Lewis Group Ltd

Audited Final Results

for the year ended 31 March 2007

Highlights

- Merchandise sales up 15.4% to R1 808.8 million
- Normalised operating profit up 18% to R859.9 million
- Normalised operating margin improves to 25.9%
- Normalised headline earnings per share up by 23% (38.9% on IFRS basis)
- Dividend per share up by 18.2%
- Further improvement in the quality of debtors

NORMALISED EARNINGS

Normalised income statement	March 2007 Rm	% change	March 2006 Rm
Revenue	**3 323.5**	15.6	2 874.5
Cost of merchandise sales	**(1 194.0)**		(1 020.6)
Operating costs	**(1 269.6)**		(1 125.3)
Normalised operating profit	**859.9**	18.0	728.6
Normalised operating margin	**25.9%**		25.3%
Profit before taxation	**890.2**		744.7
Taxation	**(291.9)**		(237.6)
Normalised attributable net profit	**598.3**	18.0	507.1
Normalised earnings per share (cents)	**649.9**	24.7	521.2
Normalised headline earnings per share (cents)	**645.4**	23.0	524.6

The group's 2006 results were presented on a normalised basis to reflect the actual operational performance of the business and excluded a R58.4 million charge for share-based payments. This charge arose from share allocations to staff by the former holding company at the time of the listing of the Lewis Group. The charge resulted in no economic cost or dilutionary effect to shareholders.

RETAIL TRADING REVIEW

The group has produced another strong trading performance, with consistent sales growth throughout the year. There has been a further improvement in the quality of the debtors book and enhanced operating margin.

Revenue increased by 15.6% to R3 323.5 million. Merchandise sales reflected a similar growth of 15.4%, driven by merchandise initiatives, improvements in the supply chain, a continued focus on customer retention as well as ongoing new customer promotional campaigns. Like-for-like sales growth was 11.3%.

Insurance revenue, finance charges and ancillary services grew in line with merchandise sales.

The merchandise gross margin this year was 34%, compared to 34.9% last year. Adjusted for the gain on forward exchange contracts reflected under interest income, the gross margin this year is 34.7% compared to 34.5% last year.

The furniture import programme has been expanded in 2007 and continues to offer customers a range of exclusive value-for-money products. This resulted in a shift in the product mix to a higher proportion of furniture sales which now account for 50% of total sales (2006: 47%).

The stock turn for the year improved from 4.8 to 5.2.

Actual bad debts written off during the year reflected a marginal increase of 4%, notwithstanding the 13.5% increase in gross debtors.

The opening of the 500th store in November 2006 was a notable milestone in the group's growth strategy. Following the opening of 22 new stores during the year, the group had a national store base of 508 at year-end.

FINANCIAL PERFORMANCE

Normalised operating profit grew by 18% to R859.9 million, with the normalised operating margin increasing from 25.3% to 25.9% as a result of improved sales.

The increase in earnings can be summarised as follows:

Increase in	IFRS	Normalised
Earnings	33.3%	18.0%
Headline earnings	31.5%	16.4%
Earnings per share	40.9%	24.7%
Headline earnings per share	38.9%	23.0%
Fully diluted earnings per share	40.6%	24.4%
Fully diluted headline earnings per share	38.6%	22.8%

The share repurchase programme initiated in September 2005 as part of the long-term capital management plan has enhanced earnings per share and return on equity. At 31 March 2007, 7.5% of the shares in issue had been repurchased at an average market price of R48.37 per share. The group will continue to repurchase shares at levels which are earnings enhancing. The weighted average number of shares in issue was 92.1 million for the year compared to 97.3 million last year.

The normalised return on equity for the year improved to 24.8% compared to 23.2% last year.

DIVISIONAL REVIEW

The three trading divisions all showed pleasing growth off a high base with sales momentum being maintained in the second half of the year. The Lewis chain grew 12.4% (10.9% on a like-for-like basis), with excellent results in selected product categories highlighting the benefits of the merchandising strategy.

Best Electric recorded a 23.6% sales increase, benefiting from the opening of 7 new stores. Comparable sales growth was at 7.5% and reflected a slowing of demand of certain electronic goods.

Lifestyle Living posted strong growth of 43.9% (23.7% on a like-for-like basis) as the differentiated merchandise offerings continued to reap dividends. The division is now firmly on a sustainable growth path.

The pilot project for Best Bedding, a specialist bedding and bedroom furniture chain, has performed in line with management's expectations. Three stores were opened in the second half of the year.

A total of 28 stores will be opened on a phased basis across the trading divisions in the 2008 financial year.

DEBTORS BOOK

The overall condition of the group's debtors book as measured by the doubtful debt provision continues to improve. The doubtful debt provision is 11.4% of debtors as compared to 12.6% last year and indicates the high quality of the group's credit risk management and the strength of the decentralised collection process.

Actual bad debts written off during the year reflected a marginal increase of 4%, notwithstanding the 13.5% increase in gross debtors.

The average age of the debtors book of 14.1 months has improved from 14.3 months last year.

The group's cash sales at 30.7% of total sales remains at a similar level to last year.

CASH FLOW

Lewis continues to generate strong operating cash flows which have funded the following:

- Increased investment in debtors of R295.3 million;
- Share repurchases of R213.5 million; and
- Dividends paid during the year of R253.0 million.

Borrowings have increased by R295.7 million in line with long-term capital management planning and gearing is now 15.6% (2006: 4.6%).

NATIONAL CREDIT ACT ("NCA")

The group is compliant with the requirements of the NCA which will be implemented on 1 June 2007. The impact of the NCA is expected to be revenue neutral and minimal systems costs have been incurred in complying with the legislation. Our credit granting process, which has been in place for many years, conforms with the requirements of the National Credit Act. The store-based collection process will ensure that Lewis will continue to interface closely with its customers and will be a major advantage in dealing with certain aspects of the National Credit Act.

OUTLOOK

The underlying strength and size of the middle income market will continue to afford growth opportunities. Sales for April 2007 were on budget and the Board remains confident that the group will deliver satisfactory growth in sales and earnings in the year ahead.

CORPORATE GOVERNANCE

The group subscribes to the values of good corporate governance and complies with the Code of Corporate Practices and Conduct as set out in the King II Report on Corporate Governance and the JSE Limited Listings Requirements.

DIRECTORATE

David Nurek, Alan Smart, Hilton Saven, Ben van der Ross and Professor Fatima Abrahams remained as directors during the year. We are pleased to announce the appointment of the group's chief financial officer, Les Davies, to the Board with effect 1 April 2007.

DECLARATION OF FINAL DIVIDEND NO. 6

The Board has approved a final dividend which represents 2.25 times dividend cover. The dividend has been calculated on earnings attributable to shareholders.

Notice is hereby given that a final dividend of 150 cents per share in respect of the year ended 31 March 2007 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday 20 July 2007. The last day to trade cum dividend will therefore be Friday 13 July 2007 and Lewis shares will trade ex-dividend from Monday 16 July 2007. Payment of the dividend will be made on Monday 23 July 2007. Share certificates may not be dematerialised or rematerialised between Monday 16 July 2007 and Friday 20 July 2007, both days inclusive.

For and on behalf of the Board

David Nurek	Alan Smart
Chairman	*Chief Executive Officer*

Cape Town
21 May 2007

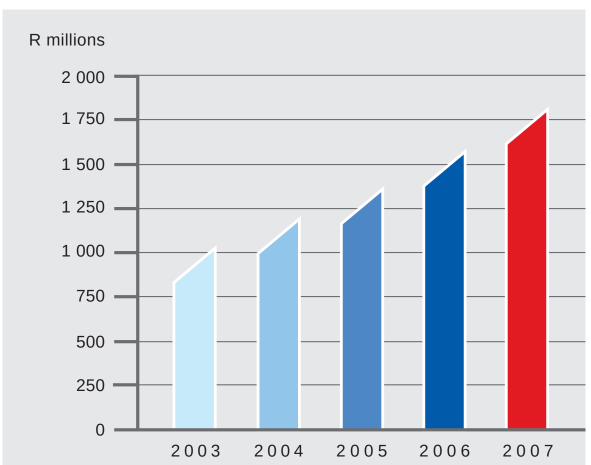
EXTERNAL AUDITORS' REVIEW

The external auditors, PricewaterhouseCoopers Inc, have audited the group annual financial statements and the abridged financial statements contained herein for the 12 months ended 31 March 2007 and a copy of their unqualified reports are available on request at the company's registered office.

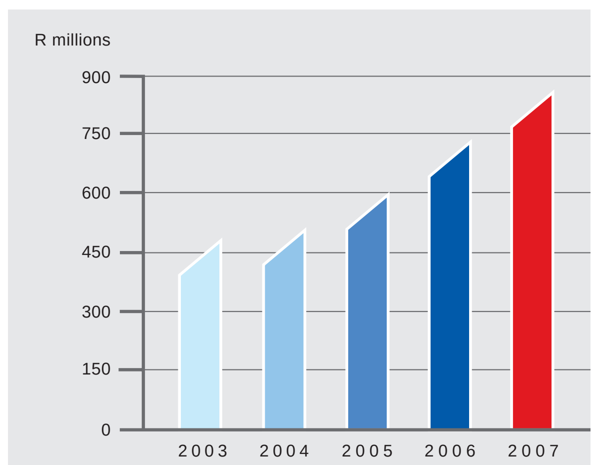
Executive directors:	AJ Smart (*Chief Executive Officer*), LA Davies (*Chief Financial Officer*)
Independent non-executive directors:	DM Nurek (*Chairman*), H Saven, BJ van der Ross, Professor F Abrahams
Company secretary:	PB Croucher
Registered office:	53A Victoria Road, Woodstock, 7925
Registration number:	2004/009817/06
Share code:	LEW
ISIN:	ZAE000058236
Transfer secretaries:	Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107
Auditors:	PricewaterhouseCoopers Inc.
Sponsor:	UBS South Africa (Pty) Ltd

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

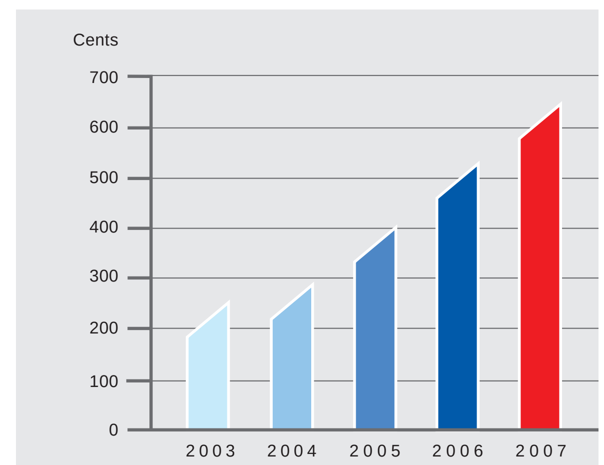
Merchandise sales



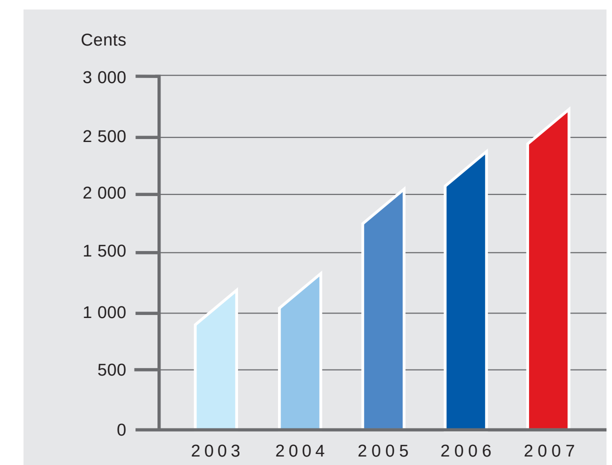
Operating profit



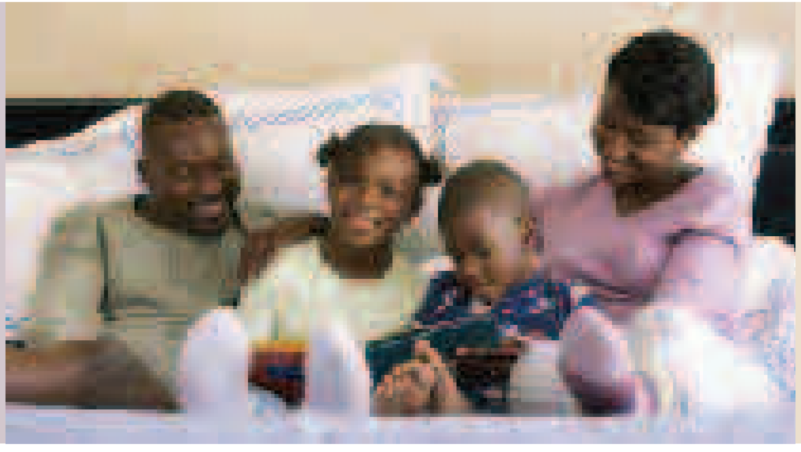
Headline earnings per share



Net asset value per share



Based on normalised earnings. 2003 and 2004 calculated in terms of SA GAAP.



Lewis | Best Electric | Lifestyle Living | Best Bedding | Monarch

INCOME STATEMENT

	Notes	12 months ended 31 March 2007 Rm Audited	12 months ended 31 March 2006 Rm Audited
Revenue		3 323.5	2 874.5
Merchandise sales		1 808.8	1 567.8
Finance charges earned		776.7	674.4
Insurance premiums earned		464.7	400.4
Ancillary services		273.3	231.9
Cost of merchandise sales	2	(1 194.0)	(1 020.6)
Operating costs		(1 269.6)	(1 183.7)
Employment costs		(481.6)	(439.9)
Share-based payments		(4.0)	(58.7)
Administration and IT		(162.3)	(152.3)
Bad debts written off		(138.4)	(132.9)
Doubtful debt charge		(9.5)	17.4
Marketing		(106.9)	(89.1)
Occupancy costs		(116.7)	(98.3)
Transport and travel		(109.2)	(98.4)
Depreciation		(38.9)	(35.0)
Other operating costs		(102.1)	(96.5)
Operating profit		859.9	670.2
Investment income		42.7	28.9
Profit before finance costs		902.6	699.1
Net finance costs	3	(12.4)	(12.8)
Profit before taxation		890.2	686.3
Taxation		(291.9)	(237.6)
Net profit attributable to ordinary shareholders		598.3	448.7
Reconciliation of headline earnings			
Net profit attributable to ordinary shareholders		598.3	448.7
Adjusted for			
Surplus on disposal of property, plant and equipment		(3.8)	(6.0)
Surplus on disposal of available-for-sale assets		(1.6)	(5.8)
Impairment of available-for-sale assets		–	12.3
Taxation		1.3	2.8
Headline earnings		594.2	452.0
Number of ordinary shares (000)			
In issue		100 000	100 000
Weighted average		92 062	97 300
Fully diluted weighted average		92 458	97 501
Earnings per share (cents)		649.9	461.2
Headline earnings per share (cents)		645.4	464.5
Fully diluted earnings per share (cents)		647.1	460.2
Fully diluted headline earnings per share (cents)		642.7	463.6

STATEMENT OF CHANGES IN EQUITY

	Share capital and premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
Balance at 1 April 2005	676.9	52.3	1 330.4	2 059.6
Net profit attributable to ordinary shareholders	–	–	448.7	448.7
Fair value adjustments of available-for-sale investments, net of tax	–	61.4	–	61.4
Disposal of available-for-sale investments recognised	–	(4.8)	–	(4.8)
Available-for-sale asset impaired	–	12.3	–	12.3
Share-based payment	–	58.7	–	58.7
Transfer of share-based payment reserve to retained income on vesting	–	(69.2)	69.2	–
Cost of treasury shares acquired				
Share repurchase programme	(151.9)	–	–	(151.9)
Share trust	(0.3)	–	–	(0.3)
Cost of share awards to employees	0.2	–	(0.2)	–
Profit on sale of own shares	–	–	2.3	2.3
Transfer to contingency reserve	–	5.0	(5.0)	–
Foreign currency translation reserve movement	–	(23.7)	–	(23.7)
Dividends paid	–	–	(156.9)	(156.9)
Balance at 31 March 2006	524.9	92.0	1 688.5	2 305.4
Net profit attributable to ordinary shareholders	–	–	598.3	598.3
Fair value adjustments of available-for-sale investments, net of tax	–	54.0	–	54.0
Disposal of available-for-sale investments recognised	–	(1.4)	–	(1.4)
Share-based payment	–	4.0	–	4.0
Transfer of share-based payment reserve to retained income on vesting	–	(1.7)	1.7	–
Cost of treasury shares acquired	(213.5)	–	–	(213.5)
Profit on sale of own shares	–	–	6.8	6.8
Transfer to contingency reserve	–	4.2	(4.2)	–
Foreign currency translation reserve movement	–	5.4	–	5.4
Dividends paid	–	–	(231.8)	(231.8)
Balance at 31 March 2007	311.4	156.5	2 059.3	2 527.2

BALANCE SHEET

	Note	31 March 2007 Rm Audited	31 March 2006 Rm Audited
ASSETS			
Non-current assets			
Property, plant and equipment		182.9	163.2
Investments – insurance business		461.1	478.0
Deferred taxation		102.9	89.7
		746.9	730.9
Current assets			
Investments – insurance business		199.3	111.9
Inventories		230.3	212.6
Trade and other receivables	4	2 187.7	1 896.5
Cash on hand and deposits		35.7	28.1
		2 653.0	2 249.1
Total assets		3 399.9	2 980.0
EQUITY AND LIABILITIES			
Capital and reserves			
Shareholders' equity and reserves		2 527.2	2 305.4
Non-current liabilities			
Interest-bearing borrowings		–	1.0
Deferred taxation		25.4	20.9
Retirement benefits		67.6	75.8
		93.0	97.7
Current liabilities			
Trade and other payables		287.7	283.5
Taxation		61.7	159.8
Current-portion of interest-bearing borrowings		1.0	0.8
Overdrafts and short-term interest-bearing borrowings		429.3	132.8
		779.7	576.9
Total equity and liabilities		3 399.9	2 980.0

SEGMENTAL REPORT

	12 months ended 31 March 2007 Rm Audited	12 months ended 31 March 2006 Rm Audited
BUSINESS GROUPING		
Trading revenue		
Merchandise	2 858.8	2 474.0
Insurance	464.7	400.5
Total	3 323.5	2 874.5
Operating profit		
Merchandise	676.5	564.9
Insurance	183.4	163.7
Total*	859.9	728.6
GEOGRAPHICAL		
Revenue		
South Africa	2 982.9	2 575.0
Botswana, Lesotho, Namibia and Swaziland	340.6	299.5
Total	3 323.5	2 874.5

** The operating profit excludes the share-based payments of R58.4 million in 2006 relating to the vesting of share awards and options resulting from the disposal of the GUS PLC Group of its controlling interest.*

KEY RATIOS

	12 months ended 31 March 2007	12 months ended 31 March 2006
Operating efficiency ratios		
Merchandise gross profit %	34.0%	34.9%
Normalised operating margin %	25.9%	25.3%
Number of stores	508	490
Revenue per store (R000's)	6 542	5 866
Normalised operating profit per store (R000's)	1 693	1 487
Number of employees (average)	6 310	5 879
Revenue per employee (R000's)	527	489
Normalised operating profit per employee (R000's)	136	124
Trading space (sqm)	215 076	210 201
Revenue per sqm (R)	15 453	13 675
Normalised operating profit per sqm (R)	3 998	3 466
Inventory turn	5.2	4.8
Current ratios	3.3	3.9
Credit ratios		
Cash and short-term credit sales % of total sales	30.7%	29.9%
Debtors costs as a % of the gross debtors book	4.5%	4.0%
Doubtful debt provision as a % of gross instalment receivables	11.4%	12.6%
Total debtors provisions as a % of gross instalment receivables	35.1%	36.3%
Credit applications decline rate	20.1%	22.4%
Average age of book (months)	14.1	14.3
Arrear % (full contractual)	21.0%	22.0%
Shareholder ratios		
Net asset value per share (cents)	2 774	2 425
Gearing ratio	15.6%	4.6%
Normalised return on average equity	24.8%	23.2%
Normalised return on average capital employed	22.5%	22.1%

Notes:

1. *All ratios are based on figures at the end of the year unless otherwise disclosed.*
2. *Where a ratio is referred to as normalised, the earnings used in that ratio will exclude the share-based payment of R58.4 million in 2006.*
3. *The net asset value has been calculated using 91 092 000 shares in issue (2006: 95 069 000).*

ABRIDGED CASH FLOW STATEMENT

	Notes	12 months ended 31 March 2007 Rm Audited	12 months ended 31 March 2006 Rm Audited
Cash generated from operations	6	591.5	593.2
Dividends and interest received		58.7	41.3
Finance costs		(30.0)	(18.7)
Taxation paid		(403.2)	(244.4)
Cash retained from operating activities		217.0	371.4
Net cash outflow from investing activities		(66.6)	(45.5)
Net cash outflow from financing activities	7	(439.3)	(313.9)
Net (decrease)/increase in cash and cash equivalents		(288.9)	12.0
Cash and cash equivalents at the beginning of the year		(104.7)	(116.7)
Cash and cash equivalents at the end of the year		(393.6)	(104.7)

NOTES TO THE FINANCIAL STATEMENTS

1. **Basis of accounting**

These consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments which have been recognised at fair value, and in accordance with International Financial Reporting Standards ("IFRS").

	31 March 2007 Rm Audited	31 March 2006 Rm Audited
2. Cost of merchandise sales		
Purchases	1 211.7	1 077.4
Movement in inventory	(17.7)	(56.8)
Cost of merchandise sales	1 194.0	1 020.6
Gross profit	614.8	547.2
3. Net finance costs		
Interest paid:	29.6	12.7
– Bank and loans	26.9	12.5
– Other	2.7	0.2
Interest earned:	(4.0)	(5.9)
– Bank	(2.7)	(5.9)
– Other	(1.3)	–
Forward exchange contracts	(13.2)	6.0
	12.4	12.8
4. Trade and other receivables		
Instalment sale and loan receivables	3 317.0	2 921.4
Provision for unearned finance charges and unearned maintenance income	(572.7)	(508.0)
Provision for doubtful debts	(377.5)	(368.0)
Provision for unearned insurance premiums	(214.3)	(184.8)
Unearned insurance premiums	(346.7)	(300.9)
Less: re-insurer's share of unearned premiums	132.4	116.1
Net instalment sale and loan receivables	2 152.5	1 860.6
Other receivables	35.2	35.9
	2 187.7	1 896.5

The credit terms of instalment sale and loan receivables range from 6 to 24 months. Amounts due from instalment sale and loan receivables after one year are reflected as current, as they form part of the normal operating cycle.

5. **Material capital commitments**

There were no material capital commitments contracted for or authorised and contracted at the end of the year under review.

	31 March 2007 Rm Audited	31 March 2006 Rm Audited
6. Cash generated from operations		
Operating profit	859.9	670.2
Adjusted for:		
Share-based payment	4.0	58.7
Depreciation	38.9	35.0
Surplus on disposal of property, plant and equipment	(3.8)	(6.0)
Movement in provision for doubtful debts	9.5	(17.4)
Movement in retirement benefits provision	(8.2)	3.4
Movement in other provisions	11.1	9.8
Changes in working capital:		
Increase in inventories	(20.1)	(62.0)
Increase in trade and other receivables	(295.3)	(152.2)
(Decrease)/Increase in trade and other payables	(4.5)	53.7
	591.5	593.2
7. Net cash outflow from financing activities		
Purchase of treasury shares	(213.5)	(152.2)
Dividends paid	(231.8)	(156.9)
Other	6.0	(4.8)
	(439.3)	(313.9)