

directors' report

Nature of business

Lewis Group Limited is a holding company listed on the JSE Ltd, 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 402 Lewis and 72 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 has 16 stores which focuses on the upmarket segment of the furniture retailing market.

The nature of the business of the subsidiaries is set out on page 99.

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 62 to 99.

Segmental analysis

Information on segmental analysis is set out in note 32 to the annual financial statements.

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

The company's authorised and issued shares remain unchanged during the year.

Treasury shares

The group purchased 3 364 900 (3.36%) of its own shares on the open market through its subsidiary, Lewis Stores (Proprietary) Limited, acting in terms of the general authority granted by shareholders at a general meeting held on 5 August 2005. Refer note 8.2 for more detail.

The Lewis Employee Incentive Scheme Trust holds 1 565 512 shares, of which 724 250 are unallocated and 841 262 retained to cover options granted to executives. Details have been set out in notes 8 and 18.3 to the financial statements.

Dividends

The following dividends have been declared or proposed for the financial year ended 31 March 2006.

	Dividend per share	Date declared	Payable
Interim – declared	88 cents	14 November 2005	30 January 2006
Final – proposed	137 cents	22 May 2006	24 July 2006
For the year	225 cents		

Directors

David Nurek, Alan Smart, Hilton Saven and Ben van der Ross remained directors during the year. David Tyler did not make himself available for re-election at the annual general meeting on 5 August 2005. Professor Fatima Abrahams was appointed as a director on 1 September 2005.

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. Hilton Saven and Professor Fatima Abrahams will retire and have offered themselves for re-election.

Company Secretary

P B Croucher remained as Company Secretary throughout the year. The address of the Company Secretary is that of the registered offices as stated on the inside cover.

directors' report *... continued*

Directors' interests

At 31 March 2006, the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

	2006	
	Direct	Indirect
D M Nurek	–	10 000
H Saven	–	540
A J Smart	235 428	–
	235 428	10 540

	2005	
	Direct	Indirect
D M Nurek	10 000	–
H Saven	–	–
A J Smart	–	–
	10 000	–

A J Smart is entitled to 219 428 options. Full details of the terms and conditions in relation to these options is set out in note 18.4 to the financial statements.

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 Ltd Listings Requirements 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 in note 18.4 to the financial statements.

Subsidiary companies

Details of the company's subsidiaries are set out on page 99.

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

	2006 Rm	2005 Rm
Profits	452.2	398.5
Losses	(0.2)	(0.9)

Borrowing powers

Borrowings were R134.6 million at 31 March 2006 (2005: R180.9 million). 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.

Holding company and shareholders

GUS Holdings BV, which held 54% of the company's issued share capital at 31 March 2005, disposed of its remaining interest through a book-building exercise on 26 May 2005. As a consequence of this disposal, the shareholding of the company is widely held amongst institutions.

Special resolution

At the annual general meeting on 5 August 2005, the following special resolution was passed:

General authority to repurchase company shares

"Resolved that the company hereby approves, as a general approval contemplated in Sections 85 and 89 of the Companies Act (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 for so long as the shares of the company are listed on the JSE, subject to the JSE Listings Requirements as presently constituted and which may be amended from time to time."