Lewis Group Ltd

Unaudited Interim Condensed Results

for the six months ended 30 September 2009

Revenue increased by 7.9%	Operating margin 21.8%	Operating profit up by 4.3%	Headline earnings per share down by 3.9%	Dividend per share maintained

TRADING AND FINANCIAL PERFORMANCE

The improving trend in revenue growth experienced in the latter stages of the 2009 financial year has continued, with revenue for the six-month period increasing by 7.9% to R1 946 million and merchandise sales growing by 6.8% to R951 million. The group's business model has once again proved its resilience with operating profit increasing by 4.3%.

The credit environment remained challenging with increasing unemployment, retrenchments and reduced working time impacting on disposable income levels, resulting in increased debtor costs for the group.

In addition, the 22% strengthening in the value of the Rand during the period resulted in exchange losses on forward cover contracts of R30 million. This accounted for the 3.9% decline in headline earnings per share for the period.

Exclusive value for money offerings continue to differentiate Lewis in the market and during the period several new furniture ranges were successfully launched. Furniture and appliances, which contribute 80% of group sales, increased by 7.8%. Sales of the more discretionary electronic merchandise (20% of sales) increased by 2.8%.

The flagship Lewis brand, which accounts for 85% of merchandise sales, increased revenue by 7.9%. Best Home and Electric grew revenue by 10.2%. Revenue in Lifestyle Living was up 0.8%.

The group's credit sales mix has increased to 68.5% (2008: 65.8%) on the back of strongly focused customer retention strategies.

Finance charges earned grew by R50.5 million as a result of extended credit terms forming a larger proportion of the base on which these charges are calculated. Insurance revenue declined slightly to R292 million and includes additional reserves required to cover the higher proportion of longer-term business. Ancillary services rose by 15.7% to R258 million as a result of monthly service and initiation fees charged in terms of the National Credit Act.

Gross margin improved from 33.1% to 33.5% as a result of innovative merchandise strategies.

The operating margin of 21.8% (2008: 22.6%) was impacted by the higher debtor costs, with Lewis at 23.0% (23.9%) and Best Home and Electric at 19.3% (20.7%).

The group continued to expand its store base, opening five Lewis stores and three Best Home and Electric outlets. The small store concept tested by Lewis in the previous financial year is proving successful. Lewis now has five stores in this format. These stores are all performing ahead of expectations.

An additional seven to ten stores are planned to be opened in the second half, including the opening of four small format Lewis stores in November.

DEBTOR MANAGEMENT

Debtor costs increased from 4.5% to 5.0% of net debtors in a tightening collections environment. The doubtful debt provision for the first half of the year was 17.9% (2008: 15.5%). This provision is calculated applying the net present value of the expected cash flows, discounted at the interest rate applicable to the contract. A detailed debtor payment analysis is shown in the accompanying table.

Credit scorecards are regularly reviewed to maintain acceptable credit risk levels. The potential credit loss is weighed up against the revenue potential using predictive behavioural models. Any variances from the level of risk that has been adopted is monitored and the credit-granting process aligned where necessary. The credit application decline rate is now 27.4% compared to 24.5% in the corresponding period last year.

CASH AND CAPITAL MANAGEMENT

The group has maintained its dividend and shareholders will again receive a payout of 144 cents per share for the period.

The increasing proportion of longer-term business necessitated further investment in the debtors book during the period under review. The level of funding required is expected to slow in the second half as the proportion of extended term business matures.

Gearing at 27.4% (2008: 24.2%) remains within management's maximum target of 35%.

SEGMENTAL REPORTING

The basis for reporting segmental financial information has changed following the adoption of IFRS 8 (Operating Segments). Previously, segmental information was provided for the group's retail, risk services and financial services operations. The group now discloses segmental information for Lewis, Best Home and Electric, and Lifestyle Living. This is the financial information regularly reviewed by the chief operating decision makers of the group and reflects the customer-centric nature of the operations based on the premise that the selling of furniture and the provision of credit are interdependent. The segmental report reflects revenue, operating profit and segment assets (inventory and net trade receivables) for each brand.

BOARD OF DIRECTORS

Alan Smart retired as the chief executive officer on 30 September 2009 after 40 years' service and 18 years at the helm of the group. The board expresses its appreciation to Alan for his exceptional contribution. He will remain on the board in a non-executive capacity which will enable the group to retain his extensive knowledge and experience of the credit retail sector.

Johan Enslin was appointed chief executive officer and as an executive director with effect from 1 October 2009.

The board composition was further strengthened with the appointments of Zarina Bassa and Sizakele Marutlulle as independent non-executive directors with effect from 1 October 2009.

PROSPECTS

While lower interest rates, stabilising food prices and higher real wage increases are positive for consumers, short time and retrenchments remain a risk for sustained improvement. The festive season trading period will be strongly supported by merchandise and promotional campaigns to maximise sales opportunities.

DIVIDEND DECLARATION

Notice is hereby given that an interim cash dividend of 144 cents per share in respect of the six months ended 30 September 2009 has been declared payable to holders of ordinary shares.

The following dates are applicable:

Last date of trade "cum" dividend
Friday, 15 January 2010

Date trading commences "ex" dividend
Monday, 18 January 2010

Record date
Friday, 22 January 2010

Date of payment
Monday, 25 January 2010

Share certificates may not be dematerialised or rematerialised between Monday, 18 January 2010 and Friday, 22 January 2010.

For and on behalf of the board

David Nurek
Chairman

Johan Enslin
Chief Executive Officer

Cape Town
9 November 2009

Lewis | Best Home and Electric | Lifestyle Living | Monarch Insurance Company Ltd.

Executive directors: Johan Enslin (Chief Executive Officer), LA Davies (Chief Financial Officer)
Non-executive directors: DM Nurek (Chairman) (Ind.), H Saven (Ind.), BJ van der Ross (Ind.), Professor F Abrahams (Ind.), Z Bassa (Ind.), S Marutlulle (Ind.), AJ Smart

Company secretary: MG McConnell
Registered office: 53A Victoria Road, Woodstock, 7925
Registration number: 2004/009817/06
Share code: LEW **ISIN:** ZAE000058236

Transfer secretaries: Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107
Auditors: PricewaterhouseCoopers Inc.
Sponsor: UBS South Africa (Pty) Ltd

INCOME STATEMENT

	Notes	6 months ended 30 Sept 2009 Rm Unaudited	% change	6 months ended 30 Sept 2008 Rm Unaudited Restated	12 months ended 31 March 2009 Rm Audited Restated
Revenue		**1 946.0**	7.9%	1 803.4	3 807.1
Merchandise sales		**951.3**		890.3	1 919.9
Finance charges earned		**445.3**		394.8	826.6
Insurance premiums earned		**291.8**		295.7	581.4
Ancillary services		**257.6**		222.6	479.2
Cost of merchandise sales		**(632.4)**		(595.8)	(1 318.3)
Operating costs		**(889.4)**		(800.9)	(1 656.5)
Employment costs		**(295.7)**		(270.0)	(542.0)
Administration and IT		**(92.2)**		(86.5)	(176.0)
Debtor costs	2	**(188.5)**		(142.6)	(338.8)
Marketing		**(71.2)**		(67.2)	(124.0)
Occupancy costs		**(78.3)**		(71.8)	(150.5)
Transport and travel		**(64.3)**		(71.1)	(138.8)
Depreciation		**(26.9)**		(28.3)	(47.3)
Other operating costs		**(72.3)**		(63.4)	(139.1)
Operating profit		**424.2**	4.3%	406.7	832.3
Investment income		**31.5**		32.4	76.9
Profit before finance costs		**455.7**		439.1	909.2
Net finance costs	3	**(69.1)**		(38.4)	(86.5)
Profit before taxation		**386.6**		400.7	822.7
Taxation		**(125.3)**		(130.5)	(261.5)
Net profit attributable to ordinary shareholders		**261.3**	(3.3%)	270.2	561.2
Reconciliation of headline earnings					
Net profit attributable to ordinary shareholders		**261.3**		270.2	561.2
Adjusted for					
Surplus on disposal of property, plant and equipment		**(3.0)**		(2.0)	(3.6)
Surplus on disposal of available-for-sale assets		**(3.8)**		(1.2)	(2.6)
Taxation		**1.0**		0.7	1.2
Headline earnings		**255.5**	(4.6%)	267.7	556.2
Number of ordinary shares (000)					
In issue		**98 058**		98 058	98 058
Weighted average		**87 951**		88 595	88 209
Fully diluted weighted average		**87 951**		88 880	88 633
Earnings per share (cents)		**297.1**	(2.6%)	305.0	636.2
Headline earnings per share (cents)		**290.5**	(3.9%)	302.2	630.5
Fully diluted earnings per share (cents)		**297.1**		304.0	633.2
Fully diluted headline earnings per share (cents)		**290.5**		301.2	627.5

STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 Sept 2009 Rm Unaudited	6 months ended 30 Sept 2008 Rm Unaudited Restated	12 months ended 31 March 2009 Rm Audited Restated
Net profit for the period	**261.3**	270.2	561.2
Fair value adjustments of available-for-sale investments	**46.1**	(11.7)	(40.0)
Fair value adjustments of available-for-sale investments	**52.6**	(12.8)	(47.6)
Tax effect	**(6.5)**	1.1	7.6
Disposal of available-for-sale investments recognised	**(3.7)**	(1.0)	2.4
Disposal of available-for-sale investments	**(3.8)**	(1.2)	2.6
Tax effect	**0.1**	0.2	(0.2)
Foreign currency translation reserve	**(3.6)**	0.7	4.4
Total comprehensive income for the period	**300.1**	258.2	528.0

KEY RATIOS

	6 months ended 30 Sept 2009	6 months ended 30 Sept 2008	12 months ended 31 March 2009
Operating efficiency ratios			
Merchandise gross profit %	**33.5%**	33.1%	31.3%
Operating margin %	**21.8%**	22.6%	21.9%
Number of stores	**539**	529	535
Number of employees (average)	**6 652**	6 420	6 480
Trading space (sqm)	**223 993**	221 284	223 102
Inventory turn	**4.4**	4.7	5.8
Current ratios	**3.5**	3.0	3.2
Credit ratios			
Cash and short-term credit sales as a % of total sales	**31.5%**	34.2%	35.7%
Debtor costs as a % of the net debtors book	**5.0%**	4.5%	10.0%
Doubtful debt provision as a % of net debtors book	**17.9%**	15.5%	15.7%
Arrear instalments on satisfactory accounts as a percentage of net debtors	**8.8%**	10.2%	9.5%
Arrear instalments on slow paying and non-performing accounts as a percentage of net debtors	**23.0%**	21.7%	20.9%
Doubtful debt provision on non-performing accounts	**72.9%**	70.4%	71.3%
Credit applications decline rate	**27.4%**	24.5%	25.4%
Shareholder ratios			
Net asset value per share (cents)	**3 461**	3 133	3 303
Gearing ratio	**27.4%**	24.2%	23.5%
Dividend cover	**1.9**	2.0	1.8
Return on average equity (after tax)	**17.6%**	19.8%	20.1%
Return on average capital employed (after tax)	**16.4%**	17.2%	17.7%
Return on average assets managed (before tax)	**21.0%**	22.6%	23.0%

Notes:
1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The ratios for the prior periods have been restated for the change in the accounting policy.
3. The net asset value has been calculated using 88 100 000 shares (2008: 87 819 000).

BALANCE SHEET

	Notes	30 Sept 2009 Rm Unaudited	30 Sept 2008 Rm Unaudited Restated	31 March 2009 Rm Audited Restated
ASSETS				
Non-current assets				
Property, plant and equipment		**231.6**	206.8	225.1
Investments – insurance business		**624.5**	529.1	535.1
		856.1	735.9	760.2
Current assets				
Investments – insurance business		**178.1**	178.0	199.1
Inventories		**305.9**	269.2	228.0
Trade and other receivables	4	**3 147.8**	2 704.7	2 893.4
Taxation		**–**	11.2	–
Cash on hand and deposits		**67.4**	98.8	54.8
		3 699.2	3 261.9	3 375.3
Total assets		**4 555.3**	3 997.8	4 135.5
EQUITY AND LIABILITIES				
Capital and reserves				
Shareholders' equity and reserves		**3 049.3**	2 751.0	2 900.3
Non-current liabilities				
Interest-bearing borrowings		**350.0**	100.0	100.0
Deferred taxation		**58.7**	6.8	37.7
Retirement benefits		**54.7**	60.5	53.9
		463.4	167.3	191.6
Current liabilities				
Trade and other payables	5	**485.1**	415.0	404.1
Taxation		**5.0**	–	2.5
Overdrafts and short-term interest-bearing borrowings		**552.5**	664.5	637.0
		1 042.6	1 079.5	1 043.6
Total equity and liabilities		**4 555.3**	3 997.8	4 135.5

CASH FLOW STATEMENT

	Notes	6 months ended 30 Sept 2009 Rm Unaudited	6 months ended 30 Sept 2008 Rm Unaudited Restated	12 months ended 31 March 2009 Rm Audited Restated
Cash generated from operations	6	**199.0**	382.0	669.7
Dividends and interest received		**30.4**	35.4	96.3
Finance costs		**(71.8)**	(42.6)	(108.5)
Taxation paid		**(108.2)**	(105.4)	(185.6)
Cash retained from operating activities		**49.4**	269.4	471.9
Net cash outflow from investing activities		**(46.2)**	(90.5)	(183.0)
Net cash inflow/(outflow) from financing activities	7	**93.9**	(108.0)	(234.5)
Net increase in cash and cash equivalents		**97.1**	70.9	54.4
Cash and cash equivalents at the beginning of the period		**(582.2)**	(636.6)	(636.6)
Cash and cash equivalents at the end of the period		**(485.1)**	(565.7)	(582.2)

STATEMENT OF CHANGES IN EQUITY

	6 months ended 30 Sept 2009 Rm Unaudited	6 months ended 30 Sept 2008 Rm Unaudited Restated	12 months ended 31 March 2009 Rm Audited Restated
Share capital and premium	**97.8**	97.8	97.8
Opening balance	**97.8**	149.1	149.1
Cost of own shares acquired	**–**	(51.3)	(51.3)
Other reserves	**142.4**	123.4	107.4
Opening balance	**107.4**	128.4	128.4
Other comprehensive income:			
Fair value adjustments of available-for-sale investments	**46.1**	(11.7)	(40.0)
Disposal of available-for-sale investments recognised	**(3.7)**	(1.0)	2.4
Foreign currency translation reserve	**(3.6)**	0.7	4.4
Share-based payment	**5.0**	4.6	10.6
Transfer from share-based payment reserve to retained income on vesting	**(11.3)**	–	(0.2)
Transfer to contingency reserve from retained earnings	**2.5**	2.4	1.8
Retained earnings	**2 809.1**	2 529.8	2 695.1
Opening balance	**2 695.1**	2 418.7	2 418.7
As previously reported		2 452.5	2 452.5
Prior year adjustment		(33.8)	(33.8)
Net profit attributable to ordinary shareholders	**261.3**	270.2	561.2
Profit on sale of own shares	**1.4**	1.1	1.1
Transfer of share-based payment reserve on vesting	**11.3**	–	0.2
Transfer to contingency reserve	**(2.5)**	(2.4)	(1.8)
Distribution to shareholders	**(157.5)**	(157.8)	(284.3)
Balance at end of period	**3 049.3**	2 751.0	2 900.3

SEGMENTAL REPORT

Operating Segments	Lewis Rm	Best Home and Electric Rm	Lifestyle Living Rm	Total Rm
For six months ended 30 September 2009 (unaudited):				
Revenue	**1 644.6**	**238.7**	**62.7**	**1 946.0**
Segment operating profit	**377.5**	**46.0**	**0.7**	**424.2**
Segment assets	**2 913.5**	**383.9**	**77.9**	**3 375.3**
For six months ended 30 September 2008 (unaudited):				
Revenue	1 524.7	216.5	62.2	1 803.4
Segment operating profit/(loss)	364.1	44.9	(2.3)	406.7
Segment assets	2 529.4	328.8	77.0	2 935.2
For twelve months ended 31 March 2009 (audited):				
Revenue	3 204.5	454.3	148.3	3 807.1
Segment operating profit	737.0	91.2	4.1	832.3
Segment assets	2 671.9	341.5	69.7	3 083.1

Refer 1.3 of the Notes to the Financial Statements.

TRADE 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 doubtful debts. The 13 payment categories have been summarised into four main summary categories.

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

		Number of customers		Doubtful debt provision %		
Debtors payment categories		**Sept 2009**	Sept 2008	**Sept 2009**	Sept 2008	Mar 2009
Satisfactory paid Customers fully paid up to date including those who have paid 70% or more of amounts due over the contract period.	No. %	**491 614** **69.6%**	515 471 72.5%	**0%**	0%	0%
Slow payers Customers who have paid between 65% and 70% of amounts due over the contract period.	No. %	**57 539** **8.2%**	52 899 7.4%	**21%**	18%	20%
Non-performing customers Customers who have paid between 55% and 65% of amounts due over the contract period.	No. %	**52 949** **7.5%**	48 683 6.9%	**41%**	42%	42%
Non-performing customers Customers who have paid 55% or less of amounts due over the contract period.	No. %	**103 795** **14.7%**	93 497 13.2%	**89%**	85%	88%
		705 897	710 550	**17.9%**	15.5%	15.7%

The total doubtful debt provision is allocated to the summary categories based on the number of customers.

NOTES TO THE FINANCIAL STATEMENTS

1. **Basis of accounting**

The group's interim consolidated financial statements are prepared in accordance with IAS 34 (Interim Financial Reporting) and International Financial Reporting Standards ("IFRS"). The accounting policies applied are consistent with those applied in the preparation of previous annual financial statements except as noted below:

1.1 **Change in accounting for deferred costs on initiation fees**

The group previously deferred costs on the basis that the costs were directly related to the initiation fee earned. An amendment to IAS 18 (Revenue Recognition) replaced the term "direct costs" with "transaction costs" as defined in paragraph 9 of IAS 39. This later definition requires costs to be incremental, i.e. costs that would not have been incurred, had the financial asset not been acquired.

In accordance with the amendment to IAS 18, the group's accounting policy for deferred costs on initiation fees has been changed. In terms of IAS 8 (Accounting Policies), the relevant comparative information has been restated and the effect on the financial statements is as follows:

	30 Sept 2009 Rm Unaudited	30 Sept 2008 Rm Unaudited Restated	31 March 2009 Rm Audited Restated
Decrease in profit before taxation	**2.2**	4.3	8.0
Decrease in taxation	**(0.6)**	(1.2)	(2.2)
Effect on net profit after taxation	**1.6**	3.1	5.8
Decrease in earnings per share (cents)	**1.8**	3.5	6.6
Decrease in diluted earnings per share (cents)	**1.8**	3.5	6.5
Decrease in opening retained earnings	**39.6**	33.8	33.8
Decrease in property, plant and equipment	**5.0**	3.9	4.6
Decrease in trade and other receivables	**52.1**	47.3	50.3
Decrease in deferred taxation	**15.9**	14.3	15.3

1.2 **Adoption of revised IAS 1 (Presentation of Financial Statements)**

The presentation of the financial statements has been amended in line with the revised IAS 1 to include a Statement of Comprehensive Income. In addition to the net profit, the Statement of Comprehensive Income includes fair value adjustments on insurance investments and movements in foreign currency translation reserve. These were previously reflected in the Statement of Changes in Equity.

1.3 **Adoption of IFRS 8 (Operating Segments)**

In terms of IFRS 8 which replaced IAS 14 (Segment Reporting), operating segments are components of the group about which separate financial information is available and evaluated regularly by the chief operating decision makers (identified as the Chief Executive Officer and the Chief Financial Officer) for the purpose of allocating resources and evaluating performance. Accordingly, the group now discloses segmental information for the three brands, namely Lewis, Best Home and Electric and Lifestyle Living.

Previously, the segmental information was presented on the basis of retail, finance and risk segments.

In addition, an amendment to IFRS 8 has been adopted which permits disclosure of the assets regularly reported to the chief operating decision makers. Accordingly, segment assets reflect net trade receivables and inventory for each of the brands.

2. Debtor costs			
Bad debts, bad debt recoveries and repossession losses	**53.0**	50.7	201.9
Movement in doubtful debts provision	**135.5**	91.9	136.9
	188.5	142.6	338.8
3. Net finance costs			
Interest paid	**42.0**	45.2	108.5
Interest earned	**(2.7)**	(4.2)	(11.5)
Losses/(gains) on forward exchange contracts	**29.8**	(2.6)	(10.5)
	69.1	38.4	86.5
4. Trade and other receivables			
Instalment sale and loan receivables	**4 409.9**	3 738.1	4 007.2
Provision for unearned finance charges and unearned maintenance charges	**(192.5)**	(214.8)	(181.1)
Provision for unearned initiation fees	**(81.9)**	(51.2)	(78.3)
Provision for unearned insurance premiums	**(397.9)**	(318.4)	(360.0)
Net instalment sale and loan receivables	**3 737.6**	3 153.7	3 387.8
Provision for doubtful debts	**(668.2)**	(487.7)	(532.7)
Net trade receivables	**3 069.4**	2 666.0	2 855.1
Other receivables	**78.4**	38.7	38.3
	3 147.8	2 704.7	2 893.4

The credit terms of instalment sale and loan receivables range from 6 to 36 months (2008: 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.

5. Trade and other payables			
Trade payables	**132.0**	152.3	84.8
Accruals and other payables	**155.9**	119.7	142.9
Due to re-insurers	**112.4**	108.6	105.3
Insurance provisions	**84.8**	34.4	71.1
	485.1	415.0	404.1
6. Cash generated from operations			
Operating profit	**424.2**	406.7	832.3
Adjusted for:			
Share-based payment	**5.0**	4.6	10.6
Depreciation	**26.9**	28.3	47.3
Surplus on disposal of property, plant and equipment	**(3.0)**	(2.0)	(3.6)
Movement in provision for doubtful debts	**135.5**	91.9	136.9
Movement in retirement benefits provision	**0.8**	2.8	(3.8)
Movement in other provisions	**23.1**	3.4	30.4
	612.5	535.7	1 050.1
Changes in working capital:	**(413.5)**	(153.7)	(380.4)
(Increase)/decrease in inventories	**(85.0)**	(39.0)	4.1
Increase in trade and other receivables	**(393.5)**	(224.1)	(454.1)
Increase in trade and other payables	**65.0**	109.4	69.6
	199.0	382.0	669.7
7. Net cash inflow/(outflow) from financing activities			
Purchase of own shares	**–**	(51.3)	(51.3)
Distribution to shareholders	**(157.5)**	(157.8)	(284.3)
Proceeds on sale of own shares	**1.4**	1.1	1.1
Increase in long-term interest-bearing borrowings	**250.0**	100.0	100.0
	93.9	(108.0)	(234.5)

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