Lewis Group Ltd

Unaudited Interim Results

for the six months ended 30 September 2010

MERCHANDISE SALES UP	OPERATING PROFIT MARGIN	OPERATING PROFIT UP	HEADLINE EARNINGS PER SHARE UP	INCREASED INTERIM DIVIDEND
11.2%	22%	10.5%	14.5%	156 cents

OVERVIEW

Lewis Group experienced steadily improving sales and credit collections over the past six months. Merchandise sales increased by 11.2% and revenue by 9.8%, while debtor costs as a percentage of net debtors declined from 5.0% to 4.8%. This improved trading and operating performance resulted in a 14.5% growth in headline earnings per share.

After maintaining the interim dividend at 144 cents per share for the past two challenging years, the board is pleased to advise the declaration of an interim dividend of 156 cents per share, an increase of 8.3%.

TRADING AND FINANCIAL PERFORMANCE

The strategy of sourcing exclusive merchandise continued to benefit the group. Gross margin adjusted for currency losses, improved from 33.4% at the financial year-end in March 2010 to 34.4%.

Furniture and appliance sales increased by 11.1% with electronic goods sales up 11.7%. Merchandise sales in Lewis which account for 82.6% of total sales, increased by 11.2%, with Best Home and Electric sales growing by 16.3%. Pleasingly, credit sales increased from 68.5% to 71.7% of total sales, driven mainly by targeted customer promotions at store level and the launch of new furniture and appliance ranges.

Revenue from ancillary services, comprising monthly service and initiation fees on credit contracts, increased by 13.1% as a result of the higher credit sales mix. Insurance revenue grew by 15.4% owing to the higher proportion of longer term contracts now in the debtor base. Finance charges increased by only 1.1% reflecting the impact of lower interest rates.

Operating costs, excluding debtor costs, increased by 10.5%. The main contributors to this increase were higher performance-related employment costs on improved trading, investment in IT system upgrades, marketing for the launch of My Home and the operating costs associated with the opening of 21 new stores during the period.

Operating profit margin improved to 22.0% (2009: 21.8%) and translated into operating profit growth of 10.5%. Headline earnings per share increased by 14.5% to 332.5 cents (2009: 290.5 cents).

Inventory has been tightly managed and the improved inventory turn of 5.2 times is within the target range 5 to 5.5 times.

Cash generated from operations increased by R214 million to R413 million as the level of investment in longer term business stabilised. Consequently the gearing ratio improved to 25.7% from 27.4%.

DEBTOR MANAGEMENT

Debtor costs reduced from 5.0% to 4.8% of net debtors as collections continued to improve over the period.

An analysis of the debtors book, which is detailed in the accompanying table, shows an improvement of customers in the "satisfactory paid" category which now comprise 71.6% of net debtors compared to 69.6% last year. The number of customers reflected in the slow-paying and non-performing categories decreased. Due to the higher capital investment in the longer term contracts, the impairment provision increased from 17.9% to 18.4% of net debtors.

STORE EXPANSION

The group's store footprint increased to 565 following the opening of eleven Lewis and nine Best Home and Electric stores over the past six months. Eight of the new Lewis outlets are the smaller format stores. The group will be opening 40 to 45 new stores for the 2011 financial year.

The new trading format, My Home, launched successfully during June 2010. Thirteen Lifestyle Living stores were relaunched as My Home and the first new store opened in August. Trading performance for the first three months has been in line with expectations as the brand attracted the desired proportion of credit-based sales.

PROSPECTS

The outlook for our consumer continues to improve steadily. Higher real wage increases granted across most sectors of the economy are positive while retrenchments and job losses in our customer base appear to have stabilised. The momentum in collections has been encouraging and our store expansion plan is on track. The festive season trading period will again be strongly supported by merchandise and promotional activity.

DIVIDEND DECLARATION

Notice is hereby given that an interim cash dividend of 156 cents in respect of the six months ended 30 September 2010 has been declared payable to holders of ordinary shares.

The following dates are applicable:

Last date to trade "cum" dividend	Friday, 14 January 2011
Date trading commences "ex" dividend	Monday, 17 January 2011
Record date	Friday, 21 January 2011
Date of payment	Monday, 24 January 2011

Share certificates may not be dematerialised or rematerialised between Monday, 17 January 2011 and Friday, 21 January 2011.

For and on behalf of the board.

David Nurek
Chairman

Johan Enslin
Chief Executive Officer

Cape Town
8 November 2010

CONDENSED UNAUDITED INTERIM RESULTS

INCOME STATEMENT

	Notes	6 months ended 30 Sept 2010 Rm Unaudited	% change	6 months ended 30 Sept 2009 Rm Unaudited	12 months ended 31 March 2010 Rm Audited
Revenue		**2 136.0**	9.8%	1 946.0	4 110.6
Merchandise sales		**1 057.8**		951.3	2 045.5
Finance charges earned		**450.1**		445.3	907.1
Insurance premiums earned		**336.7**		291.8	616.0
Ancillary services		**291.4**		257.6	542.0
Cost of merchandise sales		**(686.9)**		(632.4)	(1 330.6)
Operating costs		**(980.2)**		(889.4)	(1 872.8)
Employment costs		**(328.2)**		(295.7)	(607.4)
Administration and IT		**(101.4)**		(92.2)	(194.7)
Debtor costs	2	**(206.0)**		(188.5)	(434.2)
Marketing		**(81.0)**		(71.2)	(134.3)
Occupancy costs		**(88.2)**		(78.3)	(165.1)
Transport and travel		**(68.9)**		(64.3)	(135.9)
Depreciation		**(27.4)**		(26.9)	(46.3)
Other operating costs		**(79.1)**		(72.3)	(154.9)
Operating profit		**468.9**	10.5%	424.2	907.2
Investment income		**30.5**		31.5	77.5
Profit before finance costs		**499.4**		455.7	984.7
Net finance costs	3	**(57.5)**		(69.1)	(121.2)
Profit before taxation		**441.9**		386.6	863.5
Taxation		**(146.4)**		(125.3)	(272.1)
Net profit attributable to ordinary shareholders		**295.5**	13.1%	261.3	591.4
Reconciliation of headline earnings					
Net profit attributable to ordinary shareholders		**295.5**		261.3	591.4
Adjusted for					
Surplus on disposal of property, plant and equipment		**(3.9)**		(3.0)	(6.5)
Surplus on disposal of available-for-sale assets		**0.6**		(3.8)	(23.6)
Taxation		**0.9**		1.0	4.2
Headline earnings		**293.1**	14.7%	255.5	565.5
Number of ordinary shares (000)					
In issue		**98 058**		98 058	98 058
Weighted average		**88 152**		87 951	88 002
Diluted weighted average		**88 857**		87 951	88 330
Earnings per share (cents)		**335.2**	12.8%	297.1	672.0
Headline earnings per share (cents)		**332.5**	14.5%	290.5	642.6
Diluted earnings per share (cents)		**332.6**		297.1	669.5
Diluted headline earnings per share (cents)		**329.9**		290.5	640.2

STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 Sept 2010 Rm Unaudited	6 months ended 30 Sept 2009 Rm Unaudited	12 months ended 31 March 2010 Rm Audited
Net profit for the period	**295.5**	261.3	591.4
Fair value adjustments of available-for-sale investments	**41.0**	46.1	87.1
Fair value adjustments of available-for-sale investments	**51.0**	52.6	99.4
Tax effect	**(10.0)**	(6.5)	(12.3)
Disposal of available-for-sale investments recognised	**0.4**	(3.7)	(21.3)
Disposal of available-for-sale investments	**0.6**	(3.8)	(23.6)
Tax effect	**(0.2)**	0.1	2.3
Foreign currency translation reserve	**(2.1)**	(3.6)	(7.4)
Total comprehensive income for the period	**334.8**	300.1	649.8

KEY RATIOS

	6 months ended 30 Sept 2010	6 months ended 30 Sept 2009	12 months ended 31 March 2010
Operating efficiency ratios			
Gross profit margin %	**35.1%**	33.5%	34.9%
Operating profit margin %	**22.0%**	21.8%	22.1%
Number of stores	**565**	539	548
Number of permanent employees (average)	**6 785**	6 652	6 668
Trading space (sqm)	**228 290**	223 993	225 891
Inventory turn	**5.2**	4.4	6.0
Current ratio	**3.3**	3.5	3.5
Credit ratios			
Credit sales %	**71.7%**	68.5%	68.5%
Debtor costs as a % of net debtors	**4.8%**	5.0%	10.9%
Debtors' impairment provision as a % of net debtors	**18.4%**	17.9%	16.0%
Arrear instalments on satisfactory accounts as a percentage of net debtors	**9.4%**	8.8%	9.3%
Arrear instalments on slow-paying and non-performing accounts as a percentage of net debtors	**22.6%**	23.0%	19.8%
Debtors' impairment provision on non-performing accounts	**79.7%**	72.9%	74.9%
Credit applications decline rate	**31.1%**	27.4%	27.5%
Shareholder ratios			
Net asset value per share (cents)	**3 924**	3 461	3 719
Gearing ratio	**25.7%**	27.4%	27.5%
Dividend cover	**1.9**	1.9	1.9
Return on average equity (after-tax)	**17.6%**	17.6%	19.2%
Return on average capital employed (after-tax)	**15.6%**	16.4%	17.2%
Return on average assets managed (before-tax)	**19.8%**	21.0%	21.9%

Notes:
1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The net asset value has been calculated using 88 238 000 shares (2009: 88 100 000).
3. The total assets excludes the deferred tax asset.

BALANCE SHEET

	Notes	30 Sept 2010 Rm Unaudited	30 Sept 2009 Rm Unaudited	31 March 2010 Rm Audited
Assets				
Non-current assets				
Property, plant and equipment		**268.7**	231.6	251.1
Deferred taxation		**8.6**	–	13.0
Investments – insurance business		**813.3**	624.5	716.0
		1 090.6	856.1	980.1
Current assets				
Inventories		**265.1**	305.9	210.0
Trade and other receivables	4	**3 611.0**	3 147.8	3 427.6
Investments – insurance business		**171.1**	178.1	178.1
Cash on hand and deposits		**84.2**	67.4	62.2
		4 131.4	3 699.2	3 877.9
Total assets		**5 222.0**	4 555.3	4 858.0
Equity and liabilities				
Capital and reserves				
Shareholders' equity and reserves		**3 462.9**	3 049.3	3 273.7
Non-current liabilities				
Interest-bearing borrowings		**350.0**	350.0	350.0
Deferred taxation		**88.4**	58.7	84.5
Retirement benefits		**52.8**	54.7	51.8
		491.2	463.4	486.3
Current liabilities				
Trade and other payables	5	**601.4**	485.1	450.0
Taxation		**43.0**	5.0	36.6
Overdrafts and short-term interest-bearing borrowings		**623.5**	552.5	611.4
		1 267.9	1 042.6	1 098.0
Total equity and liabilities		**5 222.0**	4 555.3	4 858.0

CASH FLOW STATEMENT

	Notes	6 months ended 30 Sept 2010 Rm Unaudited	6 months ended 30 Sept 2009 Rm Unaudited	12 months ended 31 March 2010 Rm Audited
Cash generated from operations	6	**413.1**	199.0	478.1
Dividends and interest received		**32.7**	30.4	59.9
Finance costs		**(59.1)**	(71.8)	(127.2)
Taxation paid		**(141.9)**	(108.2)	(214.2)
Cash retained from operating activities		**244.8**	49.4	196.6
Net cash outflow from investing activities		**(80.4)**	(46.2)	(126.3)
Net cash (outflow)/inflow from financing activities	7	**(154.5)**	93.9	(37.3)
Net increase in cash and cash equivalents		**9.9**	97.1	33.0
Cash and cash equivalents at the beginning of the period		**(549.2)**	(582.2)	(582.2)
Cash and cash equivalents at the end of the period		**(539.3)**	(485.1)	(549.2)

STATEMENT OF CHANGES IN EQUITY

	6 months ended 30 Sept 2010 Rm Unaudited	6 months ended 30 Sept 2009 Rm Unaudited	12 months ended 31 March 2010 Rm Audited
Share capital and premium	**93.5**	97.8	93.5
Opening balance	**93.5**	97.8	97.8
Cost of own shares acquired	**–**	–	(4.3)
Other reserves	**215.3**	142.4	171.3
Opening balance	**171.3**	107.4	107.4
Other comprehensive income:			
Fair value adjustments of available-for-sale investments	**41.0**	46.1	87.1
Disposal of available-for-sale investments recognised	**0.4**	(3.7)	(21.3)
Foreign currency translation reserve	**(2.1)**	(3.6)	(7.4)
Share-based payment	**8.9**	5.0	10.9
Transfer from share-based payment reserve to retained income on vesting	**(8.4)**	(11.3)	(11.5)
Transfer to contingency reserve from retained earnings	**4.2**	2.5	6.1
Retained earnings	**3 154.1**	2 809.1	3 008.9
Opening balance	**3 008.9**	2 695.1	2 695.1
Net profit attributable to shareholders	**295.5**	261.3	591.4
Profit on sale of own shares	**3.4**	1.4	1.4
Transfer of share-based payment reserve on vesting	**8.4**	11.3	11.5
Transfer to contingency reserve	**(4.2)**	(2.5)	(6.1)
Distribution to shareholders	**(157.9)**	(157.5)	(284.4)
Balance at end of period	**3 462.9**	3 049.3	3 273.7

SEGMENTAL REPORT

Reportable segments	Lewis Rm	Best Home and Electric Rm	My Home/ Lifestyle Living Rm	Total Rm
For 6 months ended 30 September 2010 (unaudited)				
Revenue	**1 796.0**	**273.7**	**66.3**	**2 136.0**
Operating profit	**413.1**	**52.7**	**3.1**	**468.9**
Operating profit margin	**23.0%**	**19.3%**	**4.7%**	**22.0%**
Segment assets	**3 245.6**	**453.3**	**84.4**	**3 783.3**
For 6 months ended 30 September 2009 (unaudited)				
Revenue	1 644.6	238.7	62.7	1 946.0
Operating profit	377.5	46.0	0.7	424.2
Operating profit margin	23.0%	19.3%	1.1%	21.8%
Segment assets	2 913.5	383.9	77.9	3 375.3
For the 12 months ended 31 March 2010 (audited)				
Revenue	3 470.3	503.4	136.9	4 110.6
Operating profit	808.7	96.2	2.3	907.2
Operating profit margin	23.3%	19.1%	1.7%	22.1%
Segment assets	3 072.8	410.4	62.4	3 545.6

DEBTORS' 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 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:

		Number of customers		Impairment provision %		
Debtors' payment categories		**Sept 2010**	Sept 2009	**Sept 2010**	Sept 2009	Mar 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. %	**510 722** **71.6%**	491 614 69.6%	**0%**	0%	0%
Slow payers Customers who have paid between 65% and 70% of amounts due over the contract period.	No. %	**55 380** **7.8%**	57 539 8.2%	**25%**	21%	23%
Non-performing customers Customers who have paid between 55% and 65% of amounts due over the contract period.	No. %	**50 302** **7.0%**	52 949 7.5%	**44%**	41%	43%
Non-performing customers Customers who have paid 55% or less of amounts due over the contract period.	No. %	**97 062** **13.6%**	103 795 14.7%	**98%**	89%	94%
		713 466	705 897	**18.4%**	17.9%	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 group's interim financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting), the requirements of the South African Companies Act and in compliance with the Listings Requirements of the JSE Limited. The accounting policies applied are consistent with those applied in the preparation of the previous year's financial statements ending 31 March 2010 and are in accordance with International Financial Reporting Standards ("IFRS").

	30 Sept 2010 Rm Unaudited	30 Sept 2009 Rm Unaudited	31 March 2010 Rm Audited
2. Debtor costs			
Bad debts, bad debt recoveries and repossession losses	**47.9**	53.0	331.5
Movement in debtors' impairment provision	**158.1**	135.5	102.7
	206.0	188.5	434.2
3. Net finance costs			
Interest paid	**51.9**	42.0	94.7
Interest earned	**(1.6)**	(2.7)	(6.0)
Losses on forward exchange contracts	**7.2**	29.8	32.5
	57.5	69.1	121.2
4. Trade and other receivables			
Instalment sale and loan receivables	**5 133.4**	4 409.9	4 705.2
Provision for unearned finance charges and unearned maintenance charges	**(231.6)**	(192.5)	(207.5)
Provision for unearned initiation fees	**(91.9)**	(81.9)	(88.5)
Provision for unearned insurance premiums	**(498.2)**	(397.9)	(438.2)
Net debtors	**4 311.7**	3 737.6	3 971.0
Debtors' impairment provision	**(793.5)**	(668.2)	(635.4)
Net trade receivables	**3 518.2**	3 069.4	3 335.6
Other receivables	**92.8**	78.4	92.0
	3 611.0	3 147.8	3 427.6

The credit terms of instalment sale and loan receivables range from 6 to 36 months (2009: 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 and loan receivables is 26.2% (2009: 29.4%) and the average term of a sale is 27.8 months (2009: 27.9 months).

	30 Sept 2010 Rm Unaudited	30 Sept 2009 Rm Unaudited	31 March 2010 Rm Audited
5. Trade and other payables			
Trade payables	**140.6**	132.0	64.1
Accruals and other payables	**174.8**	155.9	134.4
Due to reinsurers	**132.2**	112.4	121.1
Insurance provisions	**153.8**	84.8	130.4
	601.4	485.1	450.0
6. Cash generated from operations			
Operating profit	**468.9**	424.2	907.2
Adjusted for:			
Share-based payment	**8.9**	5.0	10.9
Depreciation	**27.4**	26.9	46.3
Surplus on disposal of property, plant and equipment	**(3.9)**	(3.0)	(6.5)
Movement in debtors' impairment provision	**158.1**	135.5	102.7
Movement in retirement benefits provision	**1.0**	0.8	(2.1)
Movement in other provisions	**30.7**	23.1	71.5
	691.1	612.5	1 130.0
Changes in working capital:	**(278.0)**	(413.5)	(651.9)
(Increase)/decrease in inventories	**(61.0)**	(85.0)	17.0
Increase in trade and other receivables	**(343.6)**	(393.5)	(644.3)
Increase/(decrease) in trade and other payables	**126.6**	65.0	(24.6)
	413.1	199.0	478.1
7. Net cash (outflow)/inflow from financing activities			
Purchase of own shares	**–**	–	(4.3)
Distribution to shareholders	**(157.9)**	(157.5)	(284.4)
Proceeds on sale of own shares	**3.4**	1.4	1.4
Increase in long-term interest-bearing borrowings	**–**	250.0	250.0
	(154.5)	93.9	(37.3)

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
70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107

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

Lewis · Best Home and Electric · My Home · Monarch Insurance Company Ltd.

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