Lewis Group Unaudited Interim Results

for the six months ended 30 September 2006

Lewis Group Ltd

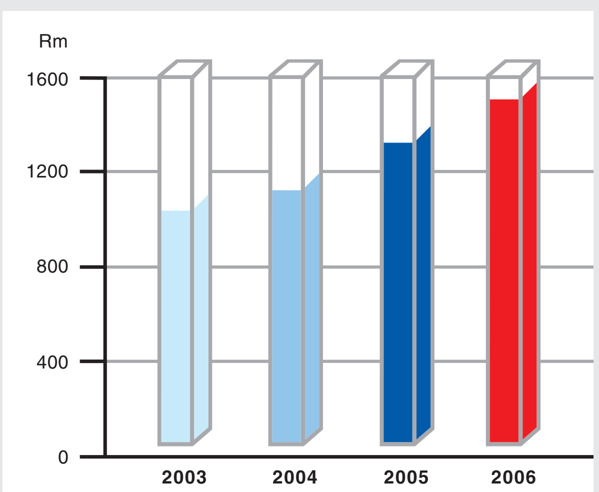
Highlights

Revenue up 16.0%
Operating Profit (normalised) up 19.2%
Operating margin 23.9% (2005: 23.2%)
Normalised ROE 23% (2005: 21%)

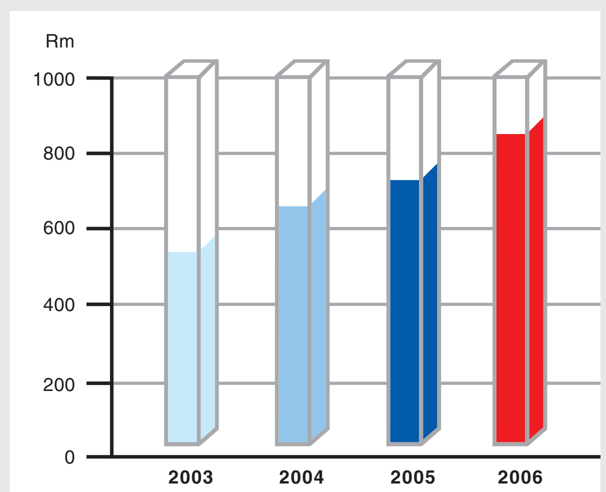
Headline earnings per share
- **IFRS basis increased by 73.1%**
- **Normalised increased by 26.5%**

Dividend up 31.8%

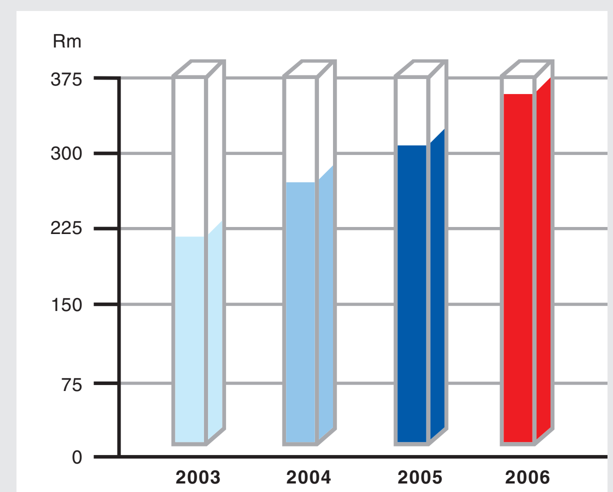
revenue



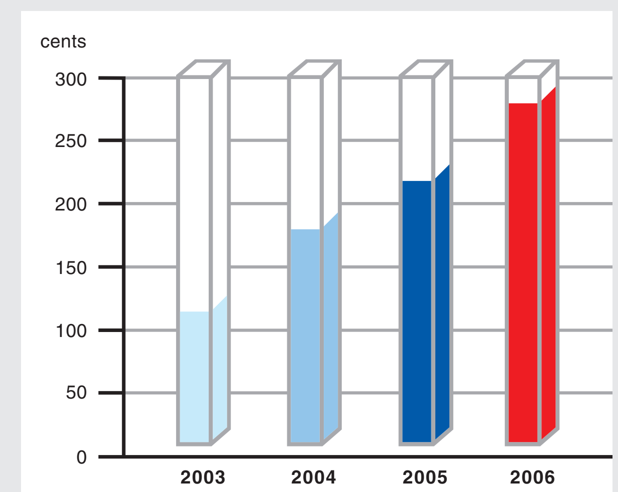
merchandise sales



operating profit



headline earnings per share



Above graphs based on Normalised Earnings • 2003 calculated in terms of SA GAAP
All graphs presented based on September results

NORMALISED EARNINGS

Last year's full year and six month results have been presented on normalised basis and exclude the charge of R58.4 million, for share-based payments.

This charge arose from shares made available for no consideration at the time of listing by the former holding company and resulted in no economic cost or dilutionary effect to current shareholders. The charge had no impact on operating performance, net asset value, cash position or gearing of the group.

Normalised income statement

	Sept. 2006 Rm	% change	Sept. 2005 Rm	March 2006 Rm
Revenue	**1 545.1**	16.0	1 332.2	2 874.5
Cost of merchandise sales	**(548.2)**		(467.3)	(1 020.6)
Operating costs	**(628.1)**		(555.5)	(1 125.3)
Normalised operating profit	**368.8**	19.2	309.4	728.6
Profit before taxation	**392.2**		323.3	744.7
Taxation	**(131.4)**		(103.3)	(237.6)
Normalised attributable net profit	**260.8**	18.5	220.0	507.1
Normalised headline earnings	**258.8**	19.2	217.2	510.4
Normalised earnings per share (cents)	**280.1**	25.9	222.5	521.2
Normalised headline earnings per share (cents)	**278.0**	26.5	219.7	524.6

TRADING REVIEW

The Board is pleased to report solid sales growth, improved profitability and an increased dividend distribution for the six month period ended 30 September 2006.

Revenue increased by 16.0% to R1 545 million. Merchandise sales grew by 15.2% to R834 million supported by our strategic merchandise initiatives and a continued drive to regain settled customers as well as ongoing new customer promotional campaigns. Like for like sales growth was 11.5%. Insurance revenue earned grew by 14.0% despite additional statutory insurance provisions. Finance charges increased by 17.6% and services rendered increased by 19.7% due to strong sales.

Normalised operating profit grew by 19.2% to R369 million, with the normalised operating margin increasing from 23.2% to 23.9% reflecting improved operating efficiencies.

The lower doubtful debt provision at 12.9% of Debtors (2005: 14.2%) despite a substantial increase in debtors of R335 million for the year to September reflects the quality of the debtors book.

The gross margin for the period was 34.3% as compared to 35.5%. This reduction is attributable to strong promotional activity to retain and recruit new customers. During the past year, 25 000 new customers were activated.

The group continued to focus on enhancing the merchandise offering to attract new and settled customers while retaining existing customers through the re-serve system. Our merchandise procurement strategy, both locally and overseas, is to provide exclusivity of product and design, enhanced quality and genuine value-for-money.

A very pleasing shift during the six months was the change in product mix with furniture sales accounting for 51% of total sales (2005: 48%).

Earnings per share and return on equity have been enhanced by the share repurchase program initiated in September 2005. At 30 September 2006, 7.5% of shares in issue have been repurchased at an average market price of R48.37 per share. The group will continue to repurchase shares up to 10% of share capital, where appropriate. The weighted average shares in issue were 93 million this period compared to 99 million last period.

The interim dividend has increased by 31.8% to 116 cents as a result of a reduction in the dividend cover implemented at year end.

DIVISIONAL REVIEW

The Lewis chain continued its solid sales performance with growth of 12.0% (10.8% on a like-for-like basis). Merchandise initiatives in selected product categories produced excellent results.

Best Electric experienced a 25.2% sales increase benefiting from new store openings. Like for like sales growth of 6.3% was as a result of a slowdown in home theatre sales off last year's high base of 41% growth.

Lifestyle Living posted strong growth of 50.9% (36.3% on a like-for-like basis) as a result of its differentiated merchandise offerings.

The Board has approved the opening of a specialist bedding chain which leverages off the group's competencies and infrastructure. A pilot store program will commence in November 2006.

A total of 24 stores covering all trading divisions will be opened on a phased basis this financial year.

DEBTORS

The debtor book has increased by R335 million in the year to September. The overall doubtful debt provision is R396 million compared to R390 million for September 2005. The doubtful debt provision at 12.9% of debtors reflects an improvement on 14.2% for September 2005 and indicates the quality and strength of our credit scoring and debt collection processes.

The average age of the debtor book has improved to 14.0 months from 14.5 months. The full contractual arrear percentage has dropped to 22.5% (2005: 25%).

The group's cash and short-term sales at 31.5% of total sales remains at a similar level to that of the previous period.

The continuous enhancements and improvements in our centralised credit granting and decision support systems assist us in our drive to further improve the quality of credit granted. The introduction of a behavioural scorecard this year has further enhanced our credit decision systems.

The National Credit Act will be implemented on 1 June 2007. The revenue effect of the Act is anticipated to be neutral. The group has advanced store and credit scoring systems which are in the process of being adapted to address the key requirements of the National Credit Act.

CASH FLOW

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

- Increased working capital requirements of R100 million.
- Share repurchases of R213 million
- Dividends paid during the period of R127 million.

Borrowings have increased by R277 million and current gearing is 17% as compared to 7% last period.

OUTLOOK FOR THE GROUP

The recent interest rate increases will have a slow down effect on the overall economy. The group however continued to trade at satisfactory levels in October. We believe that the underlying strength and size of the middle income market will continue to afford growth opportunities. The Board is confident that the proven operational and merchandise strategies of the group will produce satisfactory returns.

DECLARATION OF INTERIM DIVIDEND NO. 5

The Board has approved an interim dividend which represents a 2.25 times dividend cover (2005: 2.5 times cover).

Notice is hereby given that an interim dividend of 116 cents per share in respect of the six months ending 30 September 2006 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday 26 January 2007. The last day to trade cum dividend will therefore be Friday 19 January 2007 and Lewis shares will trade ex-dividend from Monday 22 January 2007. Payment of the dividend will be made on Monday 29 January 2007. Share certificates may not be dematerialised or rematerialised between Monday 22 January 2007 and Friday 26 January 2007, both days inclusive.

For and on behalf of the Board

David Nurek
Chairman

Alan Smart
Chief Executive Officer

Cape Town
13 November 2006

Executive director:	AJ Smart (*Chief Executive Officer*)
Independent non-executive directors:	DM Nurek (*Chairman*), H Saven, B 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

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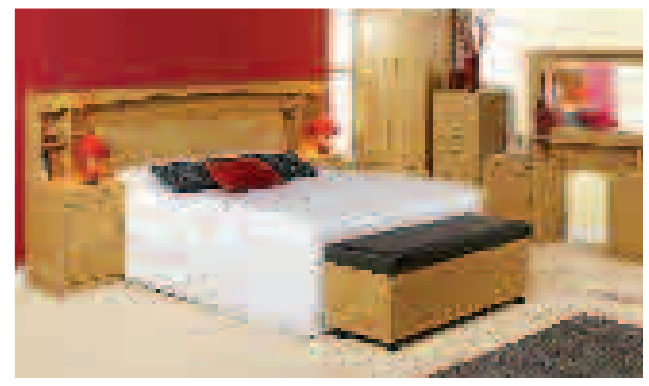

These results are also available on our website: **www.lewisgroup.co.za**

GROUP INCOME STATEMENT

	Notes	6 months ended 30 Sept 2006 Rm Unaudited	% change	6 months ended 30 Sept 2005 Rm Unaudited	12 months ended 31 March 2006 Rm Audited
Revenue		**1 545.1**	16.0	1 332.2	2 874.5
Merchandise sales		**834.4**		724.0	1 567.8
Finance charges earned		**369.0**		313.9	674.4
Insurance premiums earned		**212.8**		186.6	400.4
Services rendered		**128.9**		107.7	231.9
Cost of merchandise sales	2	**(548.2)**		(467.3)	(1 020.6)
Operating costs		**(628.1)**	2.3	(613.9)	(1 183.7)
Employment costs		**(237.1)**		(214.4)	(439.9)
Share-based payments		**(1.4)**		(58.4)	(58.7)
Administration and IT		**(79.7)**		(76.2)	(152.3)
Debtor costs	3	**(70.7)**		(50.7)	(115.5)
Marketing		**(52.9)**		(48.5)	(89.1)
Occupancy costs		**(55.5)**		(46.8)	(98.3)
Transport and travel		**(54.8)**		(48.6)	(98.4)
Depreciation		**(23.0)**		(21.5)	(35.0)
Other operating costs		**(53.0)**		(48.8)	(96.5)
Operating profit		**368.8**	46.9	251.0	670.2
Investment income		**20.1**		19.2	28.9
Profit before finance income/costs		**388.9**		270.2	699.1
Net finance income/(costs)	4	**3.3**		(5.3)	(12.8)
Profit before taxation		**392.2**	48.1	264.9	686.3
Taxation		**(131.4)**		(103.3)	(237.6)
Net profit attributable to ordinary shareholders		**260.8**	61.4	161.6	448.7
Reconciliation of headline earnings					
Net profit attributable to ordinary shareholders		**260.8**		161.6	448.7
Adjusted for:					
Surplus on disposal of property, plant and equipment		**(2.4)**		(2.5)	(6.0)
Disposal/impairment of available-for-sale assets		**(0.3)**		(1.2)	(5.8)
Impairment of available-for-sale assets		**–**		–	12.3
Taxation effect		**0.7**		0.9	2.8
Headline earnings		**258.8**	63.0	158.8	452.0
Number of ordinary shares (000)					
In issue		**100 000**		100 000	100 000
Weighted average		**93 100**		98 878	97 300
Fully diluted weighted average		**93 421**		99 004	97 501
Earnings per share (cents)		**280.1**	71.4	163.4	461.2
Headline earnings per share (cents)		**278.0**	73.1	160.6	464.5
Fully diluted earnings per share (cents)		**279.2**		163.2	460.2
Fully diluted headline earnings per share (cents)		**277.0**		160.4	463.6

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital and premium Rm	Other reserves Rm	Distributable reserves Rm	Total Rm
Balance at 30 September 2005	584.8	57.0	1 489.0	2 130.8
Net profit attributable to ordinary shareholders	–	–	287.1	287.1
Fair value adjustments of available-for-sale investments, net of tax	–	32.1	–	32.1
Profit on disposal of available-for-sale investments recognised, net of tax	–	(3.8)	–	(3.8)
Available-for-sale asset impaired	–	12.3	–	12.3
Share-based payment	–	0.3	–	0.3
Treasury shares purchased	(59.9)	–	–	(59.9)
Transfer to contingency reserve	–	3.6	(3.6)	–
Foreign currency translation reserve movement	–	(9.5)	–	(9.5)
Dividends paid	–	–	(84.0)	(84.0)
Balance at 31 March 2006	524.9	92.0	1 688.5	2 305.4
Net profit attributable to ordinary shareholders	**–**	**–**	**260.8**	**260.8**
Fair value adjustments of available-for-sale investments, net of tax	**–**	**10.6**	**–**	**10.6**
Profit on disposal of available-for-sale investments recognised, net of tax	**–**	**(0.3)**	**–**	**(0.3)**
Share-based payment	**–**	**1.4**	**–**	**1.4**
Treasury shares purchased	**(213.4)**	**–**	**–**	**(213.4)**
Profit on sale of own shares	**–**	**–**	**3.1**	**3.1**
Transfer to contingency reserve	**–**	**1.5**	**(1.5)**	**–**
Foreign currency translation reserve movement	**–**	**6.5**	**–**	**6.5**
Dividends paid	**–**	**–**	**(126.7)**	**(126.7)**
Balance as at 30 September 2006	**311.5**	**111.7**	**1 824.2**	**2 247.4**

GROUP BALANCE SHEET

	Note	30 Sept 2006 Rm Unaudited	30 Sept 2005 Rm Unaudited	31 March 2006 Rm Audited
ASSETS				
Non-current assets				
Property, plant and equipment		**174.4**	156.0	163.2
Investments – insurance business		**495.9**	433.6	478.0
Deferred taxation		**98.7**	86.7	89.7
		769.0	676.3	730.9
Current assets				
Investments – insurance business		**133.9**	97.8	111.9
Inventories		**243.8**	248.5	212.6
Trade and other receivables	5	**1 989.1**	1 779.9	1 896.5
Cash on hand and deposits		**33.9**	88.4	28.1
		2 400.7	2 214.6	2 249.1
Total assets		**3 169.7**	2 890.9	2 980.0
EQUITY AND LIABILITIES				
Capital and reserves				
Shareholders' equity and reserves		**2 247.4**	2 130.8	2 305.4
Non-current liabilities				
Interest-bearing borrowings		**–**	1.7	1.0
Deferred taxation		**16.7**	16.1	20.9
Retirement benefits		**77.6**	74.2	75.8
		94.3	92.0	97.7
Current liabilities				
Trade and other payables		**334.8**	335.2	283.5
Taxation		**75.9**	97.1	159.8
Current portion of interest-bearing borrowings		**1.8**	0.8	0.8
Overdrafts and short-term interest-bearing borrowings		**415.5**	235.0	132.8
		828.0	668.1	576.9
Total equity and liabilities		**3 169.7**	2 890.9	2 980.0

GROUP SEGMENT REPORT

	6 months ended 30 Sept 2006 Rm Unaudited	6 months ended 30 Sept 2005 Rm Unaudited	12 months ended 31 March 2006 Rm Audited
BUSINESS GROUPING			
Revenue			
Merchandise	**1 332.3**	1 145.6	2 474.0
Insurance	**212.8**	186.6	400.5
Total	**1 545.1**	1 332.2	2 874.5
Operating profit			
Merchandise	**279.8**	231.8	564.9
Insurance	**89.0**	77.6	163.7
Total*	**368.8**	309.4	728.6
GEOGRAPHICAL			
Revenue			
South Africa	**1 382.4**	1 187.9	2 575.0
Botswana, Lesotho, Namibia and Swaziland	**162.7**	144.3	299.5
Total	**1 545.1**	1 332.2	2 874.5

** the operating profit excludes the share-based payment of R58.4 million in 2006.*

KEY RATIOS FOR THE GROUP

	6 months ended 30 Sept 2006	6 months ended 30 Sept 2005	12 months ended 31 March 2006
Returns			
Normalised return on average equity	**23.0%**	21.0%	23.2%
Normalised return on average capital employed	**20.2%**	19.4%	22.1%
Margins			
Merchandise gross profit %	**34.3%**	35.5%	34.9%
Normalised operating margin %	**23.9%**	23.2%	25.3%
Productivity ratios			
Number of stores	**493**	478	490
Revenue per store (R000's)	**3 134**	2 787	5 866
Normalised operating profit per store (R000's)	**748**	647	1 487
Number of employees (average)	**6 126**	5 818	5 879
Revenue per employee (R000's)	**252**	229	489
Normalised operating profit per employee (R000's)	**60**	53	124
Trading space (sqm)	**211 362**	206 501	210 201
Revenue per sqm (R)	**7 310**	6 451	13 675
Normalised operating profit per sqm (R)	**1 745**	1 498	3 466
Stock turn (annualised)	**4.5**	3.8	4.8
Credit ratios			
Cash and short term credit sales % of total sales	**31.5%**	30.8%	29.9%
Debtor costs as a % of the gross debtors book	**2.3%**	1.9%	4.0%
Doubtful debts provision as a % of gross instalment receivables	**12.9%**	14.2%	12.6%
Total debtors provisions as a % of gross instalment receivables	**36.4%**	36.6%	36.3%
Credit applications decline rate	**20.7%**	24.6%	22.4%
Average age of book (months)	**14.0**	14.5	14.3
Arrear % (full contractual)	**22.5%**	25.0%	22.0%
Solvency and liquidity			
Dividend cover	**2.25**	2.50	2.25
Gearing ratio	**17.1%**	7.0%	4.6%
Current ratios	**2.9**	3.3	3.9
Cash conversion ratio	**88.6%**	98.3%	81.4%
Net asset value per share (cents)	**2 470**	2 212	2 425

Notes:
1. *All ratios are based on figures at the end of the period 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. *Employees reflect only permanent employees.*

ABRIDGED GROUP CASH FLOW STATEMENT

	Notes	6 months ended 30 Sept 2006 Rm Unaudited	6 months ended 30 Sept 2005 Rm Unaudited	12 months ended 31 March 2006 Rm Audited
Cash generated from operations	7	**326.6**	304.0	593.2
Dividends and interest received		**30.0**	21.0	41.3
Finance costs		**(6.9)**	(8.3)	(18.7)
Taxation paid		**(224.3)**	(170.3)	(244.4)
Cash retained from operating activities		**125.4**	146.4	371.4
Net cash outflow from investing activities		**(65.3)**	(7.0)	(45.5)
Net cash outflow from financing activities	8	**(337.0)**	(169.3)	(313.9)
Net movement in cash and cash equivalents		**(276.9)**	(29.9)	12.0
Cash and cash equivalents at the beginning of the period		**(104.7)**	(116.7)	(116.7)
Cash and cash equivalents at the end of the period		**(381.6)**	(146.6)	(104.7)

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENTS

1. **Basis of accounting**

These consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), specifically IAS 34 on interim financial reporting, and are consistent with those applied for the year ended 31 March 2006 and the six months ended 30 September 2005.

	30 Sept 2006 Rm Unaudited	30 Sept 2005 Rm Unaudited	31 March 2006 Rm Audited
2. **Cost of merchandise sales**			
Purchases	**579.4**	560.0	1 077.4
Movement in inventory	**(31.2)**	(92.7)	(56.8)
Cost of merchandise sales	**548.2**	467.3	1 020.6
Merchandise gross profit	**286.2**	256.7	547.2
3. **Debtor costs**			
Bad debts, bad debt recoveries and repossession losses	**42.6**	46.4	132.9
Movement in doubtful debts provision	**28.1**	4.3	(17.4)
	70.7	50.7	115.5
4. **Net finance (income)/costs**			
Interest paid:			
– Bank and loans	**6.9**	5.8	12.7
– Forward exchange contracts	**–**	2.5	6.0
	6.9	8.3	18.7
Interest received:			
– Bank	**(1.3)**	(3.0)	(5.9)
– Forward exchange contracts	**(8.9)**	–	–
	(10.2)	(3.0)	(5.9)
	(3.3)	5.3	12.8
5. **Trade and other receivables**			
Instalment sale and loan receivables	**3 069.8**	2 734.7	2 921.4
Provision for unearned finance charges and unearned maintenance income	**(528.8)**	(452.8)	(508.0)
Provision for doubtful debts	**(396.1)**	(389.7)	(368.0)
Provision for unearned insurance premiums	**(192.5)**	(159.8)	(184.8)
Unearned insurance premiums	**(311.8)**	(263.9)	(300.9)
Less: re-insurer's share of unearned premiums	**119.3**	104.1	116.1
Net instalment sale and loan receivables	**1 952.4**	1 732.4	1 860.6
Other receivables	**36.7**	47.5	35.9
	1 989.1	1 779.9	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.

6. **Material capital commitments**

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

	30 Sept 2006 Rm Unaudited	30 Sept 2005 Rm Unaudited	31 March 2006 Rm Audited
7. **Cash generated from operations**			
Operating profit	**368.8**	251.0	670.2
Adjusted for:			
Depreciation and amortisation	**23.0**	21.5	35.0
Share-based payments	**1.4**	58.4	58.7
Surplus on disposal of property, plant and equipment	**(2.4)**	(2.5)	(6.0)
Movement in provision for doubtful debts	**28.1**	4.3	(17.4)
Movement in retirement benefits provision	**1.8**	1.8	3.4
Movement in other provisions	**5.1**	3.4	9.8
Changes in working capital:			
Increase in inventory	**(31.8)**	(94.4)	(62.0)
Increase in trade and other receivables	**(114.2)**	(47.8)	(152.2)
Increase in trade and other payables	**46.8**	108.3	53.7
	326.6	304.0	593.2
8. **Net cash outflow from financing activities**			
Purchase of treasury shares	**(213.4)**	(92.0)	(152.2)
Dividends paid	**(126.7)**	(72.9)	(156.9)
Other	**3.1**	(4.4)	(4.8)
	(337.0)	(169.3)	(313.9)