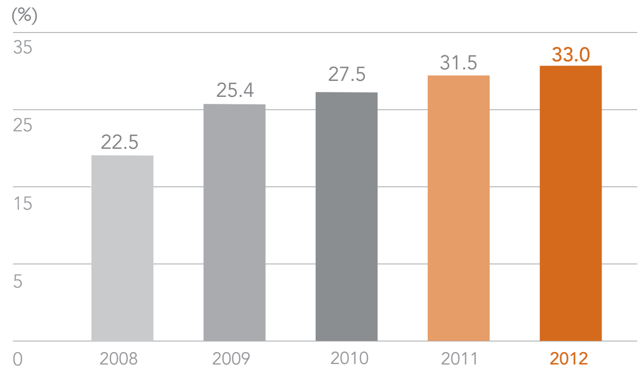
The store-based collections model has proved its worth through the economic slowdown. The monthly contact with customers provides an early indication of payment difficulties.

Customer ratings

Lewis operates a payment rating system which assesses customer payment behaviour over the lifetime of an account. Customers are assessed monthly based on their payment behaviour and allocated one of 13 lifetime payment ratings. Customer accounts are impaired monthly based on the performance of the accounts.

These payment categories have been summarised into four main groupings of customers. The average impairment provision on non-performing customers is 76.9%.

Credit application decline rate



Debtors' payment analysis			Number of customers		Impairment provision %	
			2012	2011	2012	2011
Satisfactory paid	Customers fully up to date including those who have paid 70% or more	No. %	491 478 72.1%	521 304 74.5%	1%	1%
Slow payers	Customers who have paid between 70% and 65% of amounts due over the contract period	No. %	55 791 8.2%	55 439 7.9%	26%	27%
Non-performing customers	Customers who have paid between 65% and 55% of amounts due over the contract period	No. %	45 978 6.7%	44 436 6.4%	42%	44%
Non-performing customers	Customers who have paid 55% or less of amounts due over the contract period	No. %	88 265 13.0%	78 174 11.2%	95%	98%
			681 512	699 353	18.0%	16.8%

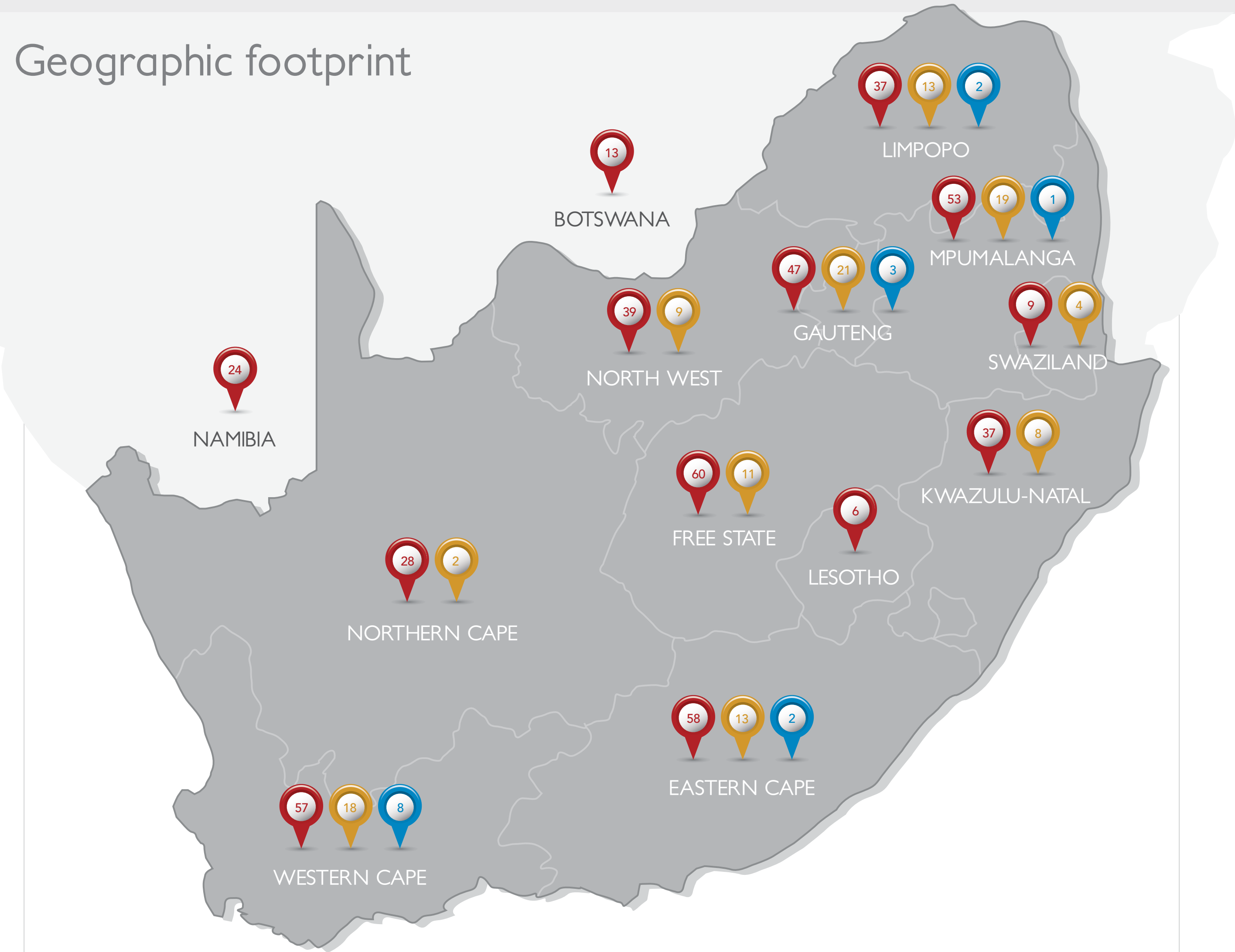
Managing credit in the year ahead

During the 2013 financial year the group will continue with its prudent approach to credit management. Focus areas for the coming year include:

- Continuing to develop and refine predictive risk models to take account of changes in the credit market.
- Strengthening the operational credit team and increasing the focus on collections productivity.
- Enhancing retention strategies for existing customers.
- Expanding on new account acquisition strategies.

Customers

Geographic footprint



	Lewis	Best Home and Electric	My Home
South Africa			
Free State	60	11	–
Eastern Cape	58	13	2
Western Cape	57	18	8
Mpumalanga	53	19	1
Gauteng	47	21	3
North West	39	9	–
Limpopo	37	13	2
KwaZulu-Natal	37	8	–
Northern Cape	28	2	–
Total	**416**	**114**	**16**
Namibia	24	–	–
Botswana	13	–	–
Swaziland	9	4	–
Lesotho	6	–	–
Stores as at 31 March 2012	468	118	16
Total stores	602		

Employees

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Remuneration report

Key to the group's philosophy is recognising employees' contributions to the success of the business and their demonstration of the company's values.

Remuneration policy

Remuneration philosophy

Lewis Group strives to create a performance-oriented remuneration culture which fairly rewards executives and staff for their contribution in achieving the group's strategic, financial and operational objectives. Key to the group's philosophy is recognising employees' contributions to the success of the business and their demonstration of the company's values. The sustainability and growth of the group is dependent on the ability to attract, retain and motivate competent people.

Remuneration principles

Remuneration practices are structured to encourage sustainable, long-term wealth creation through the following:

- Aligning remuneration practices with the group's strategy.
- Aligning executive reward systems with the interests of shareholders.
- Promoting a performance-based culture across the business.
- Offering appropriate short-term and long-term performance-related rewards that are fair and achievable.
- Attracting and retaining talented individuals in the furniture retail and financial services industries.
- Managing employment costs while at the same time rewarding, retaining and motivating talented executives and staff.

Remuneration governance

The board is accountable for the remuneration philosophy, policy and practices. Responsibility for oversight of the group's remuneration policies and practices has been delegated to the Remuneration Committee.

The Committee is chaired by an independent non-executive director. The chief executive officer attends meetings at the invitation of the Committee. The committee may, at its discretion, invite other executives or external advisers to attend meetings but no individual may be present when his or her remuneration is discussed.

The responsibilities of the Committee are as follows:

- Ensuring the remuneration policy is aligned with the group's strategic objectives and encourages superior individual performance.
- Reviewing and approving compensation of executive directors, non-executive directors and senior executives.
- Ensuring executive directors are fairly rewarded based on market trends, surveys, individual performance and contribution.
- Reviewing incentive schemes to ensure continued alignment to the enhancement of shareholder value.
- Approving the award of share incentives.
- Ensuring employee benefits are suitably disclosed.
- Recommending non-executive directors' fees for shareholder approval.
- Ensuring practices are compliant with relevant legislation and regulation.

The group's remuneration policy is subject to a non-binding advisory vote by shareholders at the annual general meeting each year. This enables shareholders to express their views on the remuneration policy and for the board to take these views into account.

Remuneration benchmarking

Remuneration needs to be market-based and competitive owing to the portability of skills. External remuneration surveys are used to benchmark executive and non-executive remuneration in comparable positions. Market surveys assist in ensuring executives are competitively rewarded in line with their performance and contribution. Remuneration packages are determined by considering market trends, the importance of a position relative to the group's business, the required skills set, job specific expertise, performance and contribution of individuals.

Composition of remuneration

Executive director

Executive director remuneration packages comprise the following elements:

- Annual guaranteed pay
- Annual cash-based performance bonus
- Long-term share-based incentives.

Executive directors have service contracts which are subject to one year's notice period from either party.

Annual guaranteed pay

Annual guaranteed pay includes a cash salary and company contributions to retirement and healthcare funding. Cash salaries are set at the market median and are benchmarked against peers in comparable positions in similar companies. Salaries are reviewed annually and the level of increase is based on individual and group performance. Increases are effective from 1 April at the start of the financial year.

Annual cash-based performance bonus

Executive directors participate in a bonus scheme which is linked to their base salary. No portion of any executive director bonus is guaranteed. Bonus payments are based on group performance relative to board-approved targets. The performance of the executive directors is evaluated against the following financial indicators:

- Revenue growth
- Merchandise sales growth
- Gross profit margin
- Operating cost management
- Debtor cost management
- Growth in operating profit
- Growth in net profit before taxation.

The targets for gross profit margin, operating costs, debtor costs and operating profit margin are disclosed in the Integrated Report each year. The targets for revenue growth, merchandise sales growth and net profit before taxation are not disclosed for competitive reasons.

The sustainability of the group's business is critical in determining remuneration and performance targets are designed to discourage increased risk taking by the executives.

Achievement of between 90% and 100% of target results in the payment of a bonus increasing on a pro rata basis from 50% to 100% of cash salary. Where actual performance exceeds 100% up to a maximum of 110% of target, bonuses are increased on a pro rata basis to a maximum of 150% of cash salary.

Bonuses are paid at the end of the first quarter of the following financial year.

Long-term share-based incentives

Share incentive schemes are aimed at incentivising the executive directors to contribute to the long-term growth and sustainability of the group, attracting and retaining talented people and aligning rewards with shareholder interests.

The group's share schemes are equity-settled. The total number of shares and options under the schemes may not exceed 10% in the aggregate of the group's issued share capital. Awards will only be paid if the participant is in the employ of the group at the time of vesting, other than in the event of death, ill-health, retirement or retrenchment.

Participation in the schemes is at the discretion of the Remuneration Committee and limited to the executive directors of Lewis Group and the directors, general managers and selected senior staff of Lewis Stores (Proprietary) Limited ("Executives"). Awards are made annually in June. Special awards can be made when the Remuneration Committee deems it appropriate.

Executive Performance Scheme

Awards under this scheme offer executives the right to acquire shares for no consideration, subject to the achievement of board-approved annual performance targets. Awards vest after three years. Targets are set for each of the three years and a proportionate number of shares are allocated to each year. These shares are accrued based on the vesting scale set out below. No performance shares will accrue in a particular year if the group achieves less than 90% of its targeted performance in that year.

The vesting scale which applies in each year is as follows:

90.0% and 95.0% of budgeted net profit	40% vesting
95.1% and 99.9% of budgeted net profit	70% vesting
100% of budgeted net profit	100% vesting

Co-investment Scheme

This scheme is aimed at retaining executives. Executives are able to invest all or part of their net after tax annual performance bonus in the group's shares. At the date of the award matching shares equal to the pre-tax amount invested by the Executives are granted for no consideration. These invested shares are held by the share trust for three years. The matching shares only vest if the Executive is in the employ of the group at the end of the three year period, and has not elected early withdrawal from the scheme.

Remuneration report continued

Other senior management

The directors, general managers and selected senior staff of Lewis Stores (Proprietary) Limited receive an annual guaranteed salary, which includes retirement and healthcare benefits. They may also participate in the annual performance bonus scheme and the long-term share-based incentive schemes described above, at the discretion of the Remuneration Committee. Salaries are reviewed annually and the level of increase is based on group and individual performance.

Staff

Staff receive a base salary, performance-linked incentives or a 13th cheque, retirement and healthcare funding. The group subsidises membership of designated healthcare schemes. Staff benefits include educational bursaries, discounts on staff purchases and low-cost funeral and personal accident insurance. Membership of one of the group's five retirement funds is compulsory for all permanent staff. Salaries are reviewed annually and the level of increase is based on group and individual performance.

Non-executive directors

Non-executive directors are paid a base fee for their services as directors. In addition, fees are paid for serving on board committees. The fees are benchmarked externally against comparable companies and based on an assessment of the non-executive director's time commitment and increased regulatory and governance obligations.

In line with best governance and remuneration practice, non-executives do not participate in the group's incentive schemes. None of the non-executive directors have service contracts with the group and no consultancy fees were paid to non-executive directors during the period.

The remuneration of non-executive directors is reviewed annually by the Remuneration Committee and recommended to shareholders for approval at the annual general meeting.

Remuneration reporting for 2012

Executive directors' remuneration

Executive directors' remuneration

Director (R'000)	Salaries	Bonuses paid*	Pension contributions	Medical aid contributions	Gains on share awards: Executive performance scheme†	Gains on share awards: Co-investment scheme×	Total remuneration
2012							
Johan Enslin	2 524	2 258	404	81	2 230	1 299	8 796
Les Davies	2 023	1 850	324	83	2 230	1 299	7 809
Total	4 547	4 108	728	164	4 460	2 598	16 605
2011							
Johan Enslin	2 258	1 393	361	69	809	955	5 845
Les Davies	1 850	1 258	296	63	809	860	5 136
Total	4 108	2 651	657	132	1 618	1 815	10 981

* The bonuses paid in the current financial year relate to the achievement of the performance targets for the 2011 financial year.

† The gain on share awards in the current financial year relate to shares awarded in terms of the Executive Performance Scheme in June 2008, having achieved the performance targets for the financial years 2009, 2010 and 2011.

× The gain in the current financial year under the Co-investment Scheme relates to the bonus earned for the financial year 2008, which was invested in the company's shares for three years to March 2011.

Outstanding share awards

2012 Date of share awards	Executive performance scheme Number of shares: Johan Enslin	Les Davies	Total	Co-investment scheme Number of shares: Johan Enslin	Les Davies	Total
June 2009	34 669	34 782	69 451	13 924	12 995	26 919
September 2009	120 000	80 000	200 000	–	–	–
June 2010	38 429	31 494	69 923	24 092	21 757	45 849
June 2011	31 782	25 468	57 250	28 399	23 269	51 668
Total	224 880	171 744	396 624	66 415	58 021	124 436

In terms of the Lewis Co-Investment Scheme, the Trust holds 74 660 shares (2011: 63 274 shares) on behalf of the above directors by virtue of the investment of their bonuses into the scheme.

Shares vested during the 2012 financial year

Director	Date awarded	Shares awarded	Shares forfeited	Shares vested	Gains on share awards R'000
Executive performance scheme					
Johan Enslin	June 2008	35 057	7 011	28 046	2 230
Les Davies	June 2008	35 057	7 011	28 046	2 230
Total		70 114	14 022	56 092	4 460
Co-investment scheme					
Johan Enslin	June 2008	16 345	–	16 345	1 299
Les Davies	June 2008	16 345	–	16 345	1 299
Total		32 690	–	32 690	2 598

Remuneration report continued

Disclosure of highest paid employees

King III recommends that the remuneration of the three most highly paid employees, excluding executive directors, be disclosed. Owing to the value of these individuals to the group and the highly competitive nature of the retail industry, this information has been disclosed in aggregate rather than identifying the three individuals.

R'000	2012	2011
Salary	3 904	3 526
Bonus	2 736	1 664
Retirement and healthcare contributions	823	709
Gains on share awards vested	3 762	820
Total remuneration	11 225	6 719

Non-executive directors' fees

Director (R'000)	2012	2011
David Nurek	715	645
Fatima Abrahams	490	394
Zarina Bassa	425	354
Sizakele Marutlulle	425	318
Hilton Saven	578	535
Alan Smart	425	419
Ben van der Ross	475	425
Total	3 533	3 090

Proposed non-executive director fees for 2013

Board/committee position (R'000)	Proposed fees for 2013	Fees paid for 2012
Non-executive chairman	450	425
Non-executive director	213	200
Audit Committee chairman	220	205
Audit Committee member/invitee	96	90
Risk Committee chairman	104	98
Risk Committee member	65	60
Remuneration Committee chairman	104	98
Remuneration Committee member	51	48
Nomination Committee chairman	70	65
Nomination Committee member	29	27
Social, Ethics and Transformation Committee chairman*	70	65
Social, Ethics and Transformation Committee member*	29	27

* The newly formed Social and Ethics Committee incorporates the responsibilities of the Transformation Committee.

Directors' shareholding

At 31 March 2012 the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

	2012		2011	
Director	Direct	Indirect	Direct	Indirect
David Nurek	–	10 000	–	10 000
Hilton Saven	–	2 940	–	2 940
Alan Smart	319 070	–	319 070	–
Johan Enslin	–	39 848	–	32 616
Les Davies	96 144	34 812	71 144	30 658
Total	415 214	87 600	390 214	76 214

Employees

Transformation report

Transformation is critical to the sustainability of the business and the group supports the principles and objectives of broad-based BEE contained in the Department of Trade and Industry's ("DTI") Codes of Good Practice on B-BBEE.

The board acknowledges its oversight role in driving transformation and empowerment across all seven elements of the DTI scorecard. The Social, Ethics and Transformation Committee of the board is responsible for transformation and oversees the implementation of the transformation strategy. This includes approving the transformation programme and targets based on the DTI codes, evaluating the performance against the DTI scorecard and confirming legislative compliance.

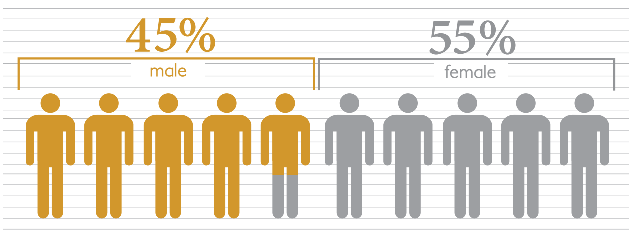
The group was awarded a level 4 B-BBEE contributor status which has been verified by AQRate, an accredited empowerment rating agency. This rating improvement has been achieved despite regulatory changes in DTI scoring methodology which has made employment equity and preferential procurement ratings more onerous.

The group performed well in the authoritative Financial Mail *Top Empowerment Companies* survey.

B-BBEE SCORECARD

BEE element	Maximum	**2012**	2011	2010
Equity ownership	20	**10.5**	0	0
Management control	10	**4.7**	4.5	4.5
Employment equity	15	**5.9**	8.3	7.7
Skills development	15	**11.5**	7.9	3.4
Preferential procurement	20	**16.6**	18.5	14.1
Enterprise development	15	**15.0**	15.0	7.7
Socio-economic development	5	**5.0**	5.0	4.5
Total	100	**69.2**	59.2	41.9
B-BBEE contributor status		**Level 4**	Level 5	Level 7

Employees – gender



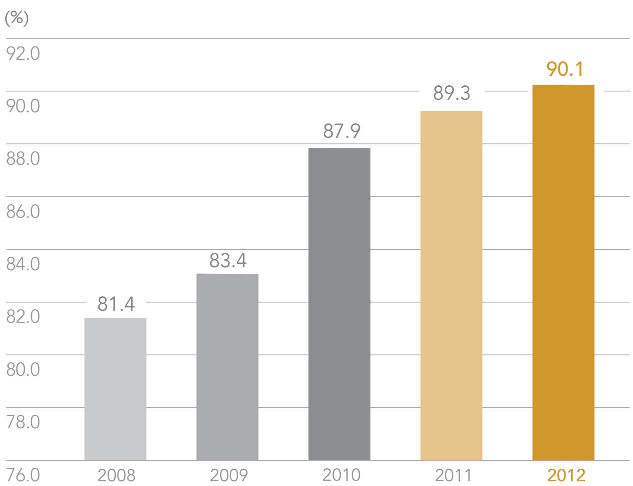
Employment equity

Management is committed to ensuring that the group's employee profile is representative of the customer base it serves and the communities in which Lewis trades.

The group's employment equity plan focuses on increasing the representation of designated groups, mainly in the senior management and professionally qualified areas. This will enable the group to minimise the impact of the changes in employment equity scoring targets for B-BBEE. Strategies have been developed to achieve internal employment equity targets, including the implementation of a comprehensive learning and development plan, in-service training of retail management students, granting bursaries, job profiling and performance assessments.

Black staff account for 90% of the staff complement, with females comprising 55%.

Black employees as a % of total employees



The employment equity profile of the workforce in South Africa at 31 March 2012 is contained in the following table:

Employee profile

	Male			Female				Male	Total
Occupational levels	African	Coloured	Indian	African	Coloured	Indian	White	White	
Top management	0	1	0	0	0	0	0	4	**5**
Senior management	2	1	0	0	2	0	2	19	**26**
Professionally qualified	21	9	2	15	18	4	39	71	**179**
Skilled technical	167	55	7	170	121	15	155	76	**766**
Semi-skilled	1 785	547	13	1 979	744	49	274	45	**5 436**
Unskilled	17	8	0	7	6	0	0	0	**38**
Non-permanent	1	1	0	1	1	1	0	0	**5**
Total	**1 993**	**622**	**22**	**2 172**	**892**	**69**	**470**	**215**	**6 455**

Transformation report continued

Skills development

An extensive range of training courses are offered to all employees to enhance performance and skills. Several of these courses are aimed at developing scarce skills relevant to the retail sector, focusing on sales, stock management, credit control and management skills.

A total of 5 604 staff attended training and development courses, an increase of 81% over 2011. Black staff accounted for 82% of total employees trained. In the past year, the internship programme was extended to include 350 students while the number of learning and development facilitators was increased to deal with the training requirements of the group.

The group's training department is accredited with the Wholesale and Retail Sector Education and Training Authority and offers a range of e-learning programmes.

Preferential procurement and enterprise development

The group's merchandise strategy is to offer exclusive, differentiated and value-for-money products to customers. Large volumes of locally sourced merchandise, goods and services are bought from small businesses which are mainly black-owned.

Financial assistance and advice is provided to certain of these businesses while favourable payment terms support the cash flows of these suppliers.

Socio-economic development

The group is committed to continued investment in community initiatives benefiting charitable organisations in the fields of education, welfare and health. In the past year R8.3 million was invested in socio-economic development projects in the communities where our customers live.

The main projects supported by Lewis include the following:

Project Build provides educational facilities for disadvantaged communities, mainly in KwaZulu-Natal. The project brings together communities, funders, sponsors and local builders to develop these facilities while creating employment and providing classrooms. The group has contributed towards the building of classrooms and ablution facilities at numerous schools in KwaZulu-Natal and two schools in Ugie in the Eastern Cape.

Afrika Tikkun undertakes projects mainly to support orphans and vulnerable children that allow the community to take ownership within five years and ensure the projects are self-sustaining. The group is a majority partner in funding an early childhood development centre in the impoverished community of Mfuleni in the Western Cape.

Community Chest contributes to many welfare organisations. The group has funded capacity building and training for a number of years and is also a major funder of the annual Twilight Run in Cape Town.

Peninsula School Feeding Association provides daily meals to children in primary, secondary and special-needs schools across the Western Cape. Lewis has adopted 12 schools and provides meals to over 1 000 children each school day.

Corporate governance

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Corporate governance report

Introduction

Lewis Group is committed to maintaining a culture of effective corporate governance to ensure the long-term sustainability of the business. The group therefore embraces the principles of integrity, transparency and accountability in its dealings with all stakeholders.

The group has adopted the recommendations of the King Report on Corporate Governance (King III) which was introduced in March 2010 and implemented the changes required by the Companies Act (Act 71 of 2008, as amended) which came into effect on 1 May 2011.

Governance developments

In an environment of increasing regulatory compliance, governance structures and processes are regularly reviewed in response to changing requirements and to ensure alignment with best practice. During the past year the following changes were introduced, mainly relating to King III and the new Companies Act:

- The members of the Audit Committee were elected for the first time by shareholders at the annual general meeting in August 2011.
- The group's remuneration policy was proposed to shareholders for a non-binding advisory vote at the AGM for the first time.
- A Social and Ethics Committee was established with effect from 23 March 2012, as required by the Companies Act. The mandate of the Transformation Committee has been incorporated into this newly constituted Social and Ethics Committee. The new committee will meet for the first time in August 2012.
- The board has determined that there are no other prescribed officers in terms of the Companies Act other than the two executive directors. These directors exercise general executive control and management of the whole or a significant portion of the group's businesses and activities.
- A process was initiated to develop and implement an information security management system ("ISMS").

Application of King III principles

In line with the "apply or explain" philosophy of King III the group has elected not to apply the following principles and is satisfied that alternate governance controls have been implemented:

- Principle 6.4 recommends that an independent compliance officer be appointed. The board has delegated responsibility for the implementation of an effective compliance framework to management. Responsibility for compliance has been assigned to the company secretary to identify legislative impacts on the group; business unit heads are responsible for compliance with the legislation; legal specialists support the group in ensuring legislative compliance. The board has approved the revised legal and compliance framework and is satisfied that it operates effectively.
- Principle 9.3 requires sustainability reporting and disclosure to be independently assured. Specific sustainability elements, including the broad-based black economic empowerment scorecard and carbon emissions, have been verified by accredited agencies. Management plans to expand the external verification of sustainability indicators in the forthcoming years.

Board of directors

Board charter

A formal board charter confirms that the directors are accountable to shareholders and are responsible for the following:

- overseeing relationships with stakeholders of the company along sound governance principles;
- contributing to and approving the strategy;
- overseeing that the strategy results in sustainable outcomes;
- considering sustainability as a business opportunity that guides strategy formulation;
- ensuring that the company is playing its role as responsible corporate citizen by taking into account the impact of the business operations on society and the environment;
- providing oversight of performance against targets and objectives;
- assessing the group as a going concern;
- approving the annual and interim financial statements;
- providing effective leadership on an ethical foundation;
- overseeing key performance and risk areas;
- ensuring effective risk management and internal control;
- responsibility for overseeing IT governance;
- overseeing legislative, regulatory and governance compliance;
- ensuring appropriate remuneration policies and practices;
- overseeing director selection, orientation and evaluation;
- ensuring balanced and understandable communication to stakeholders; and
- matters considered crucial for business success.

A clear division of responsibility is embedded in the board charter, with the board chaired by an independent non-executive chairman. The board has delegated authority to the chief executive officer and the directors of Lewis Stores (Proprietary) Limited for the implementation of the strategy and the ongoing management of the business.

Board composition

In line with the recommendations of King III, Lewis Group has a unitary board structure consisting of seven non-executive directors and two full-time, salaried executive directors. Background information on the directors appears on page 18 of this report. There were no changes to the board during the year.

The composition of the board for the year was as follows:

Independent non-executive directors

David Nurek

Fatima Abrahams

Zarina Bassa

Sizakele Marutlulle

Hilton Saven

Ben van der Ross

Non-executive director

Alan Smart

Executive directors

Johan Enslin

Les Davies

Directors do not have a fixed term of appointment and non-executive directors are subject to retirement by rotation and re-election by shareholders at least every three years. Directors appointed during the year are required to have their appointments ratified at the following AGM. The chairman is elected by the board after the AGM each year. Executive directors are subject to a 12 month notice period.

Directors are invited to serve on the board based on their knowledge, experience, independence and ability to contribute to board level debate.

Director independence

The Nomination Committee has assessed the independence of the non-executive directors and concluded that six of the non-executive directors, including the chairman, are independent in terms of both the King III definition and the guidelines of the JSE Listings Requirements. The remaining non-executive director, Alan Smart, is not classified as independent as he has served as an executive of the group within the last three years.

Board meetings

The board met four times since April 2011. Meetings are conducted in accordance with formal agendas, ensuring that all substantive matters are addressed and monitored. Any directors may request additional items to be included on the agenda. The directors' attendance of meetings follows on page 59.

Board evaluation

All directors participate in the annual evaluation of the board's performance. The questionnaire-based evaluation covers the board's role and agenda setting; the size, independence and composition of the board; director orientation and development; board meetings; board committees; board accountability and governance practices. The process also includes an assessment of the performance of the chairman and the chief executive officer. In addition, the chairman has individual sessions with each director.

The board evaluation results were satisfactory and areas for improvement are being addressed.

Company secretary

The company secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with regulations, the induction of new directors and providing advice to directors on governance, compliance and their fiduciary responsibilities.

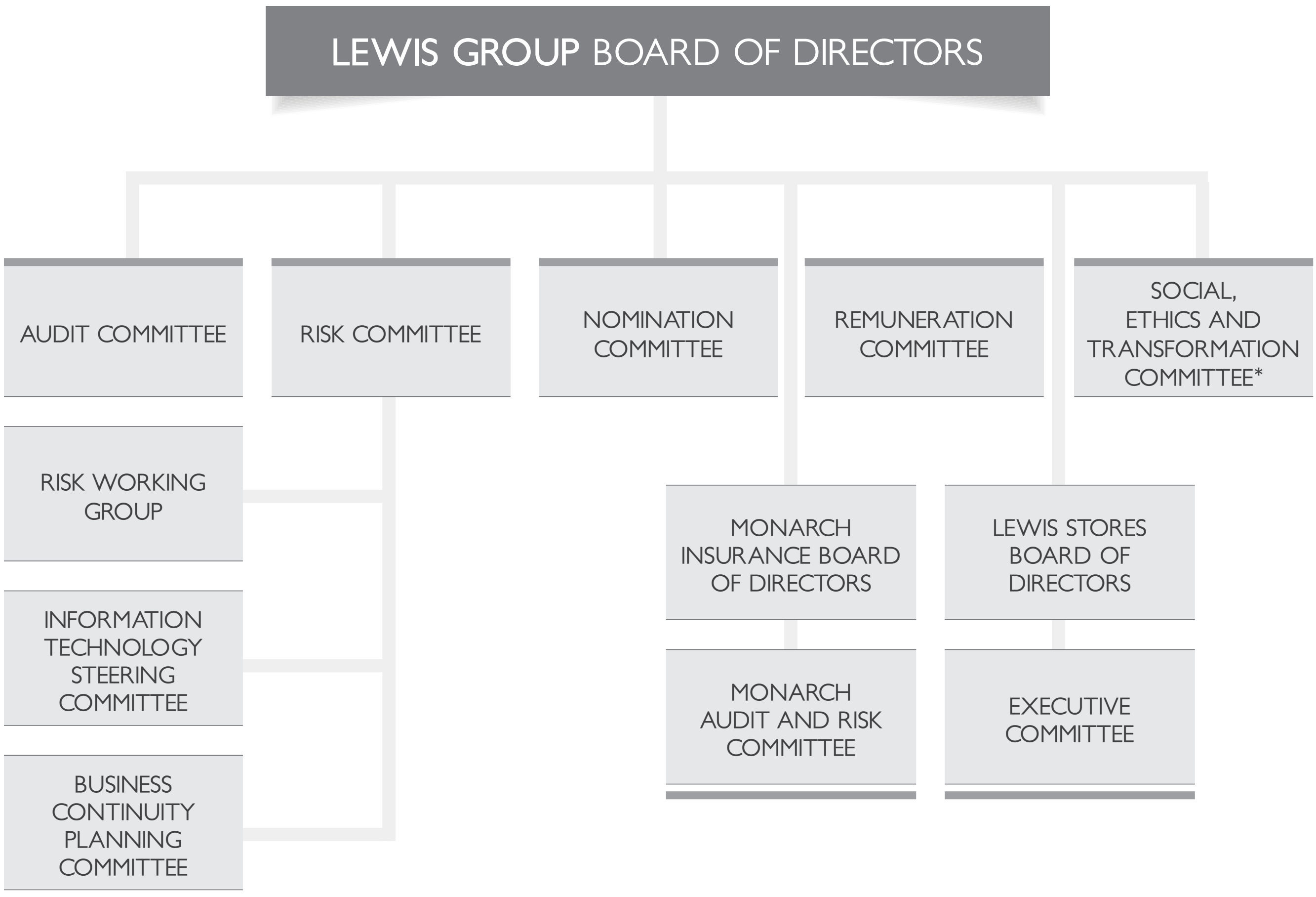
The directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the board. No directors exercised this right during the year. Directors also have unrestricted access to all company information and may meet independently with management.

Newly-appointed directors participate in an induction programme which outlines their fiduciary responsibilities and provides company and industry background information.

Corporate governance report

Governance structure

The following board and committee structure applied for the period under review:



* Established with effect from 23 March 2012 and incorporates the Transformation Committee

Board committees

The board of directors has delegated specific responsibilities to five board committees. The committees are all chaired by independent non-executive directors. Each committee has a charter and terms of reference and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

Lewis Group Audit Committee

Purpose and function

- Approving the internal audit plan and reviewing the activities and findings of the department.
- Evaluating the performance of the internal audit function.
- Reviewing the audit plan of the external auditors, providing guidance on non-audit services.
- Assessing the independence and objectivity of the external auditors.
- Considering significant differences of opinion between management and internal or external auditors.
- Reviewing the adequacy of internal controls and internal financial controls.
- Ensuring regulatory compliance.
- Overseeing the integrated reporting process, which include:
  - Reviewing the financial reporting system, evaluating and approving accounting policies and the financial information issued to stakeholders in terms of IFRS.
  - Reviewing disclosure on sustainability to ensure it is reliable and does not conflict with the financial information.
- Reviewing the expertise, resources and experience of the company's financial function and financial director.
- Assessing the effectiveness of internal financial controls based on assurance gained from management and written assessment from Internal Audit.
- Monitoring the ethical conduct of the company, its directors and senior officials.

Composition

Chair – Hilton Saven

The committee consists of five independent non-executive directors. The directors are financially literate and suitably qualified to perform their role. The remaining non-executive directors attend by invitation.

Meetings are also attended by the chief executive officer, chief financial officer, company secretary, internal audit executive and the external auditors.

Meetings

Four per year

Refer to the Audit Committee Report in the annual financial statements on the group's website

Lewis Group Risk Committee

Purpose and function

- Annually reviewing the risk management policy and plan and recommending these for approval to the board.
- Making recommendations on risk tolerance and appetite.
- Annually reviewing the risk register of strategic and key operational risks.
- Monitoring implementation of the risk management policy and plan.
- Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.
- Reviewing and advising on the adequacy of insurance cover for recommendation to the board.
- Overseeing IT governance and the function of the IT Steering Committee by:
  - Ensuring that an IT charter and policies are established and implemented.
  - Ensuring that an IT internal control framework is adopted and implemented.
  - Receiving independent assurance on the effectiveness of the IT internal controls.

Composition

Chair – Hilton Saven

The committee consists of six independent non-executive directors and one non-executive director.

Meetings are also attended by the chief executive officer, chief financial officer, company secretary, internal audit executive and the chief risk officer.

Meetings

Four per year

Corporate governance report

Lewis Group Nomination Committee

Purpose and function

- Establishing a formal process for the appointment of directors.
- Overseeing a formal induction programme for new directors and continuing development programmes for all directors.
- Ensuring directors receive regular briefings on changes in risks, laws and the environment in which the group operates.
- Ensuring succession plans are developed for the chief executive officer and senior management.
- Confirming annually that none of the directors have become disqualified (fit and proper test).
- Ensuring the board has the required skills, experience and qualities.

Composition

Chair – David Nurek

The committee consists of six independent non-executive directors and one non-executive director.

The chief executive officer attends meetings at the invitation of the committee.

Meetings

Two per year

Lewis Group Remuneration Committee

Purpose and function

- Ensuring the remuneration policy is aligned with the group's strategic objectives and encourages superior individual performance.
- Reviewing and approving compensation of executive directors, non-executive directors and senior executives.
- Ensuring executive directors are fairly rewarded based on market trends, surveys, individual performance and contribution.
- Reviewing incentive schemes to ensure continued alignment to the enhancement of shareholder value.
- Approving the award of share incentives.
- Ensuring employee benefits are suitably disclosed.
- Recommending non-executive directors' fees for shareholder approval.
- Ensuring practices are compliant with relevant legislation and regulation.

Composition

Chair – Ben van der Ross

The committee consists of six independent non-executive directors and one non-executive director.

The chief executive officer attends meetings at the invitation of the committee.

Meetings

Two per year

Refer to the Remuneration Report on pages 42 to 46.

Lewis Group Social, Ethics and Transformation Committee

Purpose and function

- Monitoring the group's activities relating to social and economic development, good corporate citizenship, community upliftment, the environment, health and public safety, consumer relationships, labour and employment.
- Maintaining a transformation strategy and approving the transformation programme.
- Setting and monitoring of progress against transformation targets, including the annual evaluation of performance against the DTI scorecard.
- Reviewing of reports from verification agencies.
- Transformation related legislative compliance.

Composition

Chair – Fatima Abrahams

The committee consists of two independent non-executive directors, one non-executive director and one executive director. Members of management attend the meetings by invitation.

Meetings

Two per year

Lewis Stores (Proprietary) Limited

Lewis Stores (Proprietary) Limited is the main trading subsidiary of the group and operational responsibility has been delegated to the Lewis Stores board for the ongoing management of the business.

Lewis Stores board

Purpose and function	Composition
– Adoption of strategic plans. – Providing strategic direction to senior management. – Monitoring operational performance and management – Preparation and integrity of financial statements and all related information. – Maintaining adequate accounting records. – Adequately safeguarding, verifying and maintaining accountability of assets. – Monitoring key performance indicators of the business. – Ensuring regulatory and legislative compliance. – Risk management. – Overseeing the corporate code of conduct.	Chair – John Enslin The board consists of five executive directors, namely the chief executive officer, chief financial officer, directors of merchandising, human resources and information technology.

Meetings
Three per year

Governance committees of Lewis Stores

- **Executive Committee** consists of 13 members, including the five directors of Lewis Stores, and the heads of key areas of operation within Lewis. The committee meets three times a year in conjunction with the Lewis Stores board meetings.
- **Risk Working Group** consists of the 13 members of the Executive Committee. The group meets three times a year in conjunction with the Lewis Stores board meetings. Refer to page 61 for their responsibilities, which are supervised by the Risk Committee.
- **Information Technology Steering Committee** meets quarterly and comprises the chief executive officer, chief financial officer, IT director as well as business systems and IT operations executives. The committee reports into the Risk Committee. The committee is responsible for:
  - ensuring that the implementation of the IT policy and plan conforms to the objectives of the IT charter;
  - aligning IT with the business needs of the group;
  - prioritising investment decisions relating to IT resources;
  - sourcing decisions relating to IT services;
  - identifying and exploiting IT opportunities;
  - administrative and contractual decisions which have a significant impact;
  - monitoring IT costs and capital expenditure;
  - a process to monitor, prioritise and co-ordinate the IT project portfolio;
  - reporting to the Risk Committee on the performance of its duties;
  - implementing COBIT as its principle IT internal control framework; and
  - implementing ISO 27000 as the Information Security Management System ("ISMS") standard.
- **Business Continuity Planning Steering Committee** manages the business continuity plan ("BCP") which assesses potential environmental disasters, disruptions, loss of utilities and services, equipment or system failure and other emergency situations. The committee meets in conjunction with the Information Technology Steering Committee meetings. The BCP covers all the key business processes identified as critical to the functioning of the group. The plan is tested periodically in a simulated environment. The committee comprises the chief executive officer, chief financial officer and IT director.

Corporate governance report

Monarch Insurance Company Limited (Monarch)

Monarch is the group's short-term insurer. Knowledge and experience of short-term insurance is considered in appointing directors to the board. Two of the non-executive directors, Robert Shaw and Ray Sanger, provide insurance advisory services to Monarch.

A formal report on the investment portfolio by Sanlam Investment Management, who manage the portfolio on Monarch's behalf, is presented at each board meeting, covering market conditions and expectations, asset allocation, investment returns, review of the investment portfolios and recommendations on the investment strategy.

Monarch board

Purpose and function

- Approval and oversight of strategic plans for the insurer within the parameters of the overall strategic direction of the group.
- Approval of budgets.
- Providing oversight of performance against targets and objectives.
- Providing effective leadership on an ethical foundation.
- Overseeing relationships with stakeholders.
- Regular review of underwriting criteria.
- Adoption of asset allocation strategies for the investment portfolio, based on recommendations from Sanlam Investment Management.
- Review of the performance of the investment portfolio against benchmarks.
- Ensuring regulatory compliance.
- Oversee key performance and risk areas.
- Ensuring effective risk management and internal control.
- Assessing director selection, orientation and evaluation.
- Approving significant accounting policies.
- Approving the annual financial statements.

Composition

Chair – Alan Smart

The board consists of four non-executive directors and one executive director.

Meetings

Four per year

Monarch Audit and Risk Committee

Purpose and function

- Reviewing the internal and external audit plans relative to the group's audit plan.
- Providing guidance on non-audit services.
- Considering significant differences of opinion between management and internal or external auditors.
- Ensuring regulatory compliance. The committee is also responsible for the group's compliance with the Financial Advisory and Intermediary Services Act.
- Reviewing the financial reporting system, evaluating and approving accounting policies and approving the financial statements.
- Reviewing the adequacy of internal controls and internal financial controls.
- Annually reviewing the risk register of strategic and key operational risks. Monitoring implementation of the risk management policy and plan.
- Addressing risks specific to the company that have been identified in the group risk management process.
- Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.

Composition

Chairman – Hilton Saven

The committee consists of three non-executive directors.

Meetings are attended by the chief financial officer, company secretary, the group's internal audit executive, the chief risk officer and external auditors.

Meetings

Four per year

In terms of the Companies Act, non-executive director Robert Shaw is deemed to be a material supplier to Monarch and is therefore precluded from being a member of the Audit and Risk Committee.

Board and committee attendance

Lewis Group Limited

	Board	Audit	Risk	Remuneration	Nomination	Transformation*
Number of meetings	4	4	4	2	2	2
Non-executive directors						
D M Nurek	4+	4°	4	2	2+	2
F Abrahams	3	2°	2°	2	2	2+
Z Bassa	4	4	4	2	2	
S Marutlulle	3	3	3	2	2	
H Saven	4	4+	4+	2	2	
A J Smart	4	4°	4	2	2	
B J van der Ross	3	3	3	1+	1	
Executive directors						
J Enslin	4	4°	4	2°	2°	2
L A Davies	4	4°	4			
Management						
N Jansen						2°
D Loudon						1°
S Röhm						2°

+ Chair
° By invitation
* Transformation Committee incorporated into Social and Ethics Committee with effect from 23 March 2012.

Corporate governance report

Lewis Stores (Proprietary) Limited

	Board
Number of meetings	3
Directors	
J Enslin	3
L A Davies	3
C Irwin	2
N Jansen	3
D Loudon	3

Monarch Insurance Company Limited

	Board	Audit and risk
Number of meetings	4	4
Non-executive directors		
A J Smart	4+	4
D M Nurek	3	4
R I Sanger	4	4
H Saven	4	4+
R L Shaw*	4	2/2°
Executive director		
L A Davies	4	4°

\+ Chair
° By invitation
* Attended two meetings as a committee member and two by invitation.

Internal accountability

Risk management

A risk management process is followed to identify, assess and manage potential risks and opportunities that may affect group strategies and objectives. The risk management framework includes the risk management policy, relevant responsibilities and the risk management plan.

The board is responsible for the oversight of the risk management process and has delegated specific responsibility to the Risk Committee. The committee is responsible for ensuring the group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant.

The Risk Working Group ("RWG") is responsible for designing and implementing the risk management process and monitoring ongoing progress. Senior executives and line management within each business unit are accountable for managing risk in achieving their financial and operating objectives.

The focus of the risk management process is on strategic and key operational risks. A top-down approach is applied by the business units in the group in assessing the risks twice a year. The RWG reviews the registers with a focus on:

- completeness of risks identified across the group;
- causes of the risks;
- the residual risk ratings;
- the tolerance levels based on the risk indicators; and
- the need for further management action.

The risks identified by the business units are consolidated by category of risk into a group register and the results of the group risk assessment are reported to the Risk Committee of Lewis Group and the Audit and Risk Committee of Monarch Insurance.

The key risks are documented in the strategic management plan on pages 8 to 11. In the current environment, regulatory risk remains a key focus for management. Further detail on regulatory and legislative compliance is set out on page 62.

The group's external insurance and self-insurance programmes cover a wide range of risks. The insurance levels and insured events are reviewed annually to ensure adequate cover and amended after taking into account changed processes and emerging risks.

Internal control

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.

Going concern

The board is satisfied that the group will be a going concern for the foreseeable future, based on the budget and cash flows for the year to 31 March 2013, as well as the current financial position. The financial statements have therefore been prepared on the going concern basis. The board is apprised of the group's going concern status at the board meetings coinciding with the interim and final results.

Internal audit

The internal audit function provides information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business. 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 role of internal audit is detailed in the internal audit charter which has been approved by the Audit Committee. Refer to the Audit Committee Report in the annual financial statements.

Information technology governance

Information technology ("IT") governance is integrated into the group's operations, and governance practices and frameworks are reviewed as part of the annual internal audit plan. The IT Steering Committee is responsible for IT governance and reports into the Risk Committee (refer to page 55).

Personal share dealings

An insider trading policy restricts directors and specifically identified staff from dealing in the shares of Lewis Group during closed periods. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS. Embargoes are also placed on share dealing when the group is trading under a cautionary statement.

Corporate governance report

Directors are required to obtain written clearance from the chairman of the board prior to dealing. The chairman is required to obtain written permission from the chairman of the Audit Committee. It is mandatory to notify the company secretary of any dealings in the company's shares. This information is then disclosed to the JSE Limited within 48 hours of the trade being effected and the details published on SENS. A register of share dealings by directors is maintained by the company secretary and reviewed by the board.

Political party support

The group supports the multi-party democratic process but does not make any donations to any political parties in South Africa or elsewhere.

Compliance and codes of conduct

Regulatory and legislative compliance

There were no cases of legislative or regulatory non-compliance during the year and no penalties or sanctions were imposed on the group or any of its directors or officers during the year. No requests for information were withheld by the group in terms of the Promotion of Access to Information Act.

Lewis has continued to charge its defaulting credit customers the cost of their monthly credit insurance premium under certain circumstances of default by them, which may potentially be in contravention of section 103(5) of the National Credit Act, based on an interpretation of a recent Supreme Court of Appeal Judgment. Lewis has engaged with the National Credit Regulator and made a submission to the Department of Trade and Industry. The matter has been placed on the parliamentary agenda as part of the review of the National Credit Act.

New and proposed legislation impacting the group includes the following:

- **Insurance Laws Amendment Act**: This legislation mainly affects the group's insurer, Monarch, and the recent amendments to the Act were implemented during the year.
- **Companies Act, 2008**: The Act became effective 1 May 2011. The relevant sections of the Act have been implemented, except for the sections subject to the transitional arrangements in Schedule 5 of the Act.

Behavioural and ethical compliance

The group adheres to the highest standards of ethical conduct. The board approved ethics framework, code of conduct and core values outline the standards of honesty, integrity and mutual respect which employees are required to observe.

A conflict of interest policy is aimed at ensuring employees act in the best interests of the group and do not profit from their position in the company. The policy governs employees' relationships with suppliers, serving as office bearers on external organisations and industry bodies, and receiving gifts and hospitality from suppliers.

The corporate fraud policy sets out the responsibility of staff and management towards the detection, prevention and reporting of fraud. A confidential hotline is available to all employees to report suspected incidents of fraud or dishonesty.

Abridged annual financial statements and shareholders' information

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Abridged annual financial statements 31 March 2012

These abridged approved annual financial statements are a summary of the audited annual financial statements of the group for the year ending 31 March 2012. The audited annual financial statements were prepared by the group's Finance Department under the supervision of the Chief Financial Officer, L A Davies CA(SA). A copy of the full set of audited annual financial statements is available on www.lewisgroup.co.za or is available on request from the company secretary.

Abridged annual financial statements and shareholders' information

Income statement for the year ended 31 March 2012

		Group	
	Notes	2012 Rm	2011 Rm
Revenue		4 857.3	4 577.7
Merchandise sales		2 365.4	2 290.3
Finance charges earned		908.2	919.6
Insurance premiums earned		868.5	752.4
Ancillary services		715.2	615.4
Cost of merchandise sales	3	(1 446.3)	(1 458.6)
Operating costs		(2 271.9)	(2 066.6)
Employment costs	4	(732.9)	(693.5)
Administration and IT		(220.7)	(208.1)
Debtor costs	5	(522.3)	(458.9)
Marketing		(184.5)	(156.5)
Occupancy costs		(207.3)	(186.1)
Transport and travel		(177.9)	(147.5)
Depreciation		(48.5)	(46.5)
Other operating costs		(177.8)	(169.5)
Operating profit		1 139.1	1 052.5
Investment income		91.9	82.0
Profit before finance costs		1 231.0	1 134.5
Net finance costs		(63.2)	(91.9)
Interest paid		(82.2)	(87.1)
Interest received		3.8	3.2
Forward Exchange Contracts		15.2	(8.0)
Profit before taxation		1 167.8	1 042.6
Taxation	6	(367.2)	(330.7)
Net profit attributable to ordinary shareholders		800.6	711.9

Statement of comprehensive income for the year ended 31 March 2012

	Group	
	2012 Rm	2011 Rm
Net profit for the year	800.6	711.9
Fair value adjustment to available-for-sale investments	72.9	38.1
Disposal of available-for-sale investments	(17.2)	(17.8)
Foreign currency translation reserve	1.5	(4.1)
Other comprehensive income	57.2	16.2
Total comprehensive income for the year attributable to equity shareholders	857.8	728.1

Earnings and dividends per share for the year ended 31 March 2012

	Group 2012	Group 2011
1. Weighted average no. of shares		
Weighted average	88 463	88 194
Diluted weighted average	89 446	89 185
2. Headline earnings (Rm)		
Attributable earnings	800.6	711.9
Profit on disposal of assets and investments	(19.9)	(23.0)
Headline earnings	780.7	688.9
3. Earnings per share (cents)		
Earnings per share	905.0	807.2
Diluted earnings per share	895.1	798.2
4. Headline earnings per share (cents)		
Headline earnings per share	882.5	781.1
Diluted headline earnings per share	872.8	772.4
5. Dividends per share (cents)		
Dividends paid per share		
Final dividend 2011 (2010)	207.0	179.0
Interim dividend 2012 (2011)	172.0	156.0
	379.0	335.0
Dividends declared per share		
Interim dividend 2012 (2011)	172.0	156.0
Final dividend 2012 (2011)	270.0	207.0
	442.0	363.0

Abridged annual financial statements and shareholders' information

Balance sheet for the year ended 31 March 2012

	Notes	Group 2012 Rm	Group 2011 Rm
Assets			
Non-current assets			
Property, plant and equipment		311.9	278.7
Deferred taxation		16.1	20.1
Insurance investments	7	1 005.3	857.1
		1 333.3	1 155.9
Current assets			
Inventories		281.4	256.3
Trade and other receivables	8	4 064.5	3 835.0
Insurance investments	7	373.3	240.2
Cash on hand and deposits		77.9	84.3
		4 797.1	4 415.8
Total assets		6 130.4	5 571.7
Equity and liabilities			
Capital and reserves			
Share capital and premium		95.4	93.5
Other reserves		277.9	207.1
Retained earnings		3 901.3	3 427.5
		4 274.6	3 728.1
Non-current liabilities			
Long-term interest-bearing borrowings		650.0	400.0
Deferred taxation		111.4	85.1
Retirement benefits		63.6	59.4
		825.0	544.5
Current liabilities			
Trade and other payables	9	585.8	567.0
Taxation		21.0	49.1
Short-term interest-bearing borrowings		424.0	683.0
		1 030.8	1 299.1
Total equity and liabilities		6 130.4	5 571.7

Statement of changes in equity for the year ended 31 March 2012

	Group	
	2012 Rm	2011 Rm
Share capital and premium		
Opening balance	93.5	93.5
Share awards to employees	1.9	–
	95.4	93.5
Other reserves		
Opening balance	207.1	171.3
Other comprehensive income for the year	57.2	16.2
Share-based payment	19.0	18.4
Other movements	(5.4)	1.2
	277.9	207.1
Retained earnings		
Opening balance	3 427.5	3 008.9
Net profit attributable to ordinary shareholders	800.6	711.9
Distribution to shareholders	(335.5)	(295.6)
Other movements	8.7	2.3
	3 901.3	3 427.5
Balance as at 31 March 2012	4 274.6	3 728.1

Abridged annual financial statements and shareholders' information

Cash flow statement for the year ended 31 March 2012

	Group	
	2012 Rm	2011 Rm
Cash flow from operating activities		
Cash flow from trading	1 358.3	1 295.6
Change in working capital	(385.9)	(518.6)
Cash generated from operations	972.4	777.0
Interest and dividends received	76.6	66.0
Interest paid	(67.0)	(95.1)
Taxation paid	(377.4)	(328.0)
	604.6	419.9
Cash utilised in investing activities		
Net additions to insurance investments	(194.1)	(160.4)
Acquisition of property, plant and equipment	(87.8)	(78.6)
Proceeds on disposal of property, plant and equipment	10.2	11.7
	(271.7)	(227.3)
Cash flow from financing activities		
Dividends paid	(335.5)	(295.6)
Increase in long-term borrowings	250.0	50.0
Increase/(Decrease) in short-term borrowings	50.0	(50.0)
Proceeds on sale of own shares	5.2	3.5
	(30.3)	(292.1)
Net increase/(decrease) in cash and cash equivalents	302.6	(99.5)
Cash and cash equivalents at the beginning of the year	(348.7)	(249.2)
Cash and cash equivalents at the end of the year	(46.1)	(348.7)

Analysis of borrowings and banking facilities		
Borrowings		
Long-term	650.0	400.0
Short-term	300.0	250.0
	950.0	650.0
Cash and cash equivalents		
Short-term facilities utilised	124.0	433.0
Cash on hand	(77.9)	(84.3)
	46.1	348.7
Net borrowings	996.1	998.7
Unutilised facilities	753.9	451.3
Total banking facilities	1 750.0	1 450.0

Segmental report for the year ended 31 March 2012

Reportable segment	Lewis Rm	Best Home and Electric Rm	My Home Rm	Group Rm
2012				
Segment income statement				
Total revenue to external customers				
Merchandise sales	1 971.0	318.0	76.4	2 365.4
Other revenue	2 112.8	335.5	43.6	2 491.9
	4 083.8	653.5	120.0	4 857.3
Cost of merchandise sales	(1 196.3)	(203.1)	(46.9)	(1 446.3)
Operating costs	(1 902.4)	(304.8)	(64.7)	(2 271.9)
Segment operating profit	985.1	145.6	8.4	1 139.1
Segment operating margin	24.1%	22.3%	7.0%	23.5%
Segment assets[1]	3 624.5	535.3	104.6	4 264.4
Capital expenditure	75.9	10.7	1.2	87.8
Depreciation	43.4	4.2	0.9	48.5
2011				
Segment income statement				
Total revenue to external customers				
Merchandise sales	1 901.9	287.4	101.0	2 290.3
Other revenue	1 951.6	301.1	34.7	2 287.4
	3 853.5	588.5	135.7	4 577.7
Cost of merchandise sales	(1 217.5)	(187.0)	(54.1)	(1 458.6)
Operating costs	(1 716.3)	(275.5)	(74.8)	(2 066.6)
Segment operating profit	919.7	126.0	6.8	1 052.5
Segment operating margin	23.9%	21.4%	5.0%	23.0%
Segment assets[1]	3 422.3	491.5	102.3	4 016.1
Capital expenditure	66.3	9.1	3.3	78.7
Depreciation	41.1	4.4	1.0	46.5

[1] Segment assets include net instalment sale and loan receivables of R3 983.0 million (2011: R3 759.8 million) and inventory of R281.4 million (2011: R256.3 million)

Geographical	South Africa Rm	BLNS* Rm	Total Rm
2012			
Revenue	4 265.3	592.0	4 857.3
Capital expenditure	81.6	6.2	87.8
2011			
Revenue	4 038.7	539.0	4 577.7
Capital expenditure	72.8	5.9	78.7

* Botswana, Lesotho, Namibia and Swaziland

Notes to the annual financial statements for the year ended 31 March 2012

1. Basis of reporting

The information contained in these abridged financial statements has been extracted from the Group's 2012 audited annual financial statements which has been prepared in accordance with the recognition and measurement principles of International Financial Accounting Standards (IFRS) including IAS 34 (Interim Financial Reporting), and in compliance with the Companies Act of 2008.

The Group's annual financial statements and these abridged financial statements have been audited by the Group's external auditors, PricewaterhouseCoopers Inc. and their unqualified opinion on both such financial statements are available for inspection at the company's registered office.

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.

2. Changes in accounting policies and disclosures

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, financial position or disclosure:

IAS 24: Related Party Disclosures (amendment)

IFRIC 14: Prepayments of a Minimum Funding Requirement (amendment)

AC 504: The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment (revisions arising from amendments to IFRIC 14)

Annual improvements to IFRS issued May 2010 for amendments effective 1 July 2010 and 1 January 2011.

	Group	
	2012 Rm	2011 Rm
3. Cost of merchandise sales		
Purchases	1 471.4	1 504.9
Movement in inventory	(25.1)	(46.3)
Cost of merchandise sales	1 446.3	1 458.6
Merchandise gross profit	919.1	831.7
Gross profit %	38.9%	36.3%
4. Employment costs		
Salaries, wages, commissions and bonuses	662.4	612.9
Retirement benefit costs	46.5	55.0
Share-based payments	19.0	18.4
Other employment costs	5.0	7.2
	732.9	693.5

	Group 2012 Rm	Group 2011 Rm
5. Debtor costs		
Bad debts, repossession losses and bad debt recoveries	405.4	336.0
Movement in impairment provision	116.9	122.9
	522.3	458.9
Debtor cost as a % of net debtors	10.8%	10.2%
6. Taxation		
6.1 Taxation charge		
Normal taxation	316.6	311.4
Deferred taxation	17.9	(9.8)
Secondary tax on companies	32.7	29.1
Taxation per income statement	367.2	330.7
6.2 Tax rate reconciliation		
Profit before taxation	1 167.8	1 042.6
Taxation calculated at a tax rate of 28% (2011: 28%)	327.0	291.9
Differing tax rates in foreign countries	7.2	4.4
Disallowances and exemptions	(0.2)	3.1
Prior years	0.5	2.2
	334.5	301.6
STC	32.7	29.1
Taxation per income statement	367.2	330.7
Tax rate, excluding STC	28.6%	28.9%
Effective tax rate	31.4%	31.7%

Notes to the annual financial statements for the year ended 31 March 2012

	Group 2012 Rm	Group 2011 Rm
7. Insurance investments – available for sale		
Listed		
Listed shares	442.9	365.2
Fixed income securities	562.4	491.9
Unlisted		
Money market	373.3	240.2
	1 378.6	1 097.3
Analysed as follows:		
Non-current	1 005.3	857.1
Current	373.3	240.2
	1 378.6	1 097.3

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

	Group 2012 Rm	Group 2011 Rm
8. Trade and other receivables		
Instalment sale and loan receivables	5 871.1	5 454.7
Provision for unearned finance charges and unearned maintenance income	(280.9)	(271.4)
Provision for unearned initiation fees	(109.8)	(102.6)
Provision for unearned insurance premiums	(622.2)	(562.6)
Net instalment sale and loan receivables	4 858.2	4 518.1
Provision for impairment	(875.2)	(758.3)
	3 983.0	3 759.8
Other receivables	81.5	75.2
	4 064.5	3 835.0

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

The average effective interest rate on instalment sale and loan receivables is 22.3% (2011: 24.1%) and the average term of the sale is 28.3 months (2011: 27.9 months).

8. Trade and other receivables continued

8.1 Receivables analysis

The company applies a payment rating assessment to each customer individually, which categorises customers into 13 payment categories. This assessment is integral to the calculation of the debtors' impairment provision. The 13 payment categories have been summarised into four main groupings of customers.

An analysis of the debtors book based on the payment ratings is set out below.

		No. of customers		Impairment provision %	
		2012	2011	**2012**	2011
Satisfactory paid: Customers fully up to date including those who have paid 70% or more of amounts due over the contract period	No.	**491 478**	521 304		
	%	**72.1%**	74.5%	**1%**	1%
Slow payers: Customers fully up to date including those who have paid 65% to 70% of amounts due over the contract period	No.	**55 791**	55 439		
	%	**8.2%**	7.9%	**26%**	27%
Non-performing customers Customers who have paid 55% to 65% of amounts due over the period of the contract	No.	**45 978**	44 436		
	%	**6.7%**	6.4%	**42%**	44%
Non-performing customers Customers who have paid 55% or less of amounts due over the period of the contract	No.	**88 265**	78 174		
	%	**13.0%**	11.2%	**95%**	98%
Total		**681 512**	699 353	**18.0%**	16.8%

The debtors' impairment provision is allocated to the summary categories based on the number of customers.

	Group	
	2012 Rm	2011 Rm
9. Trade and other payables		
Trade payables	**71.1**	72.7
Accruals and other payables	**166.0**	178.1
Due to reinsurers	**147.2**	144.8
Insurance provision	**201.5**	171.4
	585.8	567.0

Abridged annual financial statements and shareholders' information

Shareholders' information

Shareholders spread as at 31 March 2012	No. of shareholders		Number of shares	
	Total	%	Total	%
1 – 1 000 shares	2 591	62.07	1 135 258	1.16
1 001 – 10 000 shares	1 206	28.89	3 832 539	3.91
10 001 – 100 000 shares	268	6.42	9 377 883	9.56
100 001 – 1 000 000 shares	90	2.16	28 716 869	29.29
1 000 001 shares and over	19	0.46	54 995 410	56.08
Total	4 174	100.00	98 057 959	100.00
Distribution of shareholders as at 31 March 2012				
Public	4 164	99.77	87 939 848	89.69
Pension Funds			27 797 059	28.35
Unit Trusts/Mutual Funds			28 138 914	28.70
Insurance Companies			9 542 752	9.73
Other			22 461 123	22.91
Non-public	10	0.23	10 118 111	10.31
Lewis Stores (Proprietary) Limited	1	0.02	9 216 928	9.40
Lewis Employee Incentive Scheme Trust	1	0.02	305 474	0.31
Directors:				
Lewis Group Limited	5	0.12	502 814	0.51
Lewis Stores (Proprietary) Limited	3	0.07	92 895	0.09
	4 174	100.00	98 057 959	100.00

Major shareholdings as at 31 March 2012:

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 2012:

	%
Beneficial shareholders	
Government Employee Pension Fund	19.01
Lewis Stores (Proprietary) Limited	9.40
Old Mutual Life Assurance Company Limited	3.06
By fund manager	
Public Investment Commissioners	13.21
Old Mutual Asset Managers	8.83
Sanlam Investment Managers	7.96
Momentum Asset Managers	6.29
Abax Investments	5.95
Dimensional Fund Advisers	3.21
ABSA Asset Management	3.08
Geographical analysis of shareholders	
Beneficial shareholders	
South Africa	69.38
North America	14.62
United Kingdom	5.64
Europe	3.62
Rest of World	6.74
	100.00
By fund manager	
South Africa	70.39
North America	16.61
United Kingdom	2.19
Europe	7.55
Rest of World	3.26
	100.00

Shareholders' calendar

Financial year-end	31 March 2012
Final profit announcement	23 May 2012
Final dividend declared	23 May 2012
Annual report	30 June 2012
Last day to trade "cum" dividend	13 July 2012
Date trading commences "ex" dividend	16 July 2012
Record date	20 July 2012
Date of dividend payment	23 July 2012
Record date for voting at the annual general meeting	3 August 2012
Annual general meeting	17 August 2012
Interim profit announcement	14 November 2012

Abridged annual financial statements and shareholders' information

Notice of annual general meeting

Lewis Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2004/009817/06)
Share Code: LEW
ISIN: ZAE 000058236
("Lewis Group" or "the company")

Notice is hereby given that the eighth annual general meeting of shareholders ("AGM") of Lewis Group Limited for the year ended 31 March 2012 will be held at Lewis Group head office, 53A Victoria Road, Woodstock, Cape Town at 10:00 am on Friday, 17 August 2012. **Registration will start at 9:15 am.**

The board of directors of the company determined that the record date for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the AGM is 3 August 2012.

The purpose of the annual general meeting is for the following business to be transacted:

1. Presentation of Directors' Report

2. Presentation of Audit Committee Report

3. Ordinary resolution number 1

Adoption of annual financial statements

Explanatory note:

In terms of the Companies Act No. 71 of 2008, as amended ("the Companies Act"), the financial statements will be presented for adoption by shareholders. The purpose of this ordinary resolution is to adopt the annual financial statements of the company and its subsidiaries. A summary of such annual financial statements is set out on pages 64 to 73 of the document of which this notice of annual general meeting forms part (the integrated annual report). This summary is not exhaustive and the complete annual financial statements of the company and its subsidiaries should be read in their entirety for a full appreciation of their contents. The complete annual financial statements of the company and its subsidiaries are available for inspection at the company's registered office, and an electronic copy is available on the company's website (www.lewisgroup.co.za). Alternatively, shareholders can request that a complete copy of the annual financial statements of the company and its subsidiaries be posted or e-mailed to them by contacting Diane Rafferty on diane.rafferty@lewisgroup.co.za.

"Resolved that the audited annual financial statements of the company and its subsidiaries for the year ended 31 March 2012 be accepted and adopted."

4. Ordinary resolution number 2

Election of directors

Explanatory note

The election of each director who, among other things, retires by rotation is required at the company's AGM. The election will be conducted by a series of separate votes in respect of each candidate.

Leslie Alan Davies, Johan Enslin and David Nurek offer themselves for re-election.

Leslie Alan Davies (56)

Johan Enslin (38)

David Nurek (62)

Brief CV's of the directors are on pages 18 to 19.

Election of Leslie Davies as director

4.1 "Resolved that Leslie Davies be and is hereby elected as director of the company."

Election of Johan Enslin as director

4.2 "Resolved that Johan Enslin be and is hereby elected as director of the company".

Election of David Nurek as director

4.3 "Resolved that David Nurek be and is hereby elected as director of the company".

5. Ordinary resolution number 3

Election of members of the Audit Committee

Explanatory note

In terms of the Companies Act, at each annual general meeting an Audit Committee comprising at least three members must be elected. It is proposed that the following members of the Audit Committee be re-elected for the ensuing year. The election of each member of the Audit Committee will be voted on separately.

Brief CV's of the members are on pages 18 to 19.

Election of Zarina Bibi Mahomed Bassa as member of the Audit Committee.

5.1 "Resolved that Zarina Bibi Mahomed Bassa be and is hereby elected as a member of the Audit Committee".

Election of Hilton Saven as member of the Audit Committee.

5.2 "Resolved that Hilton Saven be and is hereby elected as a member of the Audit Committee".

Election of Benedict James van der Ross as member of the Audit Committee.

5.3 "Resolved that Benedict James van der Ross be and is hereby elected as a member of the Audit Committee".

6. Ordinary resolution number 4

Approval of reappointment of auditors

Explanatory note

In terms of the Companies Act, the company must each year at its AGM appoint an external auditor. The group's current external auditor is PricewaterhouseCoopers Inc., which has indicated that Mr Zuhdi Abrahams being a director of the firm and a registered auditor and who is accredited with the JSE in accordance with the JSE Listings Requirements will undertake the audit. The Group's Audit Committee has recommended that the firm and the designated auditor be reappointed for the ensuing period.

"Resolved that the firm PricewaterhouseCoopers Inc. and Zuhdi Abrahams as the designated auditor be re-appointed for the ensuing year."

7. Non-binding advisory vote number 5

Approval of the company's remuneration policy

Explanatory note

In terms of principle 2.27 of the King Report on Corporate Governance in South Africa, 2009 ("King III Report"), the company's remuneration policy should be tabled to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. Accordingly, the shareholders are requested to endorse the company's remuneration policy on pages 42 to 44 in the Remuneration Report, by way of a non-binding advisory vote.

"Resolved that the company's remuneration policy accompanying this notice be accepted and approved."

Notice of annual general meeting continued

8. Special resolution number 1

Approval of directors' fees

Explanatory note

In terms of section 66(8) of the Companies Act the company may pay remuneration to its directors for their service as directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by shareholders within the previous two years.

The effect of the special resolution is the directors will be entitled to the fees paid for the period from 1 July 2012 until 30 June 2013, such fees to be paid in instalments at the end of each quarter. The fees include an annual increase of approximately 6.7%.

"Resolved that the fees of the directors as reflected below be approved for the period from 1 July 2012 until 30 June 2013:

Chairman	R450 000
Director	R213 000
If a member of the Audit Committee the following additional amount:	
Chairman	R220 000
Member	R96 000
If a member of the Risk Committee the following additional amount:	
Chairman	R104 000
Member	R65 000
If a member of the Remuneration Committee the following additional amount:	
Chairman	R104 000
Member	R51 000
If a member of the Nomination Committee the following additional amount:	
Chairman	R70 000
Member	R29 000
If a member of the Social and Ethics Committee the following additional amount:	
Chairman	R70 000
Member	R29 000

Invitation Fee:

All non-executive directors who attend the committee meetings by invitation at the request of the board shall be eligible to receive the same fee as if they were a member of the committee.

9. Special resolution number 2

General approval to provide financial assistance

Explanatory note

The reason for this special resolution is to provide general authority for the company to provide financial assistance to its subsidiaries and other related and inter-related companies and corporations.

Section 45 of the Companies Act provides, inter alia, that any financial assistance to related or inter-related companies and corporations, including, inter alia, to subsidiaries of the company, must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the board of directors must be satisfied that –

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test, as defined in section 4 of the Companies Act; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company, when the need arises, provides loans to and/or guarantees loans or other obligations of subsidiaries. The company requires the ability to continue providing financial assistance, if and when necessary, to its current and future subsidiaries and/or any other company or corporation that is or becomes related or inter-related, in accordance with section 45 of the Companies Act.

In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company, it is necessary to obtain the approval of shareholders, as set out in special resolution number 2.

The passing of this special resolution will have the effect of allowing the directors of the company to authorise the company to provide direct or indirect financial assistance to the company's subsidiaries and other related and inter-related companies and corporations to allow such companies or corporations to have access to financing and/or financial backing from the company.

"Resolved that the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company for any purpose or in connection with any matter. The financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending 2 (two) years after such date."

10. Special resolution number 3

Approval of a new memorandum of incorporation

Explanatory note

The Companies Act, 71 of 2008, as amended ("the Act") abolishes the distinction between the memorandum of association and the articles of association and provides that there will only be one constitutional document for a company, namely the memorandum of incorporation ("MOI"). The company proposes to adopt a new MOI, in substitution for its memorandum of association and the articles of association (which in the course of law became its MOI upon the advent of the Act) in order to ensure that the company's constitutional documents are in harmony with the Act.

The salient features of the company's proposed new memorandum of incorporation ("MOI") are summarised in Annexure A to this notice of annual general meeting on pages 82 to 84. This summary is not exhaustive and the new MOI should be read in its entirety for a full appreciation of its contents. The full text of the proposed new MOI, as well as a copy of the existing MOI is available for inspection at the company's registered office, and electronic copies of these documents are available on the company's website (www.lewisgroup.co.za). Alternatively shareholders can request a copy of the proposed new MOI to be posted or e-mailed to them by contacting Diane Rafferty on diane.rafferty@lewisgroup.co.za. Should any shareholder believe that the new MOI materially and adversely alters the preferences, rights, limitations or other terms of his shares in the company, such shareholder is entitled to seek relief in terms section 164 of the Companies Act, 71 of 2008, provided that he (a) notifies the company not less than 24 hours prior to the time appointed for the holding of the meeting of his intention to oppose the special resolution to adopt the new MOI; and (b) attends the annual general meeting and votes against the special resolution.

"Resolved that the existing memorandum of incorporation (formerly the company's memorandum and articles of association) is abrogated in its entirety and replaced with a new memorandum of incorporation, a draft of which has been tabled at the AGM and initialled by the Chair of the AGM for purpose of identification, with effect from the date of the filing thereof at the Companies and Intellectual Property Commission."

11. Ordinary resolution number 6

Directors' authority to implement company resolutions

"Resolved that each and every director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

12. To transact such other business that may be transacted at an annual general meeting

Abridged annual financial statements and shareholders' information

Notice of annual general meeting continued

General instructions and information

1. On the date that the Companies Act came into effect, the memorandum of association and articles of association of the company automatically converted into the company's memorandum of incorporation. Accordingly, where the term "memorandum of incorporation" is used in this notice of AGM, it refers to the company's memorandum of incorporation which currently comprises the company's memorandum of association and its articles of association.
2. Unless otherwise specifically provided in this notice of AGM, for any of the ordinary resolutions to be adopted, 50% of the voting rights plus 1 vote exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, 75% of the voting rights plus one vote exercised on each special resolution must be exercised in favour thereof.
3. In accordance with section 63(1) of the Companies Act, participants at the AGM will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly provide a copy of their identity document, passport or drivers' licence at the AGM for verification.
4. The company intends to make provision for shareholders of the company, or their proxies, to participate in the AGM by way of electronic communication. Should you wish to participate in the AGM by way of electronic communication, you are required to give notice of such proposed participation to the company at its registered office by no later than 12h00 on 3 August 2012. Such notice must be accompanied by the following:
   a. if the shareholder is an individual, a certified copy of his identity document and/or passport;
   b. if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the AGM and a certified copy of the authorised representative's identity document and/or passport;
   c. a valid e-mail address and/or facsimile number for the purpose of receiving notice of the manner in which the electronic participation will be conducted.

   If you provide the company with the aforesaid notice and documents, the company shall use its reasonable endeavours to notify you of the relevant details of the electronic communication through which you can participate in the AGM.
5. All shareholders are encouraged to attend, speak and vote at the AGM and are entitled to appoint a proxy to attend, speak and vote at the meeting in place of the shareholder. The proxy duly appointed to act on behalf of a shareholder, need not also be a shareholder of the company.
6. On a show of hands, every shareholder of the company present in person or represented shall have one vote only. On a poll, every shareholder present in person, by proxy or represented shall have one vote for every share held.
7. If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Security Depository Participant ("CSDP") to hold your shares in your own name in the company sub-register) then:
   - you may attend and vote at the AGM; alternatively
   - you may appoint a proxy to represent you at the AGM by completing the attached form of proxy and, for administrative reasons, returning it to the company's transfer secretary (Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2017)) or lodging it at the registered office of the company by no later than 24 hours prior to the time appointed for the holding of the meeting; and/or
   - you may participate in the AGM by way of electronic participation in accordance with paragraph 4 above.
8. Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE Limited's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the company, your CSDP or broker (or their nominee) would be. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:
   - if you wish to participate in the AGM (either by being physically present at the meeting or by way of electronic participation in accordance with paragraph 4 above) you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively

- if you are unable to attend the AGM but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the AGM and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.
- CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the AGM (either by being physically present at the meeting or by way of electronic participation in accordance with paragraph 4 above) or by completing the attached form of proxy in accordance with the instructions thereon and for administrative purposes, returning it to the company's transfer secretary (Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2017)) or lodging it at the registered office of the company, for administrative reasons, not less than 24 hours prior to the time appointed for the holding of the meeting.

9. Shareholders of the company that are companies, that wish to participate in the AGM, may authorise any person to act as its representative at the AGM.

By order of the board

M G McConnell
Company Secretary

21 May 2012

Abridged annual financial statements and shareholders' information

Notice of annual general meeting continued

Annexure A

Summary of the salient features of the proposed new memorandum of incorporation to be adopted by Lewis Group Limited ("the new MOI"):

Theme or clause	Contents of new MOI
Definitions	Definitions and terms contained in the Act such as "Deliver", "Electronic Address" and "Ineligible or Disqualified" have been included in the new MOI.
Amendments to the MOI	Subject to the listings requirements of the JSE Limited (**"JSE Listings Requirements"**), the new MOI may only be amended in accordance with section 16(1) (c) of the Act and if approved by a special resolution. The board is empowered to correct errors substantiated as such from objective evidence or which are self evident errors in the new MOI.
Authorised securities	The company is authorised to issue 150 000 000 ordinary par value shares of R0.01 each. Clause 8 of the new MOI sets out the voting, ranking, rights and privileges of the ordinary shares in accordance with section 36 to section 40 and section 63 of the Act and Schedule 10 of the JSE Listings Requirements.
Shareholders' voting rights	Every person entitled to attend, participate in and vote at shareholders' meetings: (i) shall have one vote on a show of hands irrespective of the number of ordinary par value shares he holds or represents, and a proxy shall (irrespective of the number of shareholders he represents) have only one vote; and (ii) shall, if voting is decided on a poll, be entitled to one vote for each ordinary par value share he holds.
Authority to issue and repurchase securities	In terms of clause 9 of the new MOI, the directors will have the authority to allot or issue shares, provided the requisite approval of the shareholders has been obtained as required by the Act and the JSE Listings Requirements. The directors may issue capitalisation shares without having to obtain the approval of shareholders. An allotment or issue to certain persons, such as directors and prescribed officers, may require the approval of shareholders by special resolution, as contemplated in section 41 of the Act. Clause 35 of the new MOI authorises the company to repurchase its securities, including pursuant to an odd-lot offer, subject to the requirements of the Act and the JSE Listings Requirements.
Pre-emption on issue for cash	Subject to certain exceptions contemplated in the Act (e.g. where shares are issued in terms of an approved share incentive scheme), where the company contemplates an issue of shares for cash, such offer will be made to the existing holders of that class of shares by way of a pro rata rights offer, before being made to other holders of securities, except with the prior approval of shareholders by special or ordinary resolution, as may be required in the circumstances.
Holding of beneficial interest	The company will allow securities to be held by one shareholder for the beneficial interest of another. These securities may be voted upon by the holder of the beneficial interest at a shareholders' meeting without a proxy, provided that the beneficial interest includes the right to vote on the matter and the person's name is on the company's register of disclosures as the holder of a beneficial interest.
Audit Committee and auditor	Section 94 of the Act prescribes that the company is required to have an audit committee elected by its shareholders at its annual general meeting (**"AGM"**). Clause 36 of the new MOI sets out the manner and process of the election, as well as the duties of this committee. This clause also deals with the requirements of the Act in respect of independent auditors.

Shareholders' meetings	No shareholders' resolutions may be dealt with by round robin resolution, and all shareholders' meetings must be convened in accordance with the Act and the JSE Listings Requirements. Shareholders may not resolve to ratify any act which is contrary to the Act or the JSE Listings Requirements. A shareholder may appoint a proxy, who need not be a holder of the company's securities. Provision is made for shareholders to participate in meetings by electronic communication as required in section 61(10) of the Act. The quorum for a shareholders' meeting is at least 25% of all the voting rights that are entitled to be exercised, provided at least three holders are present at the meeting. The quorum requirements must continue to be present throughout a meeting.
Record date	The new MOI requires the board to determine the record dates to ascertain participation and rights of shareholders, in accordance with the applicable rules of the Central Securities Depository and the JSE Listings Requirements.
Election of directors and alternate directors and filling of vacancies	The minimum number of directors shall be four and the maximum number shall be 20. The appointment of alternate directors is permitted. The board is authorised to fill any vacancy occurring on the board, however such director shall cease to hold office at the first shareholders' meeting held after his appointment, unless he is elected at that meeting.
Cessation of office as director or alternate director	A director or alternate director shall cease to hold office as such if, amongst other things, he becomes ineligible or disqualified, his term of office expires, he resigns, there are more than three directors in office and the board determines that he has become incapacitated to an extent where he cannot perform the functions of a director or he is declared delinquent by a court. A director may also be removed by ordinary resolution in terms of section 71 of the Act.
Remuneration of directors, alternate directors and members of board committees	In terms of clause 23 of the new MOI, directors, alternate directors, members of board committees or members of the Audit Committee shall be entitled to such remuneration for their services as may have been determined from time to time by special resolution within the previous two years. The directors, alternate directors, members of board committees and the Audit Committee may also be paid all their travelling and other expenses, properly and necessarily incurred by them in attending to the business of the company. If any such person is required to perform extra services or be specially occupied about the company's business, he shall be entitled to receive remuneration determined by a disinterested quorum of directors.
Retirement of directors in rotation	One-third of the non-executive directors shall retire from office at each AGM. The non-executive directors so to retire at each AGM shall be those who have been longest in office since their last election. Retiring directors shall be eligible for re-election.
Executive directors	A director may be employed in any other capacity in the company inter alia as a director or employee of a company or by a subsidiary of the company. In such event, his appointment and remuneration in respect of such other office will be determined by a disinterested quorum of directors.
Personal financial interest	The Act defines a personal financial interest as a direct material interest of a person of a financial, monetary or economic nature. The duty to disclose personal financial interests applies to a director, an alternate director, prescribed officer and a member of a board committee and Audit Committee. Such duty to disclose personal financial interests also includes observations and insights as well as what is "known" in respect of a related party.

Abridged annual financial statements and shareholders' information

Notice of annual general meeting continued

Proceedings of directors	The quorum for a directors' meeting shall be more than 50% of all directors appointed to the board. The directors may elect a chairperson of their meetings and determine the period for which he is to hold office. Each director has one vote on a matter before the board and a majority of the votes cast on a resolution is sufficient to approve that resolution. In the case of a tied vote, the chairperson may cast a deciding vote unless the quorum of directors is two and only two directors are present at the directors' meeting. A decision that could be voted on at a directors' meeting may, instead, be adopted by written consent of a majority of the directors, provided that each director has received notice of the matter to be decided. Such resolution, inserted in the minute book, shall be as valid and effective as if it had been passed at a directors' meeting and may be signed in counterparts (unless a statement to the contrary is made in that resolution).
Distributions	The company shall be entitled to make distributions (including dividends) provided that it reasonably appears that the company will satisfy the solvency and liquidity test (as contained in section 4 of the Act) and the board, by resolution, has acknowledged that it has applied the solvency and liquidity test and reasonably concluded that the company will satisfy the solvency and liquidity test immediately after completing the proposed distribution. Holders of ordinary shares shall be entitled to receive the net assets of the company upon its liquidation.
Financial assistance	The board is empowered to provide direct or indirect financial assistance to, inter alia, directors and prescribed officers of the company, provided the granting of any such financial assistance is in compliance with section 45(2) of the Act.
Notices	The company may give notices, documents, records or statements or notices of availability of the aforegoing by personal delivery to a shareholder or, if required, to a holder of beneficial interests or by sending them prepaid through the post or by transmitting them by telegram, telex, fax or by electronic communication. The company must give notice of any meeting to each person entitled to vote at such meeting who has elected to receive such notice other than proxies.
Indemnity	The company may not directly or indirectly pay any fine that may be imposed on a director (which includes a former director, an alternate director, a prescribed officer and a member of a board committee or audit committee) as a consequence of an offence, but may advance expenses to the director to defend litigation arising out of the director's service to the company, unless the liability arose in terms of section 77(3)(a),(b) or (c) of the Act, or from wilful misconduct or wilful breach of trust on the part of the director. The company may purchase insurance in respect of these indemnities and may also claim restitution from a director in respect of any amounts paid which were not consistent with section 78 of the Act.
Social and Ethics Committee	In accordance with section 72(4) of the Act, the company has a statutory obligation to establish a Social and Ethics Committee in line with Regulation 43. The new MOI sets out the requirements for this committee, including reporting to shareholders, in order to ensure compliance with the Act.

* The new MOI should be read in its entirety for a full appreciation of the contents thereof.

Notes

Notes

Proxy form

Lewis Group Limited
(Incorporated in the Republic of South Africa)
(Registration Number: 2004/009817/06)
Share Code: LEW ISIN: ZAE 000058236
("Lewis Group" or "the company")

For use at the annual general meeting of the company to be held at Lewis Group Head Office, 53A Victoria Road, Woodstock, on Friday 17 August 2012 at 10:00 ('the annual general meeting").

Not to be used by beneficial holders of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an "own name" dematerialised shareholder ("own name dematerialised shareholder"). Generally, you will not be an own name dematerialised shareholder unless you have specifically requested the CSDP to record you as the holder of the shares in your own name in the company's sub-register.

Only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the company's sub-register as the holder of dematerialised ordinary shares.

I/We (block letters), ____________________

Of (address) ____________________

Telephone: (Work) ____________________ Telephone: (Home) ____________________

Being the holder/s of ____________________ ordinary shares in the company, hereby appoint (see instruction overleaf)

1. ____________________ or failing him/her

2. ____________________ or failing him/her

3. the chairperson of the annual general meeting,

as my/our proxy to attend, speak and vote (or abstain from voting) and act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and if deemed fit passing, with or without modification, the resolutions to be proposed thereat and at any adjournment or postponement thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the company registered in my/our name/s in accordance with the following instructions (see instruction overleaf).

	Insert an "X"		
	In favour of	Against	Abstain
Ordinary resolution 1 Approval of annual financial statements			
Ordinary resolution 2.1 Election of Leslie Alan Davies as director			
Ordinary resolution 2.2 Election of Johan Enslin as director			
Ordinary resolution 2.3 Election of David Morris Nurek as director			
Ordinary resolution 3.1 Election of Zarina Bibi Mahomed Bassa as a member of the Audit Committee			
Ordinary resolution 3.2 Election of Hilton Saven as a member of the Audit Committee			
Ordinary resolution 3.3 Election of Benedict James van der Ross as a member of the Audit Committee			
Ordinary resolution number 4 Approval of reappointment of auditors			
Non-binding advisory vote number 5 Approval of the company's remuneration policy			
Special resolution number 1 Approval of directors' fees			
Special resolution number 2 General approval to provide financial assistance			
Special resolution number 3 Approval of a new memorandum of incorporation			
Ordinary resolution number 6 Directors' authority to implement company resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares held in respect of which you desire to vote (instruction overleaf).

Signed at ____________________ on ____________________ 2012

Signature/s ____________________

(Authority of signatory to be attached if applicable – see instruction overleaf)

Assisted by ____________________

(where applicable)

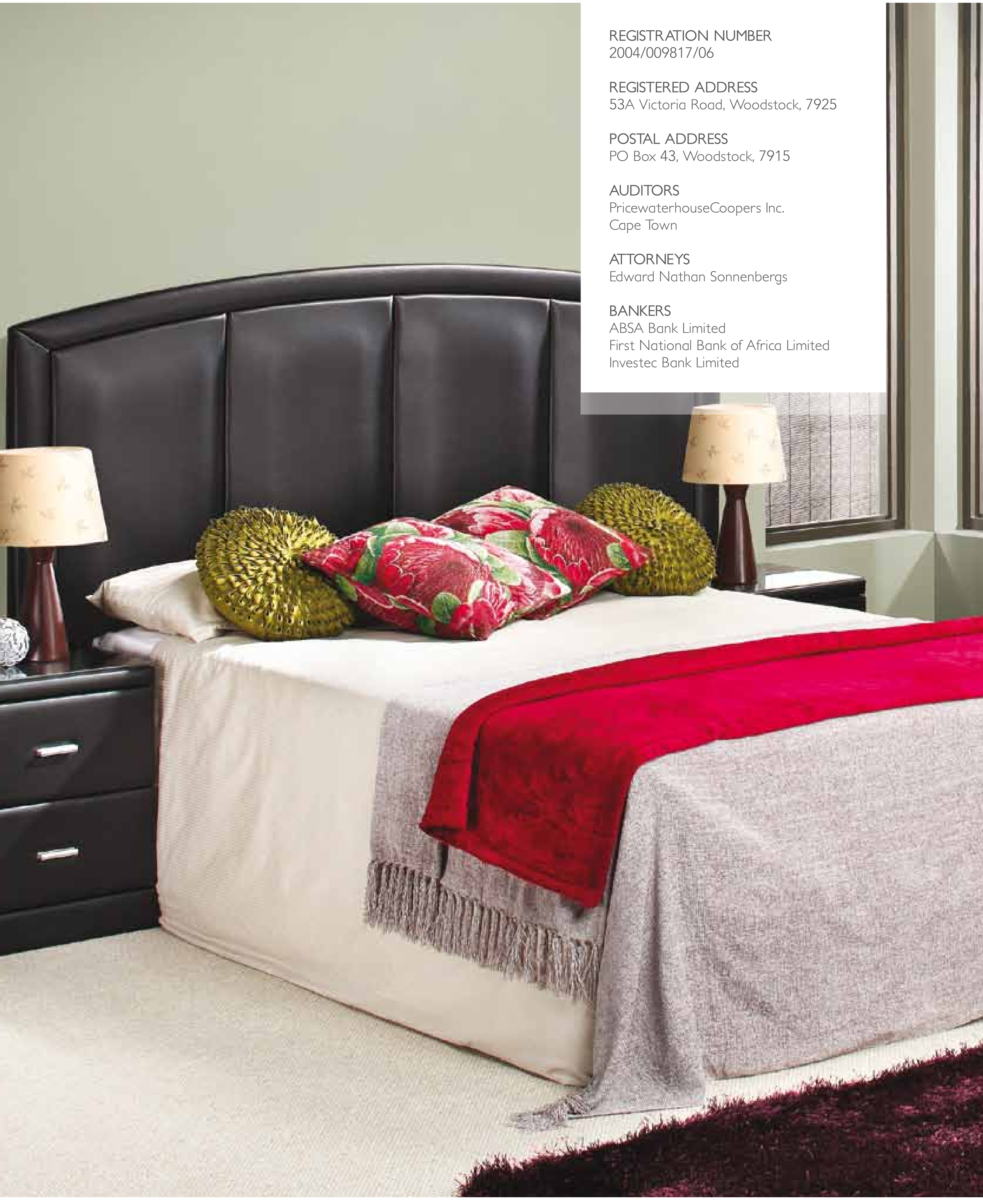
Telephone number: ____________________

Please read the notes on reverse side.

Proxy form

Instructions on signing and lodging the proxy form:

1. A certificated or own name dematerialised shareholder or CSDP or broker registered in the company's sub-register may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the chairperson shall be deemed to be appointed as the proxy to vote or abstain as the chairperson deems fit.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. Proxy forms should be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2017), or lodged with the company secretary to be received, for administrative reasons, by no later than 10:00 on Thursday, 16 August 2012.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting. CSDPs or brokers registered in the company's sub-register voting on instructions from owners of shares registered in the company's sub-sub-register, are requested that they identify the owner in the sub-sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the company's secretary together with this form of proxy.
6. In the case of joint holder, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, for which purpose seniority will be determined by the order in which the names appear on the register of shareholders in respect of the joint holding.
7. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such member wish to do so.
8. The completion of any blank spaces overleaf need to be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
9. The chairman of the annual general meeting may in his absolute discretion reject or accept any proxy form which is completed other than in accordance with these notes.
10. If required, additional forms of proxy are available from the secretary of the company.
11. Shareholders which are a company or body corporate may by resolution of their directors, or other properly authorised body, authorise any person to act as their representative. The representative will be counted in the quorum and will be entitled to vote on a show of hands or on a poll.
12. The shareholder's proxy may delegate his/her authority to act on the shareholder's behalf to another person, subject to any restriction set out in the proxy form.
13. The appointment of the proxy or proxies will be suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any of the shareholder's rights as a shareholder at the annual general meeting.
14. The appointment of a proxy is revocable unless the shareholder expressly states otherwise in the proxy form.
15. As the appointment of the shareholder's proxy is revocable, the shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy, and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on the shareholder's behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the company and the proxy as aforesaid.
16. If the proxy form has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act to be delivered by the company to the shareholder will be delivered by the company to the shareholder or the shareholder's proxy or proxies, if the shareholder has directed the company to do so, in writing and paid any reasonable fee charged by the company for doing so.
17. The shareholder's proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder at the annual general meeting, but only as directed by the shareholder on the proxy form.
18. The appointment of the shareholder's proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of one year, whichever is shortest, unless it is revoked by the shareholder before then on the basis set out above.



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 Limited
First National Bank of Africa Limited
Investec Bank Limited