FINAL AUDITED RESULTS

FOR THE YEAR ENDED 31 MARCH 2011

Lewis Group Ltd

MERCHANDISE SALES UP	GROSS PROFIT IMPROVED FROM 34.9% TO	OPERATING PROFIT MARGIN	HEADLINE EARNINGS PER SHARE UP	FINAL DIVIDEND 207 CENTS UP
12%	36.3%	23%	21.6%	15.6%

OVERVIEW

Lewis Group posted a strong trading performance for the year with steadily improving sales and credit collections. The ongoing focus on merchandise innovation benefited the group through increased credit sales and gross profit. Merchandise sales for the reporting period increased by 12% and revenue rose by 11.4% to R4.6 billion.

Headline earnings per share increased by 21.6%. This was mainly due to the improvement in the gross profit margin from 34.9% to 36.3% and the decline in debtor costs as a percentage of net debtors from 10.9% to 10.2%.

After maintaining the total dividend at 323 cents per share for the past two challenging years, the board is pleased to advise a 15.6% increase in the final dividend to 207 cents, bringing the total dividend for the year to 363 cents, returning to a 50% payout of earnings.

TRADING AND FINANCIAL PERFORMANCE

The merchandise strategy of sourcing exclusive and differentiated furniture ranges was enhanced with a second launch of merchandise in October 2010, which contributed to the increase in the gross margin.

Furniture and appliance sales increased by 12.1% and electronic goods sales by 11.9%. Merchandise sales in the flagship Lewis brand, which comprise 84.2% of total sales, increased by 12.6% and Best Home and Electric improved sales by 17.9%. Credit sales as a percentage of total sales grew from 68.5% in 2010 to 71.4% this year.

The higher credit sales mix resulted in a 13.5% increase in revenue from ancillary services which comprise monthly service and initiation fees on credit contracts. Insurance revenue grew by 22.2% owing to the higher proportion of longer term contracts in the debtor base. Finance charges increased by only 1.4% reflecting the impact of lower interest rates.

Operating costs, excluding debtor costs, increased by 11.8%, impacted by the higher performance-related employment cost, the launch of My Home and the higher occupancy and employment costs associated with the opening of 40 new stores during the period. Operating costs as a percentage of revenue at 35.1% is well within management's target range of 35% to 36%.

Operating profit margin increased to 23.0% (2010: 22.1%) and resulted in a 16.0% growth in operating profit which reached the R1 billion mark. Headline earnings per share grew by 21.6% to 781.1 cents (2010: 642.6 cents).

Inventory continues to be tightly managed with a stock turn of 5.7 times.

Cash generated from operations increased by R300 million through improved trading and strong debtor collections. The group's gearing ratio improved to 26.8% from 27.5%, well below management's maximum level of 35%.

DEBTOR MANAGEMENT

The improving quality of the book is reflected in the decline in debtor costs from 10.9% to 10.2%. Collections gained momentum throughout the year as the economic health of our customer base continued to improve.

An analysis of the group's debtors book based on payment ratings shows an improvement in the percentage of customers in the "satisfactory paid" category to 74.5% compared to 72.7% last year. The number of customers classified in the slow-paying and non-performing categories showed a commensurate decline.

STORE EXPANSION

The group achieved its goal of opening 40 stores, bringing the store base to 582 at year-end. During the period 21 Lewis, 15 Best Home and Electric and 4 My Home stores were opened, with 17 of the new Lewis outlets being smaller format stores.

PROSPECTS

There are encouraging signs of a sustainable improvement in spending in the Lewis target market. Consumer confidence is improving and demand for credit is growing, supported by higher real wage increases granted to the public sector and trade union groups, stabilising unemployment, continuing infrastructure spend and service delivery.

However, management remains cautious on the pace of the economic recovery in an environment where job creation is key to sustained growth and consumers are experiencing increasing fuel, electricity and utility costs.

The store expansion programme will continue and 40 new outlets are planned for the year ahead, with the focus on small stores with lower cost structures and higher sales densities.

DIVIDEND DECLARATION

Notice is hereby given that a final cash dividend of 207 cents in respect of the year ended 31 March 2011 has been declared payable to holders of ordinary shares.

The following dates are applicable:

Last date to trade "cum" dividend	Friday, 15 July 2011
Date trading commences "ex" dividend	Monday, 18 July 2011
Record date	Friday, 22 July 2011
Date of payment	Monday, 25 July 2011

Share certificates may not be dematerialised or rematerialised between Monday, 18 July 2011 and Friday, 22 July 2011.

For and on behalf of the board.

David Nurek — Chairman
Johan Enslin — Chief Executive Officer

Cape Town
23 May 2011

EXTERNAL AUDITORS' OPINION

The external auditors, PricewaterhouseCoopers Inc., have audited the group's annual financial statements and the abridged financial statements contained herein for the twelve months ended 31 March 2011. A copy of their unqualified reports are available on request at the company's registered office.

CONDENSED FINAL AUDITED RESULTS

INCOME STATEMENT

	Notes	12 months ended 31 March 2011 Rm Audited	% change	12 months ended 31 March 2010 Rm Audited
Revenue		4 577.7	11.4%	4 110.6
Merchandise sales		2 290.3		2 045.5
Finance charges earned		919.6		907.1
Insurance premiums earned		752.4		616.0
Ancillary services		615.4		542.0
Cost of merchandise sales		(1 458.6)		(1 330.6)
Operating costs		(2 066.6)		(1 872.8)
Employment costs		(693.5)		(607.4)
Administration and IT		(208.1)		(194.7)
Debtor costs	2	(458.9)		(434.2)
Marketing		(156.5)		(134.3)
Occupancy costs		(186.1)		(165.1)
Transport and travel		(147.5)		(135.9)
Depreciation		(46.5)		(46.3)
Other operating costs		(169.5)		(154.9)
Operating profit		1 052.5	16.0%	907.2
Investment income		82.0		77.5
Profit before finance costs		1 134.5		984.7
Net finance costs	3	(91.9)		(121.2)
Profit before taxation		1 042.6		863.5
Taxation		(330.7)		(272.1)
Net profit attributable to ordinary shareholders		711.9	20.4%	591.4
Reconciliation of headline earnings:				
Net profit attributable to ordinary shareholders		711.9		591.4
Adjusted for				
Surplus on disposal of property, plant and equipment		(7.2)		(6.5)
Surplus on disposal of available-for-sale assets		(19.2)		(23.6)
Tax effect		3.4		4.2
Headline earnings		688.9	21.8%	565.5
Number of ordinary shares (000)				
In issue		98 058		98 058
Weighted average		88 194		88 002
Diluted weighted average		89 185		88 330
Earnings per share (cents)		807.2	20.1%	672.0
Headline earnings per share (cents)		781.1	21.6%	642.6
Diluted earnings per share (cents)		798.2	19.2%	669.5
Diluted headline earnings per share (cents)		772.4	20.7%	640.2

STATEMENT OF COMPREHENSIVE INCOME

	12 months ended 31 March 2011 Rm Audited	12 months ended 31 March 2010 Rm Audited
Net profit for the year	711.9	591.4
Fair value adjustments of available-for-sale investments	38.1	87.1
Fair value adjustments of available-for-sale investments	42.8	99.4
Tax effect	(4.7)	(12.3)
Disposal of available-for-sale investments recognised	(17.8)	(21.3)
Disposal of available-for-sale investments	(19.2)	(23.6)
Tax effect	1.4	2.3
Foreign currency translation reserve	(4.1)	(7.4)
Total comprehensive income for the year	728.1	649.8

KEY RATIOS

	12 months ended 31 March 2011	12 months ended 31 March 2010
Operating efficiency ratios		
Gross profit margin %	36.3%	34.9%
Operating profit margin %	23.0%	22.1%
Number of stores	582	548
Number of permanent employees (average)	6 842	6 668
Trading space (sqm)	231 184	225 891
Inventory turn	5.7	6.0
Current ratios	3.4	3.5
Credit ratios		
Credit sales %	71.4%	68.5%
Bad debts as a % of net debtors	7.4%	8.3%
Debtor costs as a % of the net debtors	10.2%	10.9%
Debtors' impairment provision as a % of net debtors	16.8%	16.0%
Arrear instalments on satisfactory accounts as a percentage of net debtors	10.1%	9.3%
Arrear instalments on slow-paying and non-performing accounts as a percentage of net debtors	19.9%	19.8%
Debtors' impairment provision on non-performing accounts	78.8%	74.9%
Credit applications decline rate	31.5%	27.5%
Shareholder ratios		
Net asset value per share (cents)	4 225	3 719
Gearing ratio	26.8%	27.5%
Dividend cover	2.0	1.9
Return on average equity (after-tax)	20.3%	19.2%
Return on average capital employed (after-tax)	17.2%	17.2%
Return on average assets managed (pre-tax)	21.8%	21.9%

Notes:
1. All ratios are based on figures at the end of the year unless otherwise disclosed.
2. The net asset value has been calculated using 88 237 000 shares in issue (2010: 87 030 000).
3. Total assets exclude the deferred tax asset.

BALANCE SHEET

	Notes	31 March 2011 Rm Audited	31 March 2010 Rm Audited
Assets			
Non-current assets			
Property, plant and equipment		278.7	251.1
Deferred taxation		20.1	13.0
Investments – insurance business	5	857.1	716.0
		1 155.9	980.1
Current assets			
Inventories		256.3	210.0
Trade and other receivables	4	3 835.0	3 427.6
Investments – insurance business	5	240.2	178.1
Cash on hand and deposits		84.3	62.2
		4 415.8	3 877.9
Total assets		5 571.7	4 858.0
Equity and liabilities			
Capital and reserves			
Shareholders' equity and reserves		3 728.1	3 273.7
Non-current liabilities			
Long-term interest-bearing borrowings	6	400.0	350.0
Deferred taxation		85.1	84.5
Retirement benefits		59.4	51.8
		544.5	486.3
Current liabilities			
Trade and other payables	7	567.0	450.0
Taxation		49.1	36.6
Short-term interest-bearing borrowings	6	683.0	611.4
		1 299.1	1 098.0
Total equity and liabilities		5 571.7	4 858.0

CASH FLOW STATEMENT

	Note	12 months ended 31 March 2011 Rm Audited	12 months ended 31 March 2010 Rm Audited
Cash generated from operations	8	777.0	478.1
Dividends and interest received		66.0	59.9
Finance costs		(95.1)	(127.2)
Taxation paid		(328.0)	(214.2)
Cash retained from operating activities		419.9	196.6
Net cash outflow from investing activities		(227.3)	(126.3)
Net cash outflow from financing activities		(292.1)	162.7
Net (decrease)/increase in cash and cash equivalents		(99.5)	233.0
Cash and cash equivalents at the beginning of the year		(249.2)	(482.2)
Cash and cash equivalents at the end of the year		(348.7)	(249.2)

STATEMENT OF CHANGES IN EQUITY

	12 months ended 31 March 2011 Rm Audited	12 months ended 31 March 2010 Rm Audited
Share capital and premium	93.5	93.5
Opening balance	93.5	97.8
Cost of own shares acquired	–	(4.3)
Other reserves	207.1	171.3
Opening balance	171.3	107.4
Other comprehensive income:		
Fair value adjustments of available-for-sale investments	38.1	87.1
Disposal of available-for-sale investments recognised	(17.8)	(21.3)
Foreign currency translation reserve	(4.1)	(7.4)
Share-based payment	18.4	10.9
Transfer of share-based payment reserve to retained income on vesting	(8.4)	(11.5)
Transfer to contingency reserve	9.6	6.1
Retained earnings	3 427.5	3 008.9
Opening balance	3 008.9	2 695.1
Net profit attributable to ordinary shareholders	711.9	591.4
Profit on sale of own shares	3.5	1.4
Transfer of share-based payment reserve to retained income on vesting	8.4	11.5
Transfer to contingency reserve	(9.6)	(6.1)
Distribution to shareholders	(295.6)	(284.4)
Balance at the end of the year	3 728.1	3 273.7

SEGMENTAL REPORT

Reportable segments	Lewis Rm	Best Home and Electric Rm	My Home Rm	Total Rm
2011				
Revenue	3 853.5	588.5	135.7	4 577.7
Operating profit	919.7	126.0	6.8	1 052.5
Operating margin	23.9%	21.4%	5.0%	23.0%
Segment assets	3 422.3	491.5	102.3	4 016.1
2010				
Revenue	3 470.3	503.4	136.9	4 110.6
Operating profit	808.7	96.2	2.3	907.2
Operating margin	23.3%	19.1%	1.7%	22.1%
Segment assets	3 072.8	410.4	62.4	3 545.6

ACCOUNTS RECEIVABLE 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:

Debtor's Payment Analysis		Number of customers 2011	Number of customers 2010	Impairment provision % 2011	Impairment provision % 2010
Satisfactory paid					
Customers fully paid up to date including those who have paid 70% or more of amounts due over the contract period.	No. / %	521 304 / 74.5%	498 370 / 72.7%	1%	0%
Slow payers					
Customers who have paid between 65% and 70% of amounts due over the contract period.	No. / %	55 439 / 7.9%	58 476 / 8.5%	27%	23%
Non-performing customers					
Customers who have paid between 55% and 65% of amounts due over the contract period.	No. / %	44 436 / 6.4%	48 446 / 7.1%	44%	43%
Non-performing customers					
Customers who have paid 55% or less of amounts due over the contract period.	No. / %	78 174 / 11.2%	80 417 / 11.7%	98%	94%
		699 353	685 709	16.8%	16.0%

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

NOTES TO THE FINANCIAL STATEMENTS

1. **Basis of accounting**
   The results for the 12 months to 31 March 2011 are prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards, including IAS 34 (Interim Financial Reporting), and in compliance with the Listings Requirements of the JSE Limited. The accounting policies are consistent with those applied in the annual financial statements for the year ending 31 March 2010 except for:
   The short-term portion of long-term borrowings has been excluded from cash and cash equivalents in the cash flow statement. Comparatives have been reclassified accordingly.

	31 March 2011 Rm Audited	31 March 2010 Rm Audited
2. Debtor costs		
Bad debts, repossession losses and bad debt recoveries	336.0	331.5
Movement in debtors' impairment provision	122.9	102.7
	458.9	434.2
3. Net finance costs		
Interest paid	87.1	94.7
Interest earned	(3.2)	(6.0)
Losses on forward exchange contracts	8.0	32.5
	91.9	121.2
4. Trade and other receivables		
Instalment sale and loan receivables	5 454.7	4 705.2
Provision for unearned finance charges and unearned maintenance income	(271.4)	(207.5)
Provision for unearned initiation fees	(102.6)	(88.5)
Provision for unearned insurance premiums	(562.6)	(438.2)
Net instalment sale and loan receivables	4 518.1	3 971.0
Debtors' impairment provision	(758.3)	(635.4)
	3 759.8	3 335.6
Other receivables	75.2	92.0
	3 835.0	3 427.6

The credit terms of instalment sale and loan receivables range from 6 to 36 months (2010: 6 to 36 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.

The average effective interest rate on instalment sale and loan receivables is 24.1% (2010: 27.8%) and the average term of the sale is 27.9 months (2010: 27.7 months).

	31 March 2011 Rm Audited	31 March 2010 Rm Audited
5. Investments – insurance business		
Listed shares	365.2	308.1
Fixed income securities	491.9	407.9
Money market	240.2	178.1
	1 097.3	894.1
Analysed as follows:		
Non-current	857.1	716.0
Current	240.2	178.1
	1 097.3	894.1
6. Borrowings		
Unsecured long-term borrowings at interest rates linked to the 3 month JIBAR	400.0	350.0
Unsecured short-term borrowings at interest rates linked to the 3 month JIBAR and at money market rates	683.0	611.4
	1 083.0	961.4
7. Trade and other payables		
Trade payables	72.7	64.1
Accruals and other payables	178.1	134.4
Due to reinsurers	144.8	121.1
Insurance provisions	171.4	130.4
	567.0	450.0
8. Cash generated from operations		
Operating profit	1 052.5	907.2
Adjusted for:		
Share-based payment	18.4	10.9
Depreciation	46.5	46.3
Surplus on disposal of property, plant and equipment	(7.2)	(6.5)
Movement in debtors' impairment provision	122.9	102.7
Movement in retirement benefits provision	7.6	(2.1)
Movement in other provisions	54.9	71.5
	1 295.6	1 130.0
Changes in working capital:	(518.6)	(651.9)
(Increase)/decrease in inventories	(51.0)	17.0
Increase in trade and other receivables	(534.4)	(644.3)
Increase/(decrease) in trade and other payables	66.8	(24.6)
	777.0	478.1

Executive directors: J Enslin (Chief Executive Officer), L A Davies (Chief Financial Officer)

Non-executive directors: D M Nurek (Chairman) (Ind.), H Saven (Ind.), B J van der Ross (Ind.), Professor F Abrahams (Ind.), Z B M Bassa (Ind.), M S P Marutlulle (Ind.), A J Smart

Company secretary: M G McConnell

Transfer secretaries: Computershare Investor Services (Pty) Ltd
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Auditors: PricewaterhouseCoopers Inc.

Sponsor: UBS South Africa (Pty) Ltd

Registered office: 53A Victoria Road, Woodstock, 7925

Registration number: 2004/009817/06

Share code: LEW

ISIN: ZAE000058236

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