

# corporate profile

Lewis Group Limited is an investment holding company listed on the JSE Limited in the General Retailers Sector.

There are three wholly-owned South African-based subsidiaries, Lewis Stores, Monarch Insurance Company, Lifestyle Living and a number of wholly-owned entities trading in Botswana, Lesotho, Namibia and Swaziland.



always delivering on ...

our mission

our values

our pledge

Lewis seeks to improve the quality of life for all our stakeholders and positively impacting on their lives in many significant ways. As such we seek to be:

- a trusted collection of brands
- a learning organisation
- an integral part of the community
- an established, well-run business

Our values are echoed in the Lewis Group Pledge, which presents a code of behaviour that we stand by, having invested much time and focus in bringing it "to life" throughout the business.

- we place excellent customer service first
- we honour the highest standards of integrity
- we value and are committed to our customers
- we are totally dedicated to offering quality merchandise
- we take pride in belonging to the Lewis Group



# corporate group structure

Lewis Stores trades under the following retail brands:



Lewis, the largest furniture brand with 402 stores, sells a wide range of household furniture, electrical appliances and home electronics to customers in the LSM 4 to 7 category.



Best Electric, with 72 branches, is a specialist electrical appliance and audio-visual brand also targeting consumers in the LSM 4 to 7 category.



Lifestyle Living, a growing niche furniture retailer, sells stylish furniture and accessories to consumers in the LSM 8 to 10 market.



Monarch Insurance Company offers Customer Protection Insurance products to the South African customer base.



# normalised earnings

We support the efforts of the accounting profession to achieve consistency in financial reporting. However, the application of IFRS 2 in respect of share-based payments has had the consequence of presenting earnings which do not fully reflect the economic performance of the underlying operations. To assist shareholders in their interpretation of the results, normalised headline earnings have been presented on the opposite page, which excludes the effect of the application of IFRS 2 share-based payments in respect of the GUS disposal.

In summary, at the time of listing, share awards and options were granted to employees. GUS Holdings BV ("GUS"), the then holding company, agreed to make available 4% of the issued shares for no consideration to meet these commitments. In terms of IFRS 2, notwithstanding that the awards and options were granted at no cost to Lewis, share-based payments are required to be expensed over the vesting period. The adoption of IFRS 2 resulted in a charge for the 2005 financial year of R10.8 million.

On 26 May 2005, GUS sold its remaining 50% interest in Lewis. This sale resulted in a change in control and in terms of the rules of the various schemes, the share awards and options vested immediately. In terms of IFRS 2, any accelerated vesting of the share awards and options requires immediate recognition of the unrecognised portion. The unrecognised portion to be immediately expensed through the income statement in this year is R58.4 million.

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

# normalised income statement

excluding the effect of the application of IFRS 2 share-based payments

	12 months ended 31 March 2006 Rm	% Change	12 months ended 31 March 2005 Rm
<b>Revenue</b>	<b>2 874.5</b>	<b>14.5%</b>	2 511.2
Merchandise sales	1 567.8	16.0%	1 351.9
Finance charges earned	674.4		605.0
Insurance premiums earned	400.4		357.6
Services rendered	231.9		196.7
<b>Cost of merchandise sales</b>	<b>(1 020.6)</b>		(885.0)
<b>Operating costs</b>	<b>(1 125.3)</b>		(1 032.7)
Employment costs	(440.2)		(406.0)
Administration and IT	(152.3)		(134.5)
Bad debts and impairment provision	(115.5)		(101.6)
Marketing	(89.1)		(79.6)
Occupancy costs	(98.3)		(87.9)
Transport and travel	(98.4)		(85.6)
Depreciation	(35.0)		(36.9)
Other operating costs	(96.5)		(100.6)
<b>Operating profit</b>	<b>728.6</b>	<b>22.8%</b>	593.5
Investment income	28.9		37.6
<b>Profit before finance costs</b>	<b>757.5</b>		631.1
Net finance costs	(12.8)		(42.7)
<b>Profit before taxation</b>	<b>744.7</b>		588.4
Taxation	(237.6)		(182.4)
<b>Normalised attributable net profit</b>	<b>507.1</b>	<b>24.9%</b>	406.0
Normalised headline earnings	510.4	27.3%	400.9
Weighted average shares in issue ('000)	97 300		100 000
Fully diluted weighted average shares in issue ('000)	97 501		100 000
<b>Normalised earnings per share (cents)</b>	<b>521.2</b>	<b>28.4%</b>	406.0
<b>Normalised headline earnings per share (cents)</b>	<b>524.6</b>	<b>30.9%</b>	400.9
<b>Fully diluted normalised earnings per share (cents)</b>	<b>520.1</b>	<b>28.1%</b>	406.0
<b>Fully diluted normalised headline earnings per share (cents)</b>	<b>523.5</b>	<b>30.6%</b>	400.9

# our geographical footprint

