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## directors' responsibility statement

The annual financial statements have been prepared by management and conform with International Financial Reporting Standards ("IFRS") and in accordance with the Companies Act of South Africa.

The financial statements, which present 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 2009, 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 examined the financial statements and their unqualified report appears on page 67.

The financial statements of the group and the company for the year ended 31 March 2008, which appear on pages 68 to 115 has been approved by the board of directors and signed on their behalf by:



**D M Nurek**  
Chairman

Cape Town  
19 May 2008



**A J 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.



**M G McConnell**  
Company Secretary

19 May 2008

# independent auditor's report

## TO THE SHAREHOLDERS OF LEWIS GROUP LIMITED

We have audited the annual financial statements and group annual financial statements of Lewis Group Limited and its subsidiaries (together, the group) which comprise the director's report, the balance sheet and the consolidated balance sheet as at 31 March 2008, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 68 to 115.

### Directors' responsibility for the financial statements

The group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the

financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 March 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc  
Director: B M Deegan  
*Registered Auditor*

Cape Town  
19 May 2008

# directors' report

## Nature of business

Lewis Group Limited is a holding company listed on the JSE Limited, 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 417 Lewis, 87 Best Electric and 21 Lifestyle Living 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.

The nature of the business of the subsidiaries is set out on page 115.

## 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 70 to 115.

## Segmental analysis

Segmental information is set out in the segmental report on page 74 of 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 approval of the financial statements by the directors.

## Share capital

The company's authorised share capital remained unchanged during the year. During the year, 842 041 shares were cancelled, arising from open market purchases of its own shares by the company.

## Treasury shares

The group purchased 9 216 928 (9.2%) 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 3 August 2007. Refer note 7.1 and 7.2 for more detail.

The Lewis Employee Incentive Scheme Trust effectively holds 654 663 shares, of which 193 030 are unallocated and 461 633 retained to cover share

awards granted to executives. Details have been set out in notes 7 and 17.3 to the financial statements.

## Dividends

The following dividends have been declared or proposed for the financial year ended 31 March 2008.

	Dividend per share	Date declared	Payable
Interim – declared	144 cents	12 Nov 2007	28 Jan 2008
Final – proposed	179 cents	19 May 2008	28 July 2008
For the year	323 cents		

Notice is hereby given that a final dividend of 179 cents per share in respect of the year ended 31 March 2008 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday, 25 July 2008. The last day to trade cum dividend will therefore be Friday, 18 July 2008 and Lewis shares will trade ex-dividend from Monday, 21 July 2008. Payment of the dividend will be made on Monday, 28 July 2008. Share certificates may not be dematerialised or rematerialised between Monday, 21 July 2008 and Friday, 25 July 2008, both days inclusive.

## Directors

David Nurek, Alan Smart, Hilton Saven, Ben van der Ross and Professor Fatima Abrahams remained directors during the year. Les Davies, group chief financial officer, was appointed as a director with effect 1 April 2007.

In terms of the articles of association of the company, Alan Smart and Hilton Saven will retire and have offered themselves for re-election.

## Company secretary

P B Croucher resigned as company secretary on 18 March 2008. M G McConnell was appointed in his stead on 18 March 2008. The address of the company secretary is that of the registered offices as stated on the inside cover.

## Directors interests

At 31 March 2008, the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

	2008		2007	
	Direct	Indirect	Direct	Indirect
D M Nurek	-	10 000	-	10 000
H Saven	-	2 940	-	540
A J Smart	260 555	40 259	235 428	21 806
L A Davies	50 000	15 530		
	<b>310 555</b>	<b>68 729</b>	235 428	32 346

The following share awards have been made to directors:

A J Smart	146 571
L A Davies	65 220

Full details of the terms and conditions in relation to these options and share awards are set out in note 17.4 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 Limited 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 17.4 to the financial statements.

## Subsidiary companies

Details of the company's subsidiaries are set out on page 115.

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

	2008	2007
	Rm	Rm
Profits	646.8	602.6
Losses	(0.1)	-

## Borrowing powers

Borrowings were R703.4 million at 31 March 2008 (2007: R430.3 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.

## Special resolutions

At the annual general meeting on 3 August 2007, 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."*

# balance sheet

at 31 March 2008

		Group	
		2008	2007
		Rm	Rm
	Notes		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	200.6	182.9
Investments – insurance business	4	505.4	461.1
Deferred taxation	11	–	102.9
		<b>706.0</b>	746.9
<b>Current assets</b>			
Investments – insurance business	4	159.5	199.3
Inventories	5	230.4	230.3
Trade and other receivables	6	2 615.6	2 187.7
Taxation		29.6	–
Cash on hand and deposits		66.8	35.7
		<b>3 101.9</b>	2 653.0
<b>Total assets</b>		<b>3 807.9</b>	3 399.9
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium	7	149.1	311.4
Other reserves	8	128.4	156.5
Retained earnings	9	2 452.5	2 059.3
		<b>2 730.0</b>	2 527.2
<b>Non-current liabilities</b>			
Deferred taxation	11	14.4	25.4
Retirement benefits	12	57.7	67.6
		<b>72.1</b>	93.0
<b>Current liabilities</b>			
Trade and other payables	13	302.4	287.7
Taxation		–	61.7
Current portion of interest-bearing borrowings	10	–	1.0
Overdrafts and short-term interest-bearing borrowings	14	703.4	429.3
		<b>1 005.8</b>	779.7
<b>Total equity and liabilities</b>		<b>3 807.9</b>	3 399.9

# income statement

for the year ended 31 March 2008

		Group	
		2008	2007
		Rm	Rm
	Notes		
<b>Revenue</b>		<b>3 596.4</b>	3 323.5
Merchandise sales		<b>1 889.7</b>	1 808.8
Finance charges earned		<b>794.9</b>	776.7
Insurance premiums earned	15	<b>564.2</b>	464.7
Ancillary services		<b>347.6</b>	273.3
<b>Cost of merchandise sales</b>	16	<b>(1 272.1)</b>	(1 194.0)
<b>Operating costs</b>		<b>(1 393.9)</b>	(1 269.6)
Employment costs	17	<b>(504.2)</b>	(485.6)
Administration and IT		<b>(167.0)</b>	(162.3)
Debtor costs		<b>(190.4)</b>	(147.9)
Marketing		<b>(107.1)</b>	(106.9)
Occupancy costs		<b>(135.1)</b>	(116.7)
Transport and travel		<b>(127.3)</b>	(109.2)
Depreciation		<b>(40.9)</b>	(38.9)
Other operating costs		<b>(121.9)</b>	(102.1)
<b>Operating profit</b>	19	<b>930.4</b>	859.9
Investment income	20	<b>71.7</b>	42.7
<b>Profit before finance costs</b>		<b>1 002.1</b>	902.6
<b>Net finance costs</b>		<b>(56.8)</b>	(12.4)
Interest paid	21.1	<b>(68.2)</b>	(29.6)
Interest received	21.2	<b>6.5</b>	4.0
Forward exchange contracts	21.3	<b>4.9</b>	13.2
<b>Profit before taxation</b>		<b>945.3</b>	890.2
Taxation	22	<b>(303.0)</b>	(291.9)
<b>Net profit attributable to ordinary shareholders</b>		<b>642.3</b>	598.3
Earnings per share (cents)	23	<b>717.0</b>	649.9
Diluted earnings per share (cents)	23	<b>715.2</b>	647.1
Dividends paid per share (cents)		<b>294.0</b>	253.0
Dividends declared per share (cents)		<b>323.0</b>	266.0

# statement of changes in equity

for the year ended 31 March 2008

		Group	
		2008	2007
		Rm	Rm
	Notes		
<b>Share capital and premium</b>	7	<b>149.1</b>	311.4
Opening balance		<b>311.4</b>	524.9
Cost of own shares acquired:			
Treasury shares		<b>(112.4)</b>	(213.5)
Cancelled shares		<b>(50.0)</b>	–
Share awards to employees		<b>0.1</b>	–
<b>Other reserves</b>	8	<b>128.4</b>	156.5
Opening balance		<b>156.5</b>	92.0
Fair value adjustments of available-for-sale investments, net of tax		<b>(27.5)</b>	54.0
Disposal of available-for-sale investments recognised		<b>(21.3)</b>	(1.4)
Share-based payment		<b>6.7</b>	4.0
Transfer of share-based payment reserve to retained earnings on vesting		<b>(0.9)</b>	(1.7)
Transfer to contingency reserve from retained earnings		<b>9.0</b>	4.2
Foreign currency translation reserve		<b>5.9</b>	5.4
<b>Retained earnings</b>	9	<b>2 452.5</b>	2 059.3
Opening balance		<b>2 059.3</b>	1 688.5
Net profit attributable to shareholders		<b>642.3</b>	598.3
Profit on sale of own shares		<b>21.8</b>	6.8
Transfer of share-based payment reserve from other reserves on vesting		<b>0.9</b>	1.7
Cost of share awards to employees		<b>(0.1)</b>	–
Transfer to contingency reserve		<b>(9.0)</b>	(4.2)
Distribution to shareholders	24	<b>(262.7)</b>	(231.8)
<b>Balance at 31 March 2008</b>		<b>2 730.0</b>	2 527.2

# cash flow statement

for the year ended 31 March 2008

		Group	
		2008	2007
		Rm	Rm
	Notes		
<b>Cash flow from operating activities</b>			
Cash generated from operations	25.1	556.2	591.5
Dividends and interest received		61.0	58.7
Finance costs		(68.2)	(30.0)
Taxation paid	25.2	(290.4)	(403.2)
<b>Cash retained from operating activities</b>		<b>258.6</b>	217.0
<b>Cash utilised in investing activities</b>			
Net additions to insurance business investments		(43.2)	(11.8)
Acquisition of property, plant and equipment		(59.8)	(60.6)
Proceeds on disposal of property, plant and equipment		5.7	5.8
<b>Net cash outflow from investing activities</b>		<b>(97.3)</b>	(66.6)
<b>Cash effects of financing activities</b>			
Purchase of own shares		(162.4)	(213.5)
Dividends paid		(262.7)	(231.8)
Proceeds on sale of own shares		21.8	6.8
Finance lease liability		(1.0)	(0.8)
<b>Net cash outflow from financing activities</b>		<b>(404.3)</b>	(439.3)
<b>Net decrease in cash and cash equivalents</b>		<b>(243.0)</b>	(288.9)
Cash and cash equivalents at the beginning of the year		(393.6)	(104.7)
<b>Cash and cash equivalents at the end of the year</b>	25.3	<b>(636.6)</b>	(393.6)

# segmental report

for the year ended 31 March 2008

	<b>Group</b>			
	Retail Rm	Risk services Rm	Financial services Rm	Total Rm
<b>Primary segment</b>				
<b>2008</b>				
Revenue	<b>2 141.0</b>	<b>564.3</b>	<b>891.1</b>	<b>3 596.4</b>
Operating profit	<b>307.3</b>	<b>175.4</b>	<b>447.7</b>	<b>930.4</b>
Operating margin	<b>14.4%</b>	<b>31.1%</b>	<b>50.2%</b>	<b>25.9%</b>
Total assets	<b>421.7</b>	<b>688.1</b>	<b>2 698.1</b>	<b>3 807.9</b>
Total current liabilities	<b>114.7</b>	<b>139.9</b>	<b>751.2</b>	<b>1 005.8</b>
Capital expenditure	<b>30.9</b>	–	<b>28.9</b>	<b>59.8</b>
Depreciation	<b>22.3</b>	–	<b>18.6</b>	<b>40.9</b>
<b>2007</b>				
Revenue	2 044.9	464.7	813.9	3 323.5
Operating profit	321.7	183.4	354.8	859.9
Operating margin	15.7%	39.5%	43.6%	25.9%
Total assets	384.8	685.4	2 329.7	3 399.9
Total current liabilities	151.9	125.9	501.9	779.7
Capital expenditure	30.4	–	30.2	60.6
Depreciation	19.8	–	19.1	38.9
<b>Geographical</b>				
<b>2008</b>				
Revenue		<b>3 218.1</b>	<b>378.3</b>	<b>3 596.4</b>
Operating assets		<b>3 460.5</b>	<b>317.8</b>	<b>3 778.3</b>
Capital expenditure		<b>55.5</b>	<b>4.3</b>	<b>59.8</b>
<b>2007</b>				
Revenue		2 982.9	340.6	3 323.5
Operating assets		3 027.6	269.4	3 297.0
Capital expenditure		57.5	3.1	60.6

(\*) Botswana, Lesotho, Namibia and Swaziland

Note: Segment revenues, expenses and results include transfers between business segments and between geographical segments. Such transfers are accounted for at arm's length prices.