

Directors' Responsibility Statement

The annual financial statements have been prepared by management and conform with South African Statements of Generally Accepted Accounting Practice on a basis consistent with the previous year.

The financial statements which presents the results and financial position of the Company and its subsidiaries are the responsibility of the directors.

In fulfilling its responsibility, the Board of directors have approved the accounting policies applied and established that reasonable and sound judgements and estimates have been made by management when preparing the financial statements.

Adequate accounting records and an effective system of internal controls have been maintained to ensure the integrity of the underlying information.

A well-established control environment, which incorporates risk management and internal control procedures exists to provide

reasonable, but not absolute, assurance that assets are safeguarded and the risk facing the business is being adequately managed.

The Board of directors have reviewed the business of the Group together with budget and cash flows for the year to 31 March 2006 as well as the current financial position and have no reason to believe that the Group will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the financial statements.

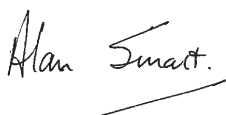
PricewaterhouseCoopers Inc. as external auditors have audited the financial statements and their unqualified report appears on page 48.

The financial statements of the Group and the Company for the year ended 31 March 2005, which appear on pages 49 to 77, has been approved by the Board of directors and signed on their behalf by:



DM NUREK
Chairman

Cape Town
16 May 2005



AJ SMART
Chief Executive Officer

Company Secretary's Certificate

In my capacity as company secretary, I hereby confirm to the best of my knowledge and belief that all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



PB CROUCHER
Company Secretary

Cape Town
16 May 2005

Report of the Independent Auditors

Report of the independent auditors to the members of the Lewis Group Limited

We have audited the annual financial statements of the Group and Company set out on pages 49 to 77 for the year ended 31 March 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting policies used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Group and the Company at 31 March 2005 and the results of their operations and cash flows for the year then ended in accordance with Statements of Generally Accepted Accounting Practice in South Africa and in the manner required by the South African Companies Act of 1973.



PricewaterhouseCoopers Incorporated

Chartered Accountants (SA)

Registered Accountants and Auditors

Cape Town

16 May 2005

Directors' Report

Nature of business

Lewis Group Limited is a holding company listed on the JSE Securities Exchange, operating through two main trading subsidiaries, Lewis Stores (Proprietary) Limited and Monarch Insurance Company Limited. Lewis Stores (Proprietary) Limited offers a selected range of furniture and appliances through 400 Lewis and 58 Best Electric stores. Sales are mainly on credit. Monarch Insurance Company Limited, a registered short-term insurer, underwrites Customer Protection Insurance benefits to South African customers. In addition there are also trading subsidiaries in Botswana, Lesotho, Namibia and Swaziland operating under the Lewis brand. Lifestyle Living with 17 stores, which focuses on the more upmarket segment of the furniture retailing market, was acquired on 7 October 2003.

The nature of the business of the subsidiaries is set out on page 77.

Review of financial results and activities

The financial results and affairs of the Group are reflected in the annual financial statements set out on pages 52 to 77.

Post-balance sheet events

There were no significant post-balance sheet events that occurred between the year-end and the date of the approval of the financial statements by the directors.

Share capital

In anticipation of the listing, the GUS PLC Group acquired the entire share capital of Lewis Group Limited (then Rowmoor Investments 505 (Proprietary) Limited), a "shelf company". The Company was incorporated on 19 April 2004 with an authorised share capital of R1 000, divided into 1 000 ordinary shares with a par value of R1.00 each, and an issued share capital of R10.00 divided into ten ordinary shares with a par value of R1.00 each and with no share premium.

Alterations to share capital and share premium

On 3 June 2004, the Company subdivided its authorised share capital into 100 000 ordinary shares with a par value of one cent each.

On 15 July 2004, the Company increased its authorised share capital to R1 500 000 divided into 150 000 000 ordinary shares with a par value of one cent each and placed such authorised share capital under the control of the directors.

Shares issued

The Company issued 99 999 000 shares to the GUS PLC Group in consideration for the transfer to the Company of the entire share capital of Lewis Stores (Pty) Ltd. The issue price was R28.00 being the par value of one cent and share premium of R27.99 per share.

Repurchase of shares

No shares have been repurchased by the Company or its subsidiaries.

Dividends

The following dividends have been declared or proposed for the financial year ended March 2005:

	Dividend per share	Date declared	Payable
Interim – declared	61.0 cents	15 Nov 2004	31 Jan 2005
Final – proposed	74.0 cents	16 May 2005	25 Jul 2005
For the year	135.0 cents		

Directors

The director of Lewis Group Limited on incorporation (Rowmoor Investments 505 (Proprietary) Limited) was SK Gottschalk who resigned on 22 June 2004. The following directors were appointed to the Board:

DM Nurek (Chairman)	15 July 2004
H Saven	22 June 2004
AJ Smart	22 June 2004
DA Tyler	22 June 2004
BJ van der Ross	22 June 2004

CVs of the above directors are set out on pages 6 to 7.

In terms of the Articles of Association of the Company, one-third of the Board is required to retire by rotation at each annual general meeting. Retiring directors are those who have been longest in office and, if more than one of them were elected directors on the same day, those to retire shall be determined by lot or by agreement between the directors. It has been agreed between the directors that AJ Smart and DA Tyler will retire. AJ Smart has offered himself for re-election.

Directors' Report continued

Company Secretary

AJ Meerburg appointed as company secretary on 22 June 2004, resigned on 19 November 2004 and PB Croucher was appointed in his stead on that day. The address of the company secretary is that of the registered offices as stated on the inside cover.

Directors' Interests

At 31 March 2005, the directors' beneficial direct and indirect interest in the Company's issued shares was as follows:

	2005	
	Direct	Indirect
DM Nurek	10 000	–
H Saven	–	–
AJ Smart	–	–
DA Tyler	–	–
BJ van der Ross	–	–

In terms of the Lewis Executive IPO Restricted Share Scheme and the Lewis Executive Share Option Scheme, AJ Smart is entitled to 219 428 shares and 219 428 options on the vesting dates set out below.

During the course of the year, no director had a material interest in any contract of significance with the Company or any of its subsidiaries that could have given rise to a conflict of interest.

No related party transaction in terms of the JSE Securities Exchange listing regulations took place between the Company or its subsidiaries and the directors or their associates, other than remuneration for services rendered to the Company as set out on page 38.

Lewis Group Share Trust

The employee incentive schemes are in operation for employees, including executives and directors holding salaried employment office. The aggregate number of shares which may be utilised for these schemes shall not exceed 10% of the issued share capital of the Company. The three schemes in operation are:

- *Lewis Executive IPO Restricted Share Scheme:*
 - The participants under this scheme are limited to members of the senior management of the Group.
- *Lewis All Employee Share Scheme:*
 - The scheme is open to all employees.
- *Lewis Executive Share Option Scheme:*
 - The scheme is for executive directors and senior management.

The GUS PLC Group made 4% of the issued share capital of the Company at the date of the listing available to the Share Trust for the awards and options as they vest.

Details of the award shares and options are set out below:

	Granted	Allocated	Forfeited	Balance
Executive IPO Restricted Share Scheme*	951 876	–	(22 532)	929 344
All Employee Share Scheme*	1 623 837	(11 311)	(114 168)	1 498 358
Executive Share Option Scheme†	822 850	–	(15 021)	807 829
* shares for no consideration				
† exercise price of R28				

The award shares and options were granted on 4 October 2004, the date of listing. The vesting dates are as follows:

Share incentive scheme	Dates on which shares/options vest (33% at each date)		
Lewis Executive IPO Restricted Shares Scheme	4 October 2007	4 October 2008	4 October 2009
Lewis All Employee Share Scheme	4 October 2006	4 October 2007	4 October 2008
Lewis Executive Share Option Scheme	4 October 2007	4 October 2008	4 October 2009

Subsidiary companies

Details of the Company's subsidiaries are set out on page 77.

The Company's interest in the aggregate profits and losses after taxation of the subsidiary companies is as follows:

	2005
	Rm
Profits	412.0
Losses	(0.7)

Borrowing powers

Borrowings were R180.9 million at 31 March 2005. Borrowings are subject to the treasury policy adopted by the Board of directors. In terms of the Articles of Association, the Group has unlimited borrowing powers.

Unissued shares

It has been requested of the members to place 10 million unissued shares of the Company under the control of the directors subject to the regulations of the JSE Securities Exchange and a resolution for this purpose appears with the notice of the forthcoming annual general meeting.

Holding company and shareholders

For the year under review, the Company was controlled by GUS Holdings BV, a company incorporated in the Netherlands, which owned 54% of the shares. The remaining 46% of the shares are widely held. The ultimate parent is GUS PLC, a company incorporated in the United Kingdom and whose shares are listed on the London Stock Exchange.

For details of shareholders' spreads and major shareholders, refer to page 78.

Special resolution

- At a general meeting of shareholders on 3 June 2004 it was resolved that:

"The authorised share capital of R1 000.00 (one thousand Rand) divided into 1 000 ordinary shares of R1.00 (one Rand) each be and is hereby subdivided into 100 000 (One hundred thousand) ordinary shares of R0.01 (one cent) each. All shares rank pari passu."

- A Resolution was adopted on 15 July 2004 that:

"(1) The authorised share capital of the Company be and is hereby increased from R1 000.00 (one thousand Rand) divided into 100 000 (one hundred thousand) ordinary shares of R0,01 (one cent) each, to R1 500 000.00 (one million five hundred thousand Rand) divided into 150 000 000 (one hundred and fifty million) ordinary shares of R0.01 (one cent) each, by the creation of an additional R1 499 000.00 (one million four hundred and ninety nine thousand Rand) divided into 149 900 000 ordinary shares of R0.01 (one cent) each. All ordinary shares rank pari passu.

(2) The Company be and is hereby converted from a (Proprietary) Limited Company to a Limited Company.

(3) Subject to the passing and registration of special resolution no. 2, the name of the Company be and is hereby changed to Lewis Group Limited.

(4) Subject to the passing and registration of special resolutions no. 1 and no. 2, the Memorandum of Association be and is hereby deleted and replaced by the new Memorandum of Articles.

(5) Subject to the passing and registration of special resolution no. 2, the Articles of Association be and is hereby deleted in its entirety and replaced by the new Articles of Association."

The purpose of the above resolutions were to prepare the Company for listing on the JSE Securities Exchange.

- It was further resolved on 8 September 2004 that:

"The Company hereby approves, as a general approval contemplated in sections 85 and 89 of the Companies Act, No. 61 of 1973, as amended ("the Companies Act") the acquisition by the Company or any of its subsidiaries from time to time of the issued shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, but subject to the Articles of Association of the Company and the provisions of the Companies Act and if and for so long as, the shares in the Company are listed on the JSE Securities Exchange South Africa ("JSE"), subject also to the Listings Requirements of the JSE".