

## directors' responsibility statement

Management have prepared the annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and 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 has 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 2010 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.

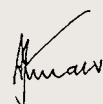
PricewaterhouseCoopers Inc, as external auditors, have examined the financial statements and their report appears on page 57.

The financial statements of the group and the company for the year ended 31 March 2009, which appear on pages 58 to 107 have been approved by the board of directors and signed on its behalf by:



**D M Nurek**  
Chairman

Cape Town  
18 May 2009



**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

Cape Town  
18 May 2009

# independent auditor's report

## **To the shareholders of Lewis Group Limited**

We have audited the group annual financial statements and annual financial statements of Lewis Group Limited, which comprise the consolidated and separate balance sheets as at 31 March 2009, the consolidated and separate income statements, the consolidated and separate statements of changes in equity and the consolidated and separate cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 58 to 107.

## **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 risks 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 consolidated and separate financial position of Lewis Group Limited as at 31 March 2009, its consolidated and separate financial performance and its consolidated and separate 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

18 May 2009

# 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 427 Lewis, 88 Best Home and Electric and 20 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 107.

## 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 60 to 107.

## Segmental analysis

Segmental information is set out in the segmental report on page 64 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, 1 100 000 shares were cancelled, arising from open market purchases of its own shares by the company.

## Treasury shares

The group has purchased 9 216 928 (9.2%) of its own shares on the open market through its subsidiary, Lewis Stores (Proprietary) Limited. Refer note 7.1 and 7.2 for more detail.

The Lewis Employee Incentive Scheme Trust effectively holds 1 020 780 shares, of which 224 194 are unallocated and 796 586 retained to cover share awards granted to executives. Details have been set out in note 7 and 17.3 to the financial statements.

## Dividends

The following dividends have been declared or proposed for the financial year ended 31 March 2009:

	Dividend per share	Date declared	Payable
Interim – declared	144 cents	10 Nov 2008	26 Jan 2009
Final – proposed	179 cents	18 May 2009	27 July 2009
For the year	323 cents		

Notice is hereby given that a final cash dividend of 179 cents per share in respect of the year ended 31 March 2009 has been declared, payable to the holders of ordinary shares recorded in the books of the company on Friday, 24 July 2009. The last day to trade cum dividend will therefore be Friday, 17 July 2009 and Lewis shares will trade ex-dividend from Monday, 20 July 2009. Payment of the dividend will be made on Monday, 27 July 2009. Share certificates may not be dematerialised or rematerialised between Monday, 20 July 2009 and Friday, 24 July 2009, both days inclusive.

## Directors

David Nurek, Alan Smart, Hilton Saven, Ben van der Ross, Professor Fatima Abrahams and Les Davies remained directors during the year.

In terms of the Articles of Association of the company, David Morris Nurek and Professor Fatima Abrahams will retire and have offered themselves for re-election.

## Company secretary

M G McConnell 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' interests

At 31 March 2009, the directors' beneficial direct and indirect interest in the company's issued shares were as follows:

	2009		2008	
	Direct	Indirect	Direct	Indirect
D M Nurek	–	10 000	–	10 000
H Saven	–	2 940	–	2 940
A J Smart	260 555	40 259	260 555	40 259
L A Davies	50 000	25 337	50 000	15 530
	310 555	78 536	310 555	68 729

The following share awards have been made to directors:

A J Smart	146 571
L A Davies	116 622

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 Listing requirements took place between the company and 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 107.

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

	2009 Rm	2008 Rm
Profits	571.0	646.8
Losses	–	(0.1)

### Borrowing powers

Borrowings were R737.0 million at 31 March 2009 (2008: R703.4 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 15 August 2008, 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 Listing Requirements as presently constituted and which may be amended from time to time.”*



# balance sheet

at 31 March 2009

## Group

	Notes	2009 Rm	2008 Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	229.7	200.6
Investments – insurance business	4	535.1	505.4
		<b>764.8</b>	706.0
<b>Current assets</b>			
Investments – insurance business	4	199.1	159.5
Inventories	5	228.0	230.4
Trade and other receivables	6	2 943.7	2 615.6
Taxation		–	29.6
Cash on hand and deposits		54.8	66.8
		<b>3 425.6</b>	3 101.9
<b>Total assets</b>		<b>4 190.4</b>	3 807.9
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium	7	97.8	149.1
Other reserves	8	107.4	128.4
Retained earnings	9	2 734.7	2 452.5
		<b>2 939.9</b>	2 730.0
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings	10	100.0	–
Deferred taxation	11	53.0	14.4
Retirement benefits	12	53.9	57.7
		<b>206.9</b>	72.1
<b>Current liabilities</b>			
Trade and other payables	13	404.1	302.4
Taxation		2.5	–
Short-term interest-bearing borrowings	14	637.0	703.4
		<b>1 043.6</b>	1 005.8
<b>Total equity and liabilities</b>		<b>4 190.4</b>	3 807.9

# income statement

for the year ended 31 March 2009

		<b>Group</b>	
		<b>2009</b>	2008
		<b>Rm</b>	Rm
	Notes		
<b>Revenue</b>		<b>3 807.1</b>	3 596.4
Merchandise sales		<b>1 919.9</b>	1 889.7
Finance charges earned		<b>826.6</b>	794.9
Insurance premiums earned	15	<b>581.4</b>	564.2
Ancillary services		<b>479.2</b>	347.6
<b>Cost of merchandise sales</b>	16	<b>(1 318.3)</b>	(1 272.1)
<b>Operating costs</b>		<b>(1 648.5)</b>	(1 393.9)
Employment costs	17	<b>(538.4)</b>	(504.2)
Administration and IT		<b>(173.1)</b>	(167.0)
Debtor costs	18	<b>(338.8)</b>	(190.4)
Marketing		<b>(124.0)</b>	(107.1)
Occupancy costs		<b>(150.5)</b>	(135.1)
Transport and travel		<b>(138.8)</b>	(127.3)
Depreciation		<b>(45.8)</b>	(40.9)
Other operating costs		<b>(139.1)</b>	(121.9)
<b>Operating profit</b>	20	<b>840.3</b>	930.4
Investment income	21	<b>76.9</b>	71.7
<b>Profit before finance costs</b>		<b>917.2</b>	1 002.1
<b>Net finance costs</b>		<b>(86.5)</b>	(56.8)
Interest paid	22.1	<b>(108.5)</b>	(68.2)
Interest received	22.2	<b>11.5</b>	6.5
Forward exchange contracts	22.3	<b>10.5</b>	4.9
<b>Profit before taxation</b>		<b>830.7</b>	945.3
Taxation	23	<b>(263.7)</b>	(303.0)
<b>Net profit attributable to ordinary shareholders</b>		<b>567.0</b>	642.3
Earnings per share (cents)	24	<b>642.8</b>	717.0
Diluted earnings per share (cents)	24	<b>639.7</b>	715.2
Dividends paid per share (cents)		<b>323.0</b>	294.0
Dividends declared per share (cents)		<b>323.0</b>	323.0

# statement of changes in equity

for the year ended 31 March 2009

		<b>Group</b>	
		<b>2009</b>	2008
		<b>Rm</b>	Rm
<b>Share capital and premium</b>	7	<b>97.8</b>	149.1
Opening balance		<b>149.1</b>	311.4
Cost of own shares acquired:			
Treasury shares		<b>(12.9)</b>	(112.4)
Cancelled shares		<b>(38.4)</b>	(50.0)
Share awards to employees		<b>–</b>	0.1
<b>Other reserves</b>	8	<b>107.4</b>	128.4
Opening balance		<b>128.4</b>	156.5
Fair value adjustments of available-for-sale investments, net of tax		<b>(40.0)</b>	(27.5)
Disposal of available-for-sale investments recognised		<b>2.4</b>	(21.3)
Share-based payment		<b>10.6</b>	6.7
Transfer of share-based payment reserve to retained income on vesting		<b>(0.2)</b>	(0.9)
Transfer to contingency reserve		<b>1.8</b>	9.0
Foreign currency translation reserve		<b>4.4</b>	5.9
<b>Retained earnings</b>	9	<b>2 734.7</b>	2 452.5
Opening balance		<b>2 452.5</b>	2 059.3
Net profit attributable to ordinary shareholders		<b>567.0</b>	642.3
Profit on sale of own shares		<b>1.1</b>	21.8
Transfer of share-based payment reserve to retained income on vesting		<b>0.2</b>	0.9
Cost of share awards to employees		<b>–</b>	(0.1)
Transfer to contingency reserve		<b>(1.8)</b>	(9.0)
Distribution to shareholders	25	<b>(284.3)</b>	(262.7)
<b>Balance at 31 March 2009</b>		<b>2 939.9</b>	2 730.0

# cash flow statement

for the year ended 31 March 2009

		<b>Group</b>	
		<b>2009</b>	2008
		<b>Rm</b>	Rm
	Notes		
<b>Cash flow from operating activities</b>			
Cash generated from operations	26.1	669.7	556.2
Interest and dividends received		96.3	61.0
Interest paid		(108.5)	(68.2)
Taxation paid	26.2	(185.6)	(290.4)
<b>Cash retained from operating activities</b>		<b>471.9</b>	258.6
<b>Cash utilised in investing activities</b>			
Net additions to insurance business investments		(111.7)	(43.2)
Acquisition of property, plant and equipment		(77.0)	(59.8)
Proceeds on disposal of property, plant and equipment		5.7	5.7
<b>Net cash outflow from investing activities</b>		<b>(183.0)</b>	(97.3)
<b>Cash effects of financing activities</b>			
Purchase of own shares		(51.3)	(162.4)
Dividends paid		(284.3)	(262.7)
Proceeds on sale of own shares		1.1	21.8
Increase in long-term borrowings		100.0	–
Finance lease liability		–	(1.0)
<b>Net cash outflow from financing activities</b>		<b>(234.5)</b>	(404.3)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>54.4</b>	(243.0)
Cash and cash equivalents at the beginning of the year		(636.6)	(393.6)
<b>Cash and cash equivalents at the end of the year</b>	26.3	<b>(582.2)</b>	(636.6)

# segmental report

for the year ended 31 March 2009

## Group

	Group			
	Retail Rm	Risk services Rm	Financial services Rm	Total Rm
<b>Primary segment</b>				
<b>2009</b>				
Revenue	2 213.6	581.4	1 012.1	3 807.1
Operating profit	286.1	182.8	371.4	840.3
Operating margin	12.9%	31.4%	36.7%	22.1%
Total assets	426.4	754.6	3 009.4	4 190.4
Total current liabilities	163.6	195.1	684.9	1 043.6
Capital expenditure	50.9	–	26.1	77.0
Depreciation	24.1	–	21.7	45.8
<b>2008</b>				
Revenue	2 141.0	564.3	891.1	3 596.4
Operating profit	307.3	175.4	447.7	930.4
Operating margin	14.4%	31.1%	50.2%	25.9%
Total assets	421.7	688.1	2 698.1	3 807.9
Total current liabilities	114.7	139.9	751.2	1 005.8
Capital expenditure	30.9	–	28.9	59.8
Depreciation	22.3	–	18.6	40.9
<b>Geographical</b>		South Africa Rm	BLNS(*) Rm	Total Rm
<b>2009</b>				
Revenue		3 364.0	443.1	3 807.1
Operating assets		3 827.0	363.4	4 190.4
Capital expenditure		73.1	3.9	77.0
<b>2008</b>				
Revenue		3 218.1	378.3	3 596.4
Operating assets		3 460.5	317.8	3 778.3
Capital expenditure		55.5	4.3	59.8

(\*) 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.

# notes to the annual financial statements

## for the year ended 31 March 2009

### 1. **Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which have been recognised at their fair value, and in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act.

The following new or revised IFRSs and interpretations have become applicable to the 2009 financial statements:

IFRIC 14: The limit on a defined benefit asset and minimum funding requirements

IFRS 7 and IAS 39 amendments: Reclassification of Financial Assets

The implementation of these interpretations and amendments to the standards did not have a significant impact on the group’s results and cash flows for the year ended 31 March 2009 and the financial position as at 31 March 2009.

The following standards, amendments to standards and interpretations, which have been issued but which are not yet effective, have not been applied in these financial statements:

IFRS 2: Share-based Payment (amendment)

IFRS 3: Business Combinations (revised)

IFRS 7: Financial Instruments: Disclosure (amendment)

IFRS 8: Operating Segments

IAS 1: Presentation of Financial Statements (revised)

IAS 10: Events after the reporting period (amendment)

IAS 16: Property, plant and equipment (amendment)

IAS 18: Revenue (amendment)

IAS 19: Employee Benefits (amendment)

IAS 27: Consolidated and Separate Financial Statements (revised)

IAS 34: Interim Financial Reporting (amendment)

IAS 36: Impairment of assets (amendment)

IAS 39: Financial Instruments: Recognition and Measurement (amendment)

IFRIC 13: Customer loyalty programmes

AC 504: Limit on a defined benefit asset and minimum funding requirements and their interaction in the South African pension fund environment.

Management have not performed an assessment of the potential impact, if any, that the implementation of these standards and interpretations will have on the consolidated financial statements.

The preparation of the financial statements necessitates the use of estimates, assumptions and judgements. Estimates are based on management’s knowledge and judgement of the current circumstances at the balance sheet date. For further information on critical estimates and judgements, refer to note 2.

#### 1.1 **Basis of consolidation**

The consolidated annual financial statements incorporate the financial statements of the company and its subsidiaries. Subsidiaries are entities in which the group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial or operating policies. The results of the subsidiaries are included from the effective date of acquisition to the effective date of disposal. The accounting policies and year-ends of all subsidiaries are consistent throughout the group. Intergroup transactions and balances are eliminated on consolidation.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group’s share of the identifiable net assets is recorded as goodwill.

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement.

Investments in subsidiaries are carried at cost less any impairment. Employee share trusts are consolidated. Shares in Lewis Group Limited held by subsidiaries and the share trust are classified as treasury shares.

## 1.2 Goodwill

Goodwill, being the excess of the purchase consideration over the attributable fair value of the identifiable assets and liabilities at the date of acquisition, is initially carried at cost. Goodwill is subject to an annual impairment test and written down to the recoverable amount, where impairment has occurred.

Any excess in the fair value of the identifiable assets and liabilities over the purchase consideration at the date of acquisition is recognised immediately in the income statement.

## 1.3 Foreign currency translations

### 1.3.1 Functional and presentation currency

The financial statements of the subsidiaries are measured in the currency of the primary economic environment of the subsidiary ("the functional currency"). The group and company financial statements are presented in South African Rand, the company's functional currency and the group and company's presentation currency.

### 1.3.2 Foreign currency transactions and balances

Transactions in foreign currency are converted at the exchange rate ruling at the transaction date. Monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Exchange profits and losses arising from the translation of monetary assets and liabilities at balance sheet date or on subsequent settlement of these monetary items are recognised in the income statement in the period in which they arise.

### 1.3.3 Foreign entities

The assets and liabilities of foreign subsidiaries (excluding loans which are part of the net investment) are translated at the closing rate, while income, expenditure and cash flow items are translated using the average exchange rate. Differences arising on translation are reflected in a foreign currency translation reserve, a separate component of equity. On disposal of a foreign subsidiary, such translation differences are recognised in the income statement as a gain or loss on the sale.

## 1.4 Financial instruments

### 1.4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks and bank overdrafts. Bank overdrafts are included in short-term interest-bearing borrowings. Cash and cash equivalents are recognised initially at fair value and are subsequently re-measured at amortised cost using the effective interest rate.

### 1.4.2 Derivative instruments

Derivative instruments are utilised to hedge exposure to foreign currency and interest rate fluctuations. Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Although the derivative instruments entered into by the group provide an effective economic hedge, these derivative instruments have been classified as fair value through profit and loss and, consequently, changes in the fair value are recognised immediately in the income statement.

### 1.4.3 Financial assets

Investments are classified into three categories, based on the purpose for which the investment was acquired. The classification is determined on initial recognition. Derivative instruments are accounted for in terms of note 1.4.2.

The investments are classified as follows:

- (i) Financial assets designated as fair value through profit and loss. A financial asset is classified as such where the asset is acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets where expected to be realised within twelve months of balance sheet date.
- (ii) Available-for-sale assets are assets acquired with the intention of being held indefinitely or those assets that cannot be classified in any of the other categories of financial instruments. Available-for-sale financial assets are included in non-current assets, unless management intends to dispose of the investment within twelve months of the balance sheet date.
- (iii) Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities where management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest rate method. If the group were to sell these assets, the whole category of such assets would be reclassified as available-for-sale.

Purchases and sales of financial assets are recognised on the trade date, being the date that the group commits to the transaction. The financial assets are initially recognised at their fair value with transaction costs being expensed in the income statement in respect of assets classified as fair value through profit and loss and for other categories, added to their carrying value. Assets designated as fair value through profit and loss and as available-for-sale are subsequently carried at fair value and are valued by reference to quoted bid prices at the close of business on the balance sheet date or, where appropriate, by discounted cash flow with maximum use of market inputs.

Realised and unrealised gains and losses arising from a change in the fair value of financial assets classified as fair value through profit and loss are included in the income statement in the period in which they arise. Unrealised gains and losses arising from a change in fair value of available-for-sale investments are recognised in equity. When investments classified as available-for-sale are sold, the accumulated fair value adjustment is included in the income statement as gains and losses on investment.

At each balance sheet date, an assessment is made as to whether there is objective evidence to impair the financial assets. If any such evidence exists for available-for-sale financial assets, the cumulative loss less any impairment previously recognised on the asset is removed from equity and recognised in the income statement.

#### 1.4.4 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate, less a provision for doubtful debts. The provision for doubtful debts is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Changes in the provision are recognised in the income statement.

#### 1.4.5 Financial liabilities

##### (i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

(ii) **Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.4.6 **Set-off**

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.5 **Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated depreciation. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are capitalised when it is probable that future economic benefits will arise and the cost can be measured reliably. All other expenditure is recognised through profit and loss.

Assets are depreciated to their residual value, on a straight-line basis, over their estimated useful lives.

The estimated useful lives of the assets in years are:

Buildings	50 years
Leased equipment	3 years
Furniture and equipment	3 to 10 years
Vehicles	4 to 6 years

Land is not depreciated.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds to the carrying amount and are recognised in the income statement.

1.6 **Leased assets**

Leases of property, plant and equipment, where the group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lesser of the fair value of the leased assets or the present value of the minimum lease payments. Lease payments are allocated, using the effective interest rate method, between the lease finance cost, which is included in financing costs, and the capital repayment, which reduces the liability to the lessor. Capitalised leased assets are depreciated to their estimated residual value over the shorter of the lease period or their estimated useful lives.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.7 **Inventories**

Inventory, comprising merchandise held for resale, is valued at the lower of cost or net realisable value. Cost is determined using the weighted average basis, net of trade and settlement discounts. Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses. Provision is made for slow moving, redundant and obsolete inventory.

1.8 **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation, but tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount may not be recoverable.

## 1.9 **Current and deferred taxation**

The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. The group periodically evaluates positions taken in tax returns with respect to situations in which applicable legislation and regulations are subject to interpretation. Appropriate provisions are established on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation, using the liability method, is provided on all temporary differences between the taxation base of an asset or liability and its carrying value. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is calculated at current or substantially enacted rates of taxation at balance sheet date. A deferred tax asset is raised to the extent that it is probable that sufficient taxable profit will arise in the foreseeable future against which the asset can be realised.

## 1.10 **Provisions**

A provision is recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## 1.11 **Insurance business**

### 1.11.1 **Classification**

Insurance contracts are those contracts that transfer significant risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event in terms of the cover given to the insured.

Contracts entered into by the company with reinsurers under which the group's insurer is compensated for losses on contracts issued by it and that meet the requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the group's insurer under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

### 1.11.2 **Outstanding claims**

Provision is made for the estimated final cost of all claims notified but not settled at the accounting date and claims arising from insurance contingencies that occurred before the close of the accounting period, but which had not been reported by that date. Claims and expenses are charged to income as incurred, based on the estimated liability for compensation owed to insurance policyholders. The group's own assessors individually assess claims. Outstanding claims provisions are not discounted.

### 1.11.3 **Contingency reserve**

A contingency reserve is maintained in terms of the Insurance Act, 1998. Transfers to this reserve are at 10% of premiums written less reinsurance and treated as an appropriation of retained earnings.

### 1.11.4 **Provision for unearned premiums**

The provision for unearned premiums and the reinsurer's share of unearned premiums represents that part of the current year's premiums relating to risk periods that extend to the subsequent years. The unearned premiums are calculated on a straight-line basis over the period of the contract.

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

## 1.11.5 Reinsurance

Income from reinsurance contracts is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The reinsurer's share of insurance provisions is dependent on the expected claims and benefits arising under the related reinsured insurance contracts and is measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of the reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

## 1.12 Segmental information

The principal segments of the group have been identified on a primary basis by the principal revenue producing activities of the group and on a secondary basis by significant geographical region. The source and nature of business risks are segmented on the same basis. Assets, liabilities, revenues and expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The accounting policies are consistently applied in determining the segmental information.

The group's main segments are:

### (i) Retail

The retail segment encompasses the sale of merchandise, delivery and maintenance contracts.

### (ii) Financial services

Financial services cover the management and collection of the debtors book. Revenue earned includes finance charges, initiation and service fees charged on customer accounts.

### (iii) Risk services

Risk services cover the insurance activities of the group.

## 1.13 Current assets and liabilities

Current assets and liabilities have maturity terms of less than 12 months, except for instalment sale and loan receivables. Instalment sale and loan receivables, which are included in trade and other receivables, have maturity terms of between 6 to 36 months but are classified as current as they form part of the normal operating cycle.

## 1.14 Treasury shares

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including the costs attributable to the acquisition, is deducted from the group's equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in the group's equity. The weighted average number of shares is reduced by the treasury shares for earnings per share purposes. Dividends received on treasury shares are eliminated on consolidation.

## 1.15 Employee benefits

### 1.15.1 Retirement plans

The group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from employees and group companies, taking into account the recommendations of independent, qualified actuaries. Pension costs are assessed annually by a qualified actuary, in terms of IAS 19, using the projected unit credit method.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligations at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and any past service cost. The present value of the defined benefit

obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

To the extent that actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans exceed the greater of 10% of the fund's obligation or plan assets at the end of the previous reporting period, the excess is charged or credited to income over the average remaining service lives of employees. Actuarial surpluses are not accounted for unless the group has a legal right to such surpluses.

The group's contributions to the defined contribution pension plans are charged to the income statement in the year to which they relate and have been included in employment costs.

#### 1.15.2 Post-retirement healthcare costs

The group has an obligation to provide post-retirement medical aid benefits by subsidising medical aid contributions of certain retired employees and ex-gratia pensioners, who joined the group prior to 1 August 1997. The post-retirement healthcare costs are assessed annually by a qualified independent actuary using the projected unit credit method. The cost of providing these subsidies and any actuarial gains and losses are recognised in the income statement immediately. The post-retirement healthcare benefit is measured as the present value of the estimated future cash outflows using an appropriate discount rate.

#### 1.15.3 Share-based payments

The group operates a number of equity-settled share incentive schemes. The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of share awards and options granted, excluding the impact of non-market service and performance vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. The total amount expensed is recognised over the vesting period, which is the period over which all vesting conditions are to be satisfied. At each balance sheet date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. Any accelerated vesting of the share awards and options requires immediate recognition of the remaining expense.

#### 1.15.4 Leave pay accrual

Employee entitlements to annual leave are recognised as they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services provided by employees up to the balance sheet date.

### 1.16 Trading cycle

The group's trading cycle, consistent with prior financial periods, ends on the 5th day after the month being reported on, unless such day falls on a Sunday, in which case it ends on the 4th day.

### 1.17 Revenue recognition

Revenue is recorded at the fair value of the consideration received or receivable and comprises merchandise sales net of discounts, earned finance charges, earned TV and appliance service contracts, cartage and insurance premiums earned, net of reinsurance premiums paid. Value-added tax is excluded.

#### (i) Merchandise sales

Revenue from the sale of merchandise is recognised on the date of delivery.

#### (ii) Finance charges earned

For contracts entered into prior to the implementation of the National Credit Act ("NCA"), finance charges are recognised on a sum-of-digits basis which closely approximates the effective yield

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

basis. For contracts entered into subsequent to the implementation of the NCA, finance charges are recognised by reference to the daily principle outstanding and the effective interest rate implicit in the agreement.

(iii) Insurance premiums earned

Insurance premiums are recognised on a straight-line basis over the period of the contract, after an appropriate allowance is made for commission and reinsurance cost.

(iv) Ancillary services

Revenue from maintenance contracts is recognised over a 24-month period to ensure a reasonable profit margin. Initiation fees and directly related costs are recognised over the period of the contract on an effective yield basis. Revenue from the provision of other services is recognised when the services are rendered.

(v) Interest and dividends

Interest on investments is recognised on a time proportion basis taking into account the effective yield on the assets. Dividends are recognised when the right to receive payment is established.

## 2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the preparation of the financial statements, the following key estimates were made in determining the assets and liabilities of the group:

### 2.1 Impairment of receivables

A discounted cash flow model using the contractual interest rate on the expected future collections from customers is applied. The cash flows are calculated using the payment ratings of customers at the balance sheet date. Payment ratings assess the customer's actual payment pattern as compared to the contractual payments. Customer payment ratings are affected by the overall economic and credit environment such as the levels of employment and interest rates and, consequently, the impairment provision will be dependent on the changing financial circumstances of our customers.

### 2.2 Bad debts

Customer accounts are written off, once it is assessed that the customer is no longer in a position to service the account.

### 2.3 Share-based payment

The share-based payment was valued in terms of an option pricing model. Details of the option pricing model and the assumptions used are detailed in note 17.2.

### 2.4 Normal and deferred taxation

The tax and deferred tax liabilities and assets are calculated using considered interpretations of the tax laws of the jurisdictions in which the group operates.

### 2.5 Retirement benefits

The underlying actuarial assumptions are set out in note 12.

### 2.6 Useful lives and residual values of fixed assets

The estimated useful lives and residual values are reviewed annually taking cognisance of historical trends for that class of asset and the commercial and economic realities at the time.

<b>Group</b>				
	Land and buildings Rm	Leased equipment Rm	Vehicles and fixtures Rm	Total Rm
<b>3. Property, plant and equipment</b>				
<b>As at 31 March 2009</b>				
Opening net carrying value	84.2	–	116.4	200.6
Additions	27.7	–	49.3	77.0
Disposals	–	–	(2.1)	(2.1)
Depreciation	(1.0)	–	(44.8)	(45.8)
Closing net carrying value	110.9	–	118.8	229.7
Cost	116.5	14.9	361.6	493.0
Accumulated depreciation	(5.6)	(14.9)	(242.8)	(263.3)
<b>As at 31 March 2008</b>				
Opening net carrying value	82.8	–	100.1	182.9
Additions	2.2	–	57.6	59.8
Disposals	–	–	(1.2)	(1.2)
Depreciation	(0.8)	–	(40.1)	(40.9)
Closing net carrying value	84.2	–	116.4	200.6
Cost	88.8	14.9	336.4	440.1
Accumulated depreciation	(4.6)	(14.9)	(220.0)	(239.5)
A register of the group's land and buildings is available for inspection at the company's registered office.				



# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>4. Investments – insurance business</b>		
<i>Listed investments</i>		
Listed shares – available-for-sale	<b>183.8</b>	192.5
Fixed income securities – available-for-sale	<b>351.3</b>	312.9
<i>Unlisted investments</i>		
Money market – available-for-sale	<b>199.1</b>	159.5
	<b>734.2</b>	664.9
<i>Analysed as follows</i>		
Non-current	<b>535.1</b>	505.4
Current	<b>199.1</b>	159.5
	<b>734.2</b>	664.9
<b>Movement for the year</b>		
Beginning of the year	<b>664.9</b>	660.4
Net additions to investments	<b>114.3</b>	65.3
Movement in fair value transferred to equity	<b>(45.0)</b>	(60.8)
End of the year	<b>734.2</b>	664.9
A register of listed investments is available for inspection at the company's registered office. Regular purchases and sales of financial assets are accounted for on the trade date.		
<b>5. Inventories</b>		
Cost of merchandise	<b>251.8</b>	255.1
Less: provision for obsolescence	<b>(23.8)</b>	(24.7)
	<b>228.0</b>	230.4

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>6. Trade and other receivables</b>		
Instalment sale and loan receivables	<b>4 007.2</b>	3 539.8
Provision for unearned finance charges and unearned maintenance income	<b>(181.1)</b>	(263.7)
Provision for unearned initiation fees	<b>(78.3)</b>	(46.9)
Provision for unearned insurance premiums	<b>(360.0)</b>	(290.5)
Unearned insurance premiums	<b>(598.1)</b>	(479.1)
Less: re-insurer's share of unearned premiums	<b>238.1</b>	188.6
Net instalment sale and loan receivables	<b>3 387.8</b>	2 938.7
Provision for doubtful debts	<b>(532.7)</b>	(395.8)
Other receivables	<b>2 855.1</b>	2 542.9
	<b>88.6</b>	72.7
	<b>2 943.7</b>	2 615.6
Amounts due from instalment sale and loan receivables after one year are reflected as current, as they form part of the normal operating cycle. The credit terms of instalment sale and loan receivables range from 6 to 36 months.		
<b>7. Share capital and premium</b>		
<b>7.1 Share capital and premium</b>		
Share capital	<b>1.0</b>	1.0
Share premium	<b>2 710.6</b>	2 749.0
Reverse acquisition reserve	<b>(2 123.1)</b>	(2 123.1)
	<b>588.5</b>	626.9
Treasury shares:		
Lewis Stores (Pty) Ltd	<b>(477.8)</b>	(477.8)
Lewis Employee Share Incentive Scheme Trust	<b>(12.9)</b>	–
Total share capital and premium	<b>97.8</b>	149.1

The average market price paid for the shares repurchased by the company and the treasury shares held by Lewis Stores (Pty) Ltd was R50.45, with the lowest price being R32.99 and the highest R65.90.

On listing, Lewis Group Limited ("Lewis Group") acquired the total shareholding of Lewis Stores (Pty) Ltd ("Lewis Stores") through issuing shares to the shareholder at that date. In terms of IFRS 3 requirements for reverse acquisitions, Lewis Stores was the acquirer and Lewis Group the acquiree, although Lewis Group is the holding company and Lewis Stores the subsidiary. The group financial statements were in substance a continuation of the operations of Lewis Stores from the date that the reverse acquisition took place.

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>000's</b>	000's
<b>7. Share capital and premium continued</b>		
<b>7.2 Number of ordinary shares in issue</b>		
Number of shares issued	<b>98 058</b>	99 158
Treasury shares held by:		
Lewis Stores (Pty) Ltd	<b>(9 217)</b>	(9 217)
Lewis Employee Share Incentive Scheme Trust	<b>(1 021)</b>	(655)
Number of shares in issue	<b>87 820</b>	89 286
	<b>Rm</b>	Rm
<b>8. Other reserves</b>		
<i>Comprising:</i>		
Fair value reserve	<b>55.7</b>	93.3
Foreign currency translation reserve	<b>(10.9)</b>	(15.3)
Share-based payment reserve	<b>18.8</b>	8.4
Other	<b>0.8</b>	0.8
	<b>64.4</b>	87.2
Statutory insurance contingency reserve	<b>43.0</b>	41.2
	<b>107.4</b>	128.4
Detailed movements in the other reserves are disclosed in the statement of changes in equity.		
<b>9. Retained earnings</b>		
<i>Comprising:</i>		
Company	<b>83.6</b>	50.3
Consolidated subsidiaries	<b>2 651.1</b>	2 402.2
	<b>2 734.7</b>	2 452.5
Distribution of all reserves by South African subsidiaries would give rise to STC of R231.6 million (2008: R233.1 million).		
Distribution by certain foreign subsidiaries will give rise to withholding taxes of R30.5 million (2008: R26.4 million).		
No provision for STC and withholding taxes is raised until dividends are declared.		

		<b>Group</b>	
		<b>2009</b>	2008
		<b>Rm</b>	Rm
<b>10. Interest-bearing borrowings</b>			
These borrowings mature on 29 August 2011 and are unsecured. Interest is payable on a nominal annual compounded quarterly rate (nacq) and is based on the 3 month JIBAR rate plus 165 basis points.			
		<b>100.0</b>	–
		<b>100.0</b>	–
<b>11. Deferred taxation</b>			
Balance at the beginning of the year		<b>14.4</b>	(77.5)
<i>Movement for the year attributable to:</i>			
Income statement credit		<b>46.0</b>	103.9
Deferred tax on fair value adjustment in equity		<b>(7.4)</b>	(12.0)
<b>Balance at the end of the year</b>		<b>53.0</b>	14.4
<i>This balance comprises:</i>			
Capital allowances		<b>20.9</b>	28.4
Debtors allowances		<b>75.0</b>	19.5
Income and expense recognition		<b>(1.7)</b>	2.2
Other provisions		<b>(41.2)</b>	(35.7)
<b>Balance at the end of the year</b>		<b>53.0</b>	14.4



# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>12. Retirement benefits</b>		
<b>Amounts recognised in the balance sheet</b>		
Defined benefit retirement plan liability	11.2	16.9
Post-retirement healthcare benefits	42.7	40.8
	<b>53.9</b>	57.7
<b>Retirement plans</b>		
The group operates a number of retirement funds, all of which are held separate from the group's assets. There are three defined contribution funds, namely the Lewis Stores Provident Fund; the Lewis Stores Namibia Provident Fund for Namibian employees; and the SACCAWU Provident Fund for employees belonging to SACCAWU Trade Union. In addition, there are two defined benefit funds, namely the Lewis Stores Group Pension Fund which was closed to new members on 1 July 1997; and the Lewis Stores Retirement Fund for executive management. Both defined benefit plans are registered under the Pension Funds Act No. 24 of 1956.		
The number of employees on these plans are as follows:		
Lewis Group Pension Fund	273	311
Lewis Stores Retirement Pension Fund	32	32
SACCAWU Provident Fund	640	583
Lewis Stores Provident Fund	3 074	2 888
Lewis Stores Namibia Provident Fund	124	118
<b>Defined benefit plans</b>		
The defined benefit funds are final salary defined benefit plans. These schemes are valued by an independent actuary on an annual basis in terms of IAS 19 using the projected unit credit method. The latest valuation was carried out as at 1 January 2009.		
<b>Amounts recognised in the balance sheet</b>		
Present value of obligations	331.0	345.8
Fair value of plan assets	(324.6)	(362.1)
	6.4	(16.3)
Unrecognised actuarial gains	4.8	33.2
Defined benefit retirement plan liability	11.2	16.9

**Group**

	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>12. Retirement benefits continued</b>		
<b>Amounts recognised in the income statement</b>		
Current service cost	11.4	11.1
Interest cost	28.8	25.5
Expected return on plan assets	(35.1)	(30.6)
Net actuarial losses recognised in the year	2.5	1.6
Total included in staff costs	7.6	7.6
<b>Movement in retirement benefit liability</b>		
Present value at the beginning of the year	16.9	27.1
Income statement charge	7.6	7.6
Contributions paid during the year	(13.3)	(17.8)
Present value at the end of the year	11.2	16.9
<b>Present value of defined benefit obligations</b>		
Beginning of year	345.8	303.2
Current service cost	11.4	11.1
Interest cost	28.8	25.5
Employee contributions	1.7	1.8
Benefit payments	(36.6)	(18.1)
Actuarial loss	(20.1)	22.3
End of year	331.0	345.8
<b>Fair value of defined benefit plan assets</b>		
Beginning of year	362.1	305.6
Employee contributions	1.7	1.8
Employer contributions	13.1	17.8
Expected return	35.1	30.6
Benefit payments	(36.6)	(18.1)
Actuarial gain	(50.8)	24.4
End of year	324.6	362.1

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>12. Retirement benefits continued</b>		
<b>Principal actuarial assumptions used were as follows:</b>		
Discount rate	<b>9.00%</b>	9.50%
Expected return on plan assets	<b>10.00%</b>	10.00%
Inflation rate	<b>6.00%</b>	6.50%
Future salary increases	<b>7.00%</b>	7.75%
Future pension increases	<b>6.50%</b>	6.50%
Assumptions regarding future mortality experience are based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at age 65 on valuation date is as follows:		
Male	<b>13.7 years</b>	12.6 years
Female	<b>15.7 years</b>	14.0 years
Actual return on plan assets	<b>(5.4%)</b>	18.2%
The employer's future contribution is set on an annual basis in consultation with the fund's actuary.		
<b>Defined contribution plans</b>		
For defined contribution plans, the group pays contributions to the funds on a contractual basis. Once the contributions have been paid, the group has no further payment obligations.		
Defined contribution plan costs	<b>18.8</b>	17.5
<b>Post-retirement healthcare benefits</b>		
The group provides a subsidy of medical aid contributions to retired employees. Only those employees employed prior to 1 August 1997 qualify for this benefit. The liability was valued as at 31 March 2009 by a qualified actuary in accordance with the requirements of IAS 19. The group has a commitment to meet these unfunded benefits.		
<b>Amounts recognised in the income statement</b>		
Current service cost	<b>0.9</b>	0.9
Interest cost	<b>3.3</b>	2.9
Actuarial gain	<b>(0.4)</b>	(1.6)
Income statement charge	<b>3.8</b>	2.2
<b>Movement in post-retirement healthcare liability</b>		
Present value of liability at the beginning of the year	<b>40.8</b>	40.5
Charged to income statement	<b>3.8</b>	2.2
Employer benefit payments	<b>(1.9)</b>	(1.9)
Post-retirement healthcare benefits liability	<b>42.7</b>	40.8

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>12. Retirement benefits continued</b>		
<b>Present value of post-retirement healthcare obligations</b>		
Beginning of year	<b>40.8</b>	40.5
Current service cost	<b>0.9</b>	0.9
Interest cost	<b>3.3</b>	2.9
Benefit payments	<b>(1.9)</b>	(1.9)
Actuarial gain	<b>(0.4)</b>	(1.6)
End of year	<b>42.7</b>	40.8
<b>Principal actuarial assumptions used were as follows:</b>		
Healthcare inflation rate	<b>5.75%</b>	5.50%
CPI inflation	<b>5.75%</b>	5.50%
Discount rate	<b>9.00%</b>	8.75%
Average retirement age (years)	<b>63</b>	63
<b>Sensitivity</b>	<b>Increase</b>	<b>Decrease</b>
The effects of a 1% movement in the assumed medical aid inflation rate were as follows:		
Effect on aggregate of the current service and interest cost	<b>0.7</b>	(0.5)
Effect on defined benefit obligation	<b>5.8</b>	(4.8)
<b>Trends</b>	<b>Obligation</b>	<b>Experience adjustments gain/(loss)</b>
The trends of the present value of the obligation and experience adjustments are as follows:		
2009	<b>42.7</b>	0.2
2008	<b>40.8</b>	0.2
2007	<b>40.5</b>	2.4
2006	<b>41.2</b>	4.9
2005	<b>34.7</b>	(2.7)
2004	<b>30.8</b>	2.0

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

		<b>Group</b>	
		<b>2009</b>	2008
		<b>Rm</b>	Rm
<b>13. Trade and other payables</b>			
Trade payables		84.8	59.6
Accruals and other payables		142.9	107.3
Due to reinsurers		105.3	102.7
Insurance provisions		71.1	32.8
		<b>404.1</b>	302.4
<b>14. Short-term interest-bearing borrowings</b>			
These borrowings are unsecured. The average closing interest rate on these borrowings was 12.08% (2008: 12.76%).			
		<b>637.0</b>	703.4
		<b>637.0</b>	703.4
<b>15. Insurance premiums earned</b>			
Gross insurance premiums		645.8	615.3
Reinsurance commission		197.3	203.4
Reinsurance premiums		(261.7)	(254.5)
		<b>581.4</b>	564.2
<b>16. Cost of merchandise sales</b>			
Purchases		1 315.9	1 272.2
Movement in inventory		2.4	(0.1)
Cost of merchandise sales		<b>1 318.3</b>	1 272.1
Merchandise gross profit		<b>601.6</b>	617.6
<b>17. Directors and employees</b>			
<b>17.1 Employment costs</b>			
Salaries, wages, commissions and bonuses		493.9	466.3
Retirement benefit costs		30.2	27.3
Share-based payments		10.6	6.7
Other employment costs		3.7	3.9
		<b>538.4</b>	504.2
<b>17.2 Share-based payments</b>			
As the fair value of the services received cannot be measured reliably, the services have been valued by reference to the fair value of shares and options granted. The fair value of such options and shares is measured at the grant date using the Black-Scholes model.			
In terms of IFRS 2, share-based payments are required to be expensed over the vesting period. Any accelerated vesting of the awards and options requires immediate recognition of the unrecognised portion.			

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>17. Directors and employees continued</b>		
<b>17.2 Share-based payments continued</b>		
<b>Value of services provided:</b>		
In respect of share awards and options granted subsequent to date of listing (refer note 17.3)	<b>10.6</b>	6.7
	<b>R</b>	R
Significant assumptions used were:		
Weighted average share price	<b>47.52</b>	56.40
Weighted average expected volatility	<b>48.7%</b>	42.6%
Weighted average expected dividend yield	<b>6.5%</b>	4.4%
Weighted average risk-free rate (bond yield curve at date of grant)	<b>9.7%</b>	8.7%
The volatilities for the options granted after the date of the listing were based on the volatility of Lewis' share price from the date of listing to the date of granting the share awards and options.		
<b>17.3 Share incentive schemes</b>		
The employee share incentive schemes are in operation for employees, 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.		
<b>Lewis All Employee Share Scheme</b>		
In terms of the rules of the share scheme, participants are granted an award to receive shares for no consideration. Participants will only receive their share award if they remain in the employ of the group until vesting date. Share awards under this scheme usually vest between two and four years.		
Beginning of year	–	–
Granted	<b>6 080</b>	–
Forfeited	–	–
Vested and exercised by payment of consideration	–	–
End of year	<b>6 080</b>	–
<b>Lewis Executive Share Option Scheme</b>		
Share options are granted to selected executives. The exercise price of the options is the average market price for the last three days, including the date of the grant or, in respect of options granted at date of listing, the listing price of the group's shares. Options vest between three and five years and must be exercised within 10 years after been granted. In terms of the scheme's rules, the options vest immediately, should there be a change in control.		
Beginning of year	–	662,416
Granted	–	–
Forfeited	–	–
Vested and exercised by payment of consideration	–	(662,416)
End of year	–	–

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>No. of shares and options</b>	
<b>17. Directors and employees continued</b>		
<b>17.3 Share incentive schemes continued</b>		
<b>Lewis Executive Performance Scheme</b>		
In terms of the scheme, senior executives have been offered the right to acquire shares of the group for no consideration subject to the achievement of performance targets. The shares will vest after three years and is conditional upon the executive still being in the employ of the company other than in the event of death, ill-health, retirement or retrenchment.		
The performance targets are set by the Remuneration and Nomination Committee and are approved by the Board. These targets will be set at the beginning of each of the three years and a proportionate number of the shares granted will be allocated to each year.		
No performance shares will accrue if the group achieves less than 90% of target. Any achievement between 90% and 100% of target will result in a proportionate accrual of shares weighted towards 100% of target.		
Beginning of year	<b>294 312</b>	185 639
Granted	<b>287 747</b>	184 270
Forfeited	<b>(5 333)</b>	(52 648)
Vested	<b>(3 755)</b>	(22 949)
End of year	<b>572 971</b>	294 312
<b>Lewis Co-investment Scheme</b>		
Senior executives are eligible for an annual bonus based on achievement of performance targets. These eligible executives can elect to invest all or part of their net bonus in the group's shares ("invested shares").		
These shares are deferred for three years and matching shares equal to the before tax bonus are awarded for no consideration at the end of the period. The matching share award will lapse, should the executive terminate his or her employment before the completion of the three year period other than in the event of death, ill-health, retirement or retrenchment.		
The grant in respect of the matching share option is as follows:		
Beginning of year	<b>167 321</b>	89 322
Granted	<b>50 214</b>	88 179
Forfeited	–	(3 393)
Vested	–	(6 787)
End of year	<b>217 535</b>	167 321
Invested shares paid for through the investment of executives' net bonuses amounted to 130 518 shares (2008: 106 498 shares). These shares are held by the Trust on the executives' behalf.		

**Group**

	<b>2009</b>	2008
	<b>R</b>	R
<b>17. Directors and employees continued</b>		
<b>17.4 Directors' emoluments</b>		
Non-executive directors – fees as directors		
D M Nurek	<b>533 000</b>	495 000
H Saven	<b>372 000</b>	341 000
B van der Ross	<b>273 000</b>	253 000
F Abrahams	<b>273 000</b>	253 000
	<b>1 451 000</b>	1 342 000
Executive director – A J Smart (paid by subsidiary)		
Salary	<b>2 440 000</b>	2 240 000
Bonuses	<b>1 120 000</b>	2 000 000
Contributions to pension scheme	<b>390 400</b>	358 400
Contribution to medical aid	<b>46 488</b>	42 000
Other material benefits	<b>158 400</b>	158 400
Gains on options	<b>–</b>	4 799 673
	<b>4 155 288</b>	9 598 473
Executive director – L A Davies (paid by subsidiary)		
Salary	<b>1 283 335</b>	1 100 000
Bonuses	<b>550 000</b>	900 000
Contributions to pension scheme	<b>205 333</b>	176 000
Contribution to medical aid	<b>66 289</b>	50 475
Other material benefits	<b>172 320</b>	161 520
Gains on options	<b>–</b>	1 094 652
	<b>2 277 277</b>	3 482 647

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>R</b>	R
<b>17. Directors and employees continued</b>		
<b>17.4 Directors' emoluments continued</b>		
Gains on options – executive directors		
A J Smart		
Options exercised	–	219 428
Offer date	–	4 Oct 2004
Date exercised	–	25 May 2005
Date of release from undertakings not to dispose of shares	–	12 Nov 2007
Exercise price (R)	–	28.00
Exercise cost (R)	–	6 143 984
Sale proceeds/market value of shares transferred (R)	–	10 943 657
Gain	–	4 799 673
L A Davies		
Options exercised	–	50 000
Offer date	–	4 Oct 2004
Date exercised	–	26 May 2005
Date of release from undertakings not to dispose of shares	–	12 Nov 2007
Exercise price (R)	–	28.00
Exercise cost (R)	–	1 400 000
Sale proceeds (R)	–	2 494 652
Gain	–	1 094 652

	<b>Group</b>	
	2009	2008
	<b>No. of shares/options</b>	
<b>17. Directors and employees continued</b>		
<b>17.4 Directors' emoluments continued</b>		
Outstanding share awards and options – executive directors		
Share awards under Lewis Executive Performance Scheme granted (refer note 17.3):		
Granted on 30 June 2006:		
A J Smart	44 753	44 753
L A Davies	22 287	22 287
Granted on 11 June 2007:		
A J Smart	34 718	34 718
L A Davies	17 049	17 049
Granted on 24 June 2008:		
L A Davies	35 057	
Matching share options under Lewis Co-Investment Scheme (refer note 17.3):		
Granted on 30 June 2006:		
A J Smart	36 344	36 344
L A Davies	12 044	12 044
Granted on 19 June 2007:		
A J Smart	30 756	30 756
L A Davies	13 840	13 840
Granted on 24 June 2008:		
L A Davies	16 345	
The Trust holds 65 596 shares (2008: 55 789 shares) on their behalf by virtue of the investment of their bonuses into the scheme.		
	<b>Rm</b>	Rm
<b>17.5 Remuneration of key executives</b>		
Salary	9.0	7.3
Bonus	3.5	6.3
Retirement and medical contributions	1.4	1.5
Other benefits	1.3	0.7
	<b>15.2</b>	15.8
Key executives comprise the directors of Lewis Stores (Pty) Ltd, the main operating subsidiary.		

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>R</b>	R
<b>18. Debtor costs</b>		
Bad debts, repossession losses and bad debt recoveries	<b>201.9</b>	172.1
Movement in doubtful debts provision	<b>136.9</b>	18.3
	<b>338.8</b>	190.4
<b>19. Lease commitments</b>		
The group leases the majority of its properties under operating leases. The lease agreements of certain store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover.		
Payments on a cash flow basis:		
Within one year	<b>96.3</b>	90.4
Two to five years	<b>181.5</b>	208.7
Over five years	–	–
	<b>277.8</b>	299.1
Payments on a straight-line basis:		
Within one year	<b>95.0</b>	92.0
Two to five years	<b>166.5</b>	193.7
Over five years	–	0.1
	<b>261.5</b>	285.8
<b>20. Operating profit is stated after</b>		
Initiation and service fees on accounts receivable	<b>185.1</b>	95.7
Surplus on disposal of property, plant and equipment	<b>3.6</b>	4.5
Depreciation		
Owned assets	<b>45.8</b>	40.9
Leased assets	–	–
	<b>45.8</b>	40.9
Fees payable:		
Investment management fee – insurance investments	<b>2.0</b>	1.8
Outsourcing of IT function	<b>33.5</b>	28.7
	<b>35.5</b>	30.5
Operating lease payments on a cash flow basis	<b>118.2</b>	105.9
Lease adjustment	<b>2.7</b>	4.9
Operating leases on a straight-line basis	<b>120.9</b>	110.8
Auditors' remuneration		
Audit fees – current year	<b>1.4</b>	1.4
– prior year underprovision	<b>0.2</b>	0.2
Other services	<b>0.4</b>	0.3
	<b>2.0</b>	1.9

	<b>Group</b>	
	<b>2009</b>	2008
	<b>R</b>	R
<b>21. Investment income</b>		
Interest – insurance business	<b>55.3</b>	42.3
Dividends from listed investments – insurance business	<b>19.0</b>	7.3
Realised profit on disposal of insurance investments	<b>2.6</b>	22.1
	<b>76.9</b>	71.7
<b>22. Net finance costs</b>		
<b>22.1 Interest paid</b>		
Bank loans and overdrafts	<b>105.4</b>	68.1
Other	<b>3.1</b>	0.1
	<b>108.5</b>	68.2
<b>22.2 Interest received</b>		
Bank	<b>(10.5)</b>	(5.7)
Other	<b>(1.0)</b>	(0.8)
	<b>(11.5)</b>	(6.5)
<b>22.3 Forward exchange contracts</b>		
Realised	<b>1.7</b>	1.0
Unrealised	<b>(12.2)</b>	(5.9)
	<b>(10.5)</b>	(4.9)
<b>22.4 Net finance costs</b>	<b>86.5</b>	56.8



# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>23. Taxation</b>		
<b>23.1 Taxation charge</b>		
South Africa	<b>244.0</b>	285.6
Foreign	<b>19.7</b>	17.4
Taxation per income statement	<b>263.7</b>	303.0
Comprising:		
Normal taxation		
Current year	<b>194.8</b>	168.0
Prior year	<b>(5.5)</b>	0.5
Deferred taxation		
Current year	<b>40.1</b>	104.2
Prior year	<b>5.9</b>	(0.2)
Rate change	<b>–</b>	(0.1)
Secondary Tax on Companies	<b>28.4</b>	30.6
Taxation per income statement	<b>263.7</b>	303.0
<b>23.2 The rate of taxation on profit is reconciled as follows:</b>		
Profit before taxation	<b>830.7</b>	945.3
Taxation calculated at a tax rate of 28% (2008: 29%)	<b>232.6</b>	274.1
Disallowed expenditure/(exempt income)	<b>0.2</b>	(3.3)
Secondary tax on companies	<b>28.4</b>	30.6
Prior years	<b>0.4</b>	0.3
Differing tax rates in foreign countries	<b>2.1</b>	1.4
Rate change	<b>–</b>	(0.1)
Taxation per income statement	<b>263.7</b>	303.0
Effective taxation rate	<b>31.7%</b>	32.1%

	<b>Group</b>	
	<b>2009</b>	2008
	<b>000's</b>	000's
<b>24. Earnings per share</b>		
<b>24.1 Weighted average number of shares</b>		
Weighted average shares for earnings and headline earnings per share	<b>88 209</b>	89 583
Dilution resulting from share awards and options outstanding	<b>424</b>	220
Weighted average shares for diluted earnings and headline earnings per share	<b>88 633</b>	89 803
Diluted earnings and headline earnings per share is calculated by adjusting the weighted average number of ordinary shares assuming that all share options will be exercised. The dilution is determined by the number of shares that could have been acquired at fair value (determined as the average annual market price of the shares) less the number of shares that would be issued on the exercise of all the share options.		
<b>24.2 Headline earnings</b>	<b>Rm</b>	Rm
Attributable earnings	<b>567.0</b>	642.3
Profit on disposal of property, plant and equipment	<b>(3.6)</b>	(4.5)
Profit on disposal of available-for-sale investments	<b>(2.6)</b>	(22.1)
Taxation	<b>1.2</b>	2.2
Headline earnings	<b>562.0</b>	617.9
<b>24.3 Earnings per share</b>	<b>Cents</b>	Cents
Earnings per share	<b>642.8</b>	717.0
Fully diluted earnings per share	<b>639.7</b>	715.2
<b>24.4 Headline earnings per share</b>		
Headline earnings per share	<b>637.1</b>	689.8
Fully diluted headline earnings per share	<b>634.1</b>	688.1
<b>25. Dividends paid</b>	<b>Rm</b>	Rm
Dividend no. 6 declared on 21 May 2007 and paid on 23 July 2007		150.0
Dividend no. 7 declared on 12 November 2007 and paid on 28 January 2008		142.8
Dividend no. 8 declared on 19 May 2008 and paid on 28 July 2008	<b>176.0</b>	
Dividend no. 9 declared on 10 November 2008 and paid on 26 January 2009	<b>141.2</b>	
Dividends received on treasury shares:		
Lewis Stores (Pty) Ltd	<b>(29.7)</b>	(27.1)
Lewis Employee Share Incentive Scheme Trust	<b>(3.2)</b>	(3.0)
	<b>284.3</b>	262.7

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>26. Notes to the cash flow statements</b>		
<b>26.1 Cash generated from operations</b>		
Operating profit	<b>840.3</b>	930.4
<i>Adjusted for:</i>		
Share-based payments	<b>10.6</b>	6.7
Depreciation	<b>45.8</b>	40.9
Surplus on disposal of property, plant and equipment	<b>(3.6)</b>	(4.5)
Movement in debtors impairment provision	<b>136.9</b>	18.3
Movement in retirement benefits provision	<b>(3.8)</b>	(9.9)
Movement in other provisions	<b>30.4</b>	14.0
	<b>1 056.6</b>	995.9
<i>Changes in working capital:</i>	<b>(386.9)</b>	(439.7)
Decrease/(Increase) in inventories	<b>4.1</b>	(1.9)
Increase in trade and other receivables	<b>(460.6)</b>	(440.3)
Increase in trade and other payables	<b>69.6</b>	2.5
	<b>669.7</b>	556.2
<b>26.2 Taxation paid</b>		
Amount owing at the beginning of the year	<b>29.6</b>	(61.7)
Amount charged to the income statement	<b>(263.7)</b>	(303.0)
Adjustment for deferred taxation	<b>46.0</b>	103.9
Amount owing at the end of the year	<b>2.5</b>	(29.6)
	<b>(185.6)</b>	(290.4)
<b>26.3 Cash and cash equivalents</b>		
Cash deposits and cash on hand	<b>54.8</b>	66.8
Short-term interest-bearing borrowings	<b>(637.0)</b>	(703.4)
Cash and cash equivalents	<b>(582.2)</b>	(636.6)

## 27. Financial risk management

Risk management is the identification of actual and potential areas of risk, followed by a process of risk mitigation. Responsibility for this process of risk management is with the Risk Working Group ("RWG"), a committee consisting of the members of the Executive Committee and the company secretary. The RWG formally reports to the Audit and Risk Committee on a bi-annual basis.

The Risk Working Group is responsible for identifying, evaluating and monitoring all significant risks facing the business. Members of the RWG are responsible for integrating risk management into the day-to-day activities of the business and ensuring that the staff are aware and accountable for managing risk and maintaining internal control.

The group is exposed to financial risks being credit risk, market risk (including currency, interest rate and price risks) and liquidity risk. The group manages the overall risk by focusing on minimising the potential adverse effects of these risks on the group's financial performance.

The group's primary business is that of a credit retailer. As such, credit risk features as the dominant financial risk. It provides the foundation of the group's profitability, yet the mismanagement of credit risk will threaten the ongoing sustainability of the business.

Due to its pervasive and strategic importance, credit policies are continually evaluated by the Executive Committee to ensure that they are in line with prudent lending practices, yet maintain the group's overall profitability and return on assets. The responsibility for the implementation of these policies rests with the chief operating officer, credit risk executive and their teams.

### 27.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the group's customers and counterparties fail to fulfil their contractual obligations with the group. The main credit risk faced is that customers will not meet their payment obligations in terms of the sale agreements concluded. The maximum credit exposure is that of accounts receivable, fixed income securities and deposits.

#### i) Accounts receivable

The group has developed advanced credit-granting systems to properly assess the customer. The credit underwriting process flows through the following stages.

- Credit scoring: this involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. Lewis deals with its new customers and existing customers differently when credit scoring takes places.

The process differs as follows:

- for new customers, application risk scorecards predict the risk with the emphasis for such an evaluation on information from credit bureaus and third-party information.
- for existing customers, behavioural scorecards have been developed to assess the risk through predictive behaviour with the emphasis on the customer's payment record with Lewis, bureau and other information being considered.
- Assessing client affordability: this process involves collecting information regarding the customer's income levels, expenses and current debt obligations. Lewis has its own priority expense model based on surveys conducted with customers which is done annually.
- Determining the credit limit for the customer: the customer's risk score determined by the scorecard together with the expense assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

The credit granting systems enable the group to determine its appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit-granting system. The group monitors any variances from the level of risk that has been adopted and adjusts the credit-granting process on a dynamic basis.

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

## 27. Financial risk management continued

### 27.1 Credit risk continued

#### i) Accounts receivable continued

The group manages its risk effectively by assessing the borrower's ability to service the proposed monthly instalment. However, collateral exists in that ownership of merchandise is retained until the customer settles the account in full.

In addition, a payment rating system manages the customer's payment profile. A payment rating is applied to each customer individually and is based on the customer's payment history relative to their contractual arrangements. This payment rating is integral to the calculation of the doubtful debt provision in terms of IAS 39. IAS 39 requires that all impaired receivables are carried at their net present value of the expected cash flows from such accounts, discounted at the original effective rate implicit in the credit agreement.

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
The total net receivable balance can be analysed as follows:		
Receivables satisfactory paid	<b>2 437.8</b>	2 207.0
Slow paying and non-performing receivables which have been impaired	<b>950.0</b>	731.7
	<b>3 387.8</b>	2 938.7

The payment ratings categorise individual customers into 13 distinct categories and have been summarised into four main groupings:

		No. of customers		Doubtful debt provision %	
		<b>2009</b>	2008	<b>2009</b>	2008
<b>Satisfactory paid:</b>					
Customers fully up to date including those who have paid 70% or more of amounts due over the contract period	No %	<b>497 296</b> <b>72.0%</b>	534 286 75.1%	<b>0%</b>	0%
<b>Slow payers:</b>					
Customers fully up to date including those who have paid 65% to 70% of amounts due over the contract period	No %	<b>57 042</b> <b>8.2%</b>	51 759 7.3%	<b>20%</b>	17%
<b>Non-performing customers</b>					
Customers who have paid 55% to 65% of amounts due over the period of the contract	No %	<b>50 300</b> <b>7.3%</b>	47 130 6.6%	<b>42%</b>	42%
<b>Non-performing customers</b>					
Customers who have paid 55% or less of amounts due over the period of the contract	No %	<b>86 448</b> <b>12.5%</b>	78 413 11.0%	<b>88%</b>	86%
<b>Total</b>		<b>691 086</b>	711 588	<b>15.7%</b>	13.5%

## 27. Financial risk management continued

### 27.1 Credit risk continued

#### i) Accounts receivable continued

The ageing of satisfactory paid receivables past due but not impaired as a percentage of satisfactory paid receivables is as follows:

	Group	
	2009	2008
1 instalment in arrear	4.7%	4.9%
2 instalments in arrear	3.0%	3.1%
3 instalments in arrear	2.0%	2.1%
4 instalments in arrear	1.4%	1.5%
4 or more instalments in arrear	2.2%	2.5%
	<b>13.3%</b>	14.1%

#### ii) Fixed income securities and deposits

Credit risk may also arise when an entity has its credit rating downgraded causing the fair value of the group's investment in that entity's financial instruments to fall. The credit ratings of the financial institutions holding deposits on our behalf and those whose securities we hold are monitored on a regular basis.

Deposits are placed with high-quality South African institutions. Included in the cash on hand and deposits are bank balances held in foreign currency amounting to R11.7 million (2008: R16.7 million).

Fixed income securities are almost entirely risk-free government bonds or government-backed securities.

### 27.2 Market risk

Treasury management is carried out by the chief financial officer and senior members of the finance team under policies approved by the Audit and Risk Committee ("the Committee"). The Committee provides written treasury policies covering cash management, foreign exchange management, interest rate management and investment risk.

The group's attitude to treasury risk can be summarised as follows:

- investment risk: maximise returns at an acceptable level of risk.
- foreign exchange risk: eliminate transaction risk and net investment risk as far as practically possible.
- interest rate risk: manage short-term volatility

#### i) Foreign exchange risk management

Foreign exchange risk is present in respect of imports of merchandise and the net investment in Botswana.

##### *Imports of merchandise*

Merchandise is sourced from foreign suppliers, particularly in the Far East. In order to minimise exposure to foreign currency fluctuations, forward cover is taken out to cover forward purchase commitments made with foreign suppliers. The group strives to maintain forward cover for the next six to nine months' purchase commitments.

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

## 27. Financial risk management continued

### 27.2 Market risk continued

During the year, 23.7% (2008: 26.6%) of the purchases were in foreign denominated currencies. Below is a summary of the amounts payable under forward contracts:

	Term	Rate	Foreign currency FC 'm	Rand equivalent R'm	Fair value (gain)/loss R'm
<b>2009</b>	<b>Less than 9 months</b>	<b>Rates vary from R9.51 to R10.24</b>	<b>20.2</b>	<b>199.3</b>	<b>12.2</b>
2008	Less than 3 months	Rates vary from R6.80 to R8.25	9.6	70.0	(5.9)

Below is a sensitivity analysis of the effect of currency movements of 5% and 10% respectively on the above forward exchange rates:

### 2009

Effect on (profit)/loss

(Increase)/Decrease in equity

2008

Effect on (profit)/loss

(Increase)/Decrease in equity

	-10%	-5%	+5%	+10%
	<b>6.6</b>	<b>13.1</b>	<b>(6.6)</b>	<b>(13.1)</b>
	<b>6.6</b>	<b>13.1</b>	<b>(6.6)</b>	<b>(13.1)</b>
	5.4	2.7	(2.7)	(5.4)
	5.4	2.7	(2.7)	(5.4)

### Net investment in foreign entities

The currency exposure is limited to the net investment in Botswana of R77.0 million (2008: R84.8 million), which includes a long-term loan account. The currency exposure is managed by keeping the net investment at a minimum practical level by remitting cash to South Africa on a regular basis through loan repayments and dividends.

Below is a sensitivity analysis of the effect of currency movements of 5% and 10% on the year-end value of our net investment in Botswana:

### 2009

(Increase)/Decrease in equity

2008

(Increase)/Decrease in equity

	-10%	-5%	+5%	+10%
	<b>9.4</b>	<b>4.7</b>	<b>(4.7)</b>	<b>(9.4)</b>
	9.2	4.6	(4.6)	(9.2)

There is no impact on profit or loss for both years.

## 27. Financial risk management continued

### 27.2 Market risk continued

#### ii) Interest rate risk

The principal objective of interest rate management is to:

- minimise the impact of interest rate volatility on profits in the short term
- ensure that the group is protected from volatile interest rate movements for the medium to long term

#### *Borrowings*

As part of the process of managing floating rate interest-bearing debt, the interest rate characteristics of borrowings are positioned according to the expected movements in interest rates. The chief financial officer may recommend to the Audit and Risk Committee (“the Committee”) the use of fixed interest debt and interest rate swaps as circumstances dictate. The use of such instruments must be specifically approved by the Committee.

Interest rate profiles are analysed by the changes in its borrowing levels and the interest rates applicable to the facilities available to the group. The sensitivity analysis for a 50 basis points change in the interest is set out below, assuming the current level of borrowings at year-end is maintained throughout the year:

	+50bp	-50bp
<b>2009</b>		
Effect on (profit)/loss	2.6	(2.6)
(Increase)/Decrease in equity	2.6	(2.6)
<b>2008</b>		
Effect on (profit)/loss	2.8	(2.8)
(Increase)/Decrease in equity	2.8	(2.8)

In order to hedge exposures in the interest rate profile of peak borrowings, the group may make use of interest derivatives and other hedging instruments in terms of limits specified in the group’s treasury policy approved by the Audit and Risk Committee. During the current financial year, the group entered into an interest rate swap with the counterparty being a high quality institution. The value of borrowings hedged and the fair value of these contracts as at 31 March 2009 are as follows:

	Notional amount Rm	Maturity date	Fair value (Rm)	
			2009	2008
Zero premium interest rate collars with the cap and floor rates referenced to the 3-month JIBAR rate:				
– commencing on 31 March 2008	100	30 Mar 2009	–	0.6
Interest rate swap with the group being the fixed rate payer at 10.58% and the counterparty being the floating rate payer				
– commencing on 30 March 2009	100	30 Mar 2010	(2.9)	
			(2.9)	0.6

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

## 27. Financial risk management continued

### 27.2 Market risk continued

#### ii) Interest rate risk continued

##### *Accounts receivable*

Interest rates charged to customers are fixed at the date the contract is entered into. Consequently, there is no interest rate risk associated with these contracts during the term of the contract.

##### *Interest rate profile*

The interest rate profiles of financial instruments are as follows:

	Term of investment	Average closing effective interest rate %	Floating or fixed	Carrying value Rm's
<b>2009</b>				
<b>Assets</b>				
Gross instalment sale and loan receivables	Up to 3 years	30.6%	Fixed	4 007.2
Fixed income securities	Varies	10.5%	Fixed	351.3
Money market investments	Up to 6 months	11.7%	Floating	199.1
<b>Liabilities</b>				
Long-term interest-bearing borrowings	Varies (refer note 10)	11.4%	Floating	100.0
Short-term interest-bearing borrowings	Varies (refer note 14)	12.1%	Floating	637.0
<b>2008</b>				
<b>Assets</b>				
Gross instalment sale and loan receivables	Up to 3 years	30.8%	Fixed	3 539.8
Fixed income securities	Varies	9.4%	Fixed	312.9
Money market investments	Up to 6 months	11.1%	Floating	159.5
<b>Liabilities</b>				
Short-term interest-bearing borrowings	Varies (refer note 14)	12.8%	Floating	703.4

#### iii) Price risk

There is exposure to securities price risk because of investments held by Monarch Insurance Company Limited ("Monarch"). These investments are classified as available-for-sale investments.

Monarch holds investments in order to meet the insurance liabilities and solvency margins required by the Short-term Insurance Act of 1998. The investments are managed by Sanlam Investment Management (Pty) Ltd ("Sanlam") on Monarch's behalf.

The overall management objectives of the portfolio are:

- preservation of capital over the long term
- managing market risk over the short to medium term
- to ensure the portfolio is adequately diversified

## 27. Financial risk management continued

### 27.2 Market risk continued

#### iii) Price risk continued

Monarch's board controls the investment strategy adopted by Sanlam. At each of the board's quarterly meetings, a comprehensive report from Sanlam is presented and discussed. Particular emphasis is placed on:

- current market conditions and future expectations
- asset allocations considering the above
- returns under each asset category
- detailed reviews of the equity portfolio and the positioning of the bond portfolio
- recommendations of the asset manager going forward

The Monarch board considers the recommendations of the asset managers. The investment strategy is then formulated for the following quarter and authority given to the chief financial officer to implement the strategy. The performance of this portfolio is presented to the group's Audit and Risk Committee on a quarterly basis.

The market risk of the fixed security portfolio is monitored through the modified duration of the portfolio, a measure which approximates the movement in the fair value of such securities relative to interest rate movements. The modified duration of the fixed income portfolio at the respective year-ends and the JSE All-Bond Index is as follows:

	2009	2008
Modified duration of Monarch's fixed income portfolio	5.7	5.1
Modified duration of the JSE All Bond index	5.8	5.1

The market risk of the equity portfolio is monitored through the portfolio's sectoral allocation and beta. The respective measures for the portfolio at year-end can be summarised as follows:

Portfolio sectoral analysis:

Resources	15.3%	22.5%
Financials	21.0%	20.3%
Industrial	63.7%	57.2%
Beta of portfolio relative to JSE index	0.85	0.88
Beta of portfolio relative to JSE index, excluding resources	0.95	1.02

Beta measures the portfolio volatility relative to the market index, which by definition has a beta of 1.0.

### 27.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the group maintains flexibility in funding through the use of committed facility lines.

Management monitors the group's cash flows through the monitoring of actual inflows and outflows against forecasted cash flows and the utilisation of borrowing facilities. A quarterly analysis is presented to the Audit and Risk Committee.

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

## 27. Financial risk management continued

### 27.3 Liquidity risk continued

Below is a summary of the committed facilities and the utilisation thereof at year-end:

	2009	2008
	Rm	Rm
Total banking facilities	1 250.0	1 000.0
Less: drawn portion of facility	(737.0)	(703.4)
Plus cash on hand	54.8	66.8
Available cash resources and facilities	567.8	363.4

## 28. Insurance risk

The risks covered under insurance contracts entered into with customers by the group's insurer, Monarch Insurance Company ("Monarch"), are as follows:

- settlement of customer's outstanding balance in the event of death or disability,
- replacement of customer's goods in the event of damage or theft of goods, and
- settlement of customer's account, should the customer become unemployed after three months subsequent to the sale.

The risk under the insurance contract is the possibility that the insured events as detailed above occur and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contract, this risk is random and therefore unpredictable.

The principle risk that the group faces is that the actual claims exceed the amount of the insurance claims provisions. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number of claims will vary from year to year from the estimated claims provision established using historical claims patterns.

The development of insurance claims provisions provides a measure of the group's ability to estimate the ultimate value of the claims. The group does not underwrite long-term risks and, consequently, the uncertainty about the amount and timing of claims payments is limited. Regular estimates of claims are performed in reviewing the adequacy of the insurance claims provisions. Claims development is reviewed by management on a regular basis.

The frequency and severity of claims can be affected due to unforeseen factors such as patterns of crime, AIDS and employment trends. The group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The geographical spread of the group ensures that the underwritten risks are well-diversified. No significant concentrations of insurance risks exist.

A proportional reinsurance arrangement has been entered into by Monarch to facilitate the transfer of 40% of the risk under these policies to an external reinsurer. Catastrophe cover has been placed with third-party insurers and reinsurers in order to reduce the potential impact of a single event on the earnings and capital of Monarch.

Due to the nature of the insurance risk, claims can be measured reliably. Past experience has indicated that claims provision estimates approximate the actual claims costs. The insurance result is dependent on the trend in the group's merchandising sales. There is no significant insurance business other than with the group's customers.

28. **Insurance risk continued**

	<b>Group</b>	
	<b>2009</b>	2008
	<b>Rm</b>	Rm
<b>Movement in provisions:</b>		
(i) <b>Unearned premium reserve</b>		
Opening balance	<b>290.5</b>	214.3
Movement during year	<b>69.5</b>	76.2
Closing balance	<b>360.0</b>	290.5
Comprising:		
Unearned premiums	<b>598.1</b>	479.1
Less: reinsurers' share of provision	<b>(238.1)</b>	(188.6)
Net balance	<b>360.0</b>	290.5
(ii) <b>Insurance provisions</b>		
Insurance provisions include outstanding claims, IBNR reserve and deferred reinsurance acquisition reserve.		
Opening balance	<b>32.8</b>	26.0
Movement during year	<b>38.3</b>	6.8
Closing balance	<b>71.1</b>	32.8

**Regulatory requirements**

The group's insurer, Monarch Insurance Company Limited ("Monarch"), is required to maintain certain insurance liabilities and has a minimum solvency margin of 15% as set out in the Short-term Insurance Act of 1998. Furthermore, Monarch is required to hold certain prescribed assets to meet its insurance liabilities and solvency margins. These assets are subject to various limits in order to ensure an adequate spread and diversification of assets.

Monarch has met all the requirements of the Short-term Insurance Act regarding its insurance liabilities, solvency margins, prescribed assets and asset spread.

# notes to the annual financial statements

for the year ended 31 March 2009 *continued*

## 29. Financial instruments

### i) Categories

	Held-to-maturity	Amortised cost	Loans and receivables	Available-for-sale	Fair value through profit and loss	Total
<b>Assets</b>						
<b>2009</b>						
Investments – insurance business				734.2		734.2
Trade and other receivables			2 943.7			2 943.7
Cash on hand and on deposit		54.8				54.8
2008						
Investments – insurance business				664.9		664.9
Trade and other receivables			2 615.6			2 615.6
Cash on hand and on deposit		66.8				66.8
<b>Liabilities</b>						
<b>2009</b>						
Trade payables		84.8				84.8
Borrowings		737.0				737.0
2008						
Trade payables		59.6				59.6
Borrowings		703.4				703.4

### ii) Maturity profile

The maturity profiles of financial instruments at 31 March 2009 are as follows:

	0 – 12 months	2 – 5 years	>5 years	Total
<b>Assets</b>				
Available-for-sale insurance investments	199.1	351.3	183.8	734.2
Trade and other receivables*	2 943.7			2 943.7
Cash on hand and on deposit	54.8			54.8
<b>Liabilities</b>				
Borrowings	(637.0)	(100.0)		(737.0)
Trade payables	(84.8)			(84.8)
	2 475.8	251.3	183.8	2 910.9

\* Amounts due from instalment sale receivables after one year are reflected as current, as they form part of the normal operating cycle. The credit terms of instalment sale receivables range from 6 – 36 months.

29. **Financial instruments continued**

iii) **Fair value estimation**

The fair value of financial instruments traded in active markets is based on quoted prices at the balance sheet. The quoted market price used is the current bid price.

The fair value of interest swaps and collars is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the balance sheet dates.

The carrying value of trade receivables and trade and other payables is assumed to approximate their fair values.

30. **Capital risk management**

The group's objectives when managing capital are to:

- safeguard the group's ability to continue as a going concern
- provide returns for shareholders
- provide benefits for other stakeholders
- maintain an optimal capital structure as approved by the board.

In order to maintain the optimal capital structure, dividends paid to shareholders may be adjusted, capital could be returned to shareholders or new shares could be issued.

Consistent with others in the industry, capital is monitored on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents.

During the 2009 financial year, the strategy was to maintain the gearing below 25%, which in the current credit conditions is considered to be prudent. The gearing rates at 31 March 2009 and 31 March 2008 were as follows:

	<b>2009</b>	2008
	<b>Rm</b>	Rm
Interest-bearing borrowings	<b>737.0</b>	703.4
Less: cash and cash equivalents	<b>(54.8)</b>	(66.8)
Net debt	<b>682.2</b>	636.6
Shareholders' equity	<b>2 939.9</b>	2 730.0
<b>Gearing ratio</b>	<b>23.2%</b>	23.3%
31. <b>Contingencies</b>		
Bank and other guarantees given by the group to third parties. The directors are of the opinion that no loss will be incurred on these guarantees.	<b>7.5</b>	8.1
32. <b>Capital commitments</b>		
Material capital commitments contracted for or authorised and contracted at the end of the year	<b>10.0</b>	35.0

# company balance sheet

at 31 March 2009

		<b>Company</b>	
		<b>2009</b>	2008
		<b>Rm</b>	Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Interest in subsidiaries	2	2 796.4	2 800.6
<b>Current assets</b>			
Deposits at bank		0.3	1.3
<b>Total assets</b>		<b>2 796.7</b>	2 801.9
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium	3	2 711.6	2 750.0
Retained earnings		83.6	50.3
		<b>2 795.2</b>	2 800.3
<b>Current liabilities</b>			
Trade and other payables		1.5	1.6
<b>Total equity and liabilities</b>		<b>2 796.7</b>	2 801.9

# company income statement

for the year ended 31 March 2009

		<b>Company</b>	
		<b>2009</b>	2008
		<b>Rm</b>	Rm
<b>Revenue</b>	4	354.5	344.1
<b>Operating costs</b>	5	(4.0)	(4.4)
<b>Profit before taxation</b>		<b>350.5</b>	339.7
Taxation	6	–	–
<b>Net profit attributable to ordinary shareholders</b>		<b>350.5</b>	339.7

# company statement of changes in equity

for the year ended 31 March 2009

	Company		
	Share capital and premium Rm	Retained earnings Rm	Total Rm
<b>Balance as at 1 April 2007</b>	2 800.0	3.4	2 803.4
Net profit attributable to ordinary shareholders	–	339.7	339.7
Shares cancelled	(50.0)	–	(50.0)
Dividends paid	–	(292.8)	(292.8)
<b>Balance as at 31 March 2008</b>	2 750.0	50.3	2 800.3
Net profit attributable to ordinary shareholders	–	350.5	350.5
Shares cancelled	(38.4)	–	(38.4)
Dividends paid	–	(317.2)	(317.2)
<b>Balance as at 31 March 2009</b>	<b>2 711.6</b>	<b>83.6</b>	<b>2 795.2</b>

# company cash flow statement

for the year ended 31 March 2009

	Notes	Company	
		2009 Rm	2008 Rm
<b>Cash flow from operating activities</b>			
Cash generated from operations	7	(4.1)	(4.3)
Dividends and interest received		354.5	344.1
<b>Cash retained from operating activities</b>		<b>350.4</b>	339.8
<b>Cash utilised in investing activities</b>			
Loans to subsidiary companies		4.2	4.3
<b>Net cash inflow from investing activities</b>		<b>4.2</b>	4.3
<b>Cash effects of financing activities</b>			
Cost of own shares acquired		(38.4)	(50.0)
Dividends paid		(317.2)	(292.8)
<b>Net cash outflow from financing activities</b>		<b>(355.6)</b>	(342.8)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1.0)</b>	1.3
Cash and cash equivalents at the beginning of the year		1.3	–
<b>Cash and cash equivalents at the end of the year</b>		<b>0.3</b>	1.3

# notes to the company annual financial statements

for the year ended 31 March 2009

		<b>Company</b>	
		<b>2009</b>	2008
		<b>Rm</b>	Rm
<b>1. Accounting policies</b>			
	The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act. The accounting policies used in the preparation of these financial statements are set out on pages 65 to 72.		
<b>2. Interest in subsidiaries</b>			
	Shares at cost	2 800.0	2 800.0
	Indebtness	(3.6)	0.6
		<b>2 796.4</b>	2 800.6
<b>3. Share capital and premium</b>			
	<b>Authorised</b>		
	150,000,000 ordinary shares of 1c each	1.5	1.5
	<b>Issued</b>		
	98 057 959 (2008: 99 157 959) ordinary shares of 1c each	1.0	1.0
	Share premium	2 710.6	2 749.0
	Total share capital and premium	<b>2 711.6</b>	2 750.0
<b>4. Revenue</b>			
	Dividends received from subsidiary	354.4	344.1
	Interest received	0.1	–
		<b>354.5</b>	344.1
<b>5. Operating profit</b>			
	Stated after:	<b>R</b>	R
	Audit fees – current year	50 000	50 000
	Other services	15 000	15 000
		<b>65 000</b>	65 000
<b>6. Taxation</b>			
	Taxation	–	–
		–	–
	The rate of taxation on profit is reconciled as follows:		
	Profit before taxation	350.5	339.7
	Taxation calculated at a tax rate of 28% (2008: 29%)	98.1	98.5
	(Exempt income)/Disallowed expenditure	(98.1)	(98.5)
	Taxation per income statement	–	–
<b>7. Cash generated from operations</b>			
	Profit before taxation	350.5	339.7
	Dividends and interest received	(354.5)	(344.1)
	(Decrease)/Increase in trade and other payables	(0.1)	0.1
		<b>(4.1)</b>	(4.3)

# interest in subsidiary companies

for the year ended 31 March 2009

	2009		2008		
	Nature of business	Carrying value of subsidiaries Rm's	% Holding	Carrying value of subsidiaries Rm's	% Holding
<b>Directly held</b>					
Lewis Stores (Pty) Ltd	F	2 800.0	100%	2 800.0	100%
<b>Indirectly held</b>					
<b>Incorporated in South Africa</b>					
Monarch Insurance Co. Ltd	I		100%		100%
Lifestyle Living (Pty) Ltd	F		100%		100%
Kingtimm (Pty) Ltd	L		100%		100%
<b>Incorporated in Botswana</b>					
Lewis Stores (Botswana) (Pty) Ltd	F		100%		100%
Lewis Management Services (Botswana) (Pty) Ltd	M		100%		100%
<b>Incorporated in Lesotho</b>					
Lewis Stores (Lesotho) (Pty) Ltd	F		100%		100%
<b>Incorporated in Namibia</b>					
Lewis Stores (Namibia) (Pty) Ltd	F		100%		100%
Lewis Management Services Namibia (Pty) Ltd	M		100%		100%
<b>Incorporated in Swaziland</b>					
Lewis Stores (Swaziland) (Pty) Ltd	F		100%		100%
<b>Cost of subsidiaries</b>		2 800.0		2 800.0	
<b>Amounts due by subsidiaries</b>					
Lewis Stores (Pty) Ltd		(3.6)		0.6	
<b>Interest in subsidiaries</b>		2 796.4		2 800.6	

F Furniture dealer

I Insurance company

M Management services company

L Company holding property leases

## shareholders' information

Shareholders' spread as at 31 March 2009:	No. of shareholders		Number of shares	
	Total	%	Total	%
1 – 1 000 shares	733	45.55	330 240	0.34
1 001 – 10 000 shares	547	34.00	1 985 393	2.02
10 001 – 100 000 shares	243	15.10	8 402 754	8.57
100 001 – 1 000 000 shares	73	4.54	21 170 502	21.59
1 000 001 shares and over	13	0.81	66 169 070	67.48
<b>Total</b>	<b>1 609</b>	<b>100.00</b>	<b>98 057 959</b>	<b>100.00</b>

Distribution of shareholders as at 31 March 2009:	% of holding
<b>Public:</b>	
Pension funds	27.12
Unit trusts/Mutual funds	25.22
Insurance companies	17.64
Other	18.92
<b>Non-public:</b>	
Lewis Stores (Pty) Ltd	9.40
Lewis Employee Incentive Scheme Trust	1.04
Directors of the company and those of its subsidiaries	0.66
	<b>100.00</b>
<b>Major shareholdings as at 31 March 2009:</b>	
<b>Beneficial shareholders:</b>	
Public Investment Corporation	19.25
Lewis Stores (Pty) Ltd	9.40
Metropolitan Life	5.85
Old Mutual Life Assurance	5.84
Sanlam	4.01
<b>By Fund Manager:</b>	
Public Investment Corporation	19.25
Old Mutual Investment Group	10.55
Franklin Resources	10.15
Metropolitan Asset Managers	7.55
Sanlam Investment Management	6.63
<b>Geographical analysis of shareholders:</b>	
<b>Beneficial shareholders:</b>	
South Africa	73.19
North America	16.31
United Kingdom	0.82
Europe	5.95
Rest of World	3.73
	<b>100.00</b>
<b>By Fund Manager:</b>	
South Africa	72.00
North America	16.94
United Kingdom	0.95
Europe	3.50
Rest of World	6.61
	<b>100.00</b>

## shareholders' calendar

Financial year-end	31 March 2009
Final profit announcement	18 May 2009
Final dividend declared	18 May 2009
Annual report	30 June 2009
Last day to trade "cum" dividend	17 July 2009
Date trading commences "ex" dividend	20 July 2009
Record date	24 July 2009
Date of dividend payment	27 July 2009
Annual general meeting	14 August 2009
Interim profit announcement	9 November 2009



# notice of annual general meeting

## Lewis Group Limited

(Incorporated in the Republic of South Africa)

(Registration number: 2004/009817/06)

Share Code: LEW

ISIN: ZAE 000058236

("Lewis Group" or "the company")

Notice is hereby given that the fifth annual general meeting of shareholders ("AGM") of Lewis Group Limited for the year ended 31 March 2009 will be held at Lewis Group head office, 53A Victoria Road, Woodstock, Cape Town at 10:00 am on Friday, 14 August 2009. Registration will start at 9:15 am. The following business will be transacted and resolutions proposed, with or without modification:

### 1. Ordinary resolution number 1

#### Approval of annual financial statements

"Resolved that the audited annual financial statements of the company and its subsidiaries for the year ended 31 March 2009 accompanying this notice be accepted and approved."

### 2. Ordinary resolution number 2

#### Election of directors

Prof Fatima Abrahams and Mr David Morris Nurek retire in accordance with the company's articles of association. Prof Fatima Abrahams and Mr David Morris Nurek offer themselves for re-election.

Prof Fatima Abrahams [age 46]

David Morris Nurek [age 59]

Brief CVs of the directors are on page 11.

#### Appointment of Fatima Abrahams as director

- 2.1 "Resolved that Fatima Abrahams be and is hereby elected as director of the company."

#### Appointment of David Morris Nurek as director

- 2.2 "Resolved that David Morris Nurek be and is hereby elected as director of the company".

### 3. Ordinary resolution number 3

#### Approval of directors' remuneration for the year ended 31 March 2009

"Resolved that the remuneration of the directors for the year ended 31 March 2009 as reflected on page 85 to page 87 to the financial statements, accompanying the notice of annual general meeting is hereby approved and ratified in so far as may be necessary."

### 4. Ordinary resolution number 4

#### Approval of directors' fees for the year ended 31 March 2010

"Resolved that the fees of the directors as reflected below be approved for the year to 31 March 2010:

Chairman	R383 000
Director	R179 000

If a member of the Audit and Risk Committee the following additional amount:

Chairman	R189 000
Member	R 77 000

If a member of the Remuneration and Nomination Committee the following additional amount:

Chairman	R77 000
Member	R39 000

If a member of the Transformation Committee the following additional amount:

Chairman	R77 000
Member	R39 000

### 5. Ordinary resolution number 5

#### Approval of reappointment of auditors

"Resolved that PricewaterhouseCoopers Inc be and are hereby reappointed as auditors of the company for the ensuing year and to appoint Mr Zuhdi Abrahams as the designated auditor for the ensuing year.."

### 6. Ordinary resolution number 6

#### Directors' authority to implement company resolutions

"Resolved that each and every director of the company be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

### 7. To transact such other business that may be transacted at an annual general meeting.

#### General instructions and information

The annual report to which this notice of this annual general meeting is attached provides details of:

- the directors and managers of the company on pages 11, 18 and 19;
- the major shareholders of the company on page 108;
- the directors' shareholding in the company on pages 58 and 108; and

- the share capital of the company in note 7 on page 75 and an analysis of the shareholders on page 108.

There are no material changes to the group's financial or trading position, nor are there any material, legal or arbitration proceedings that may affect the financial position of the group between 31 March 2009 and the reporting date.

The directors, whose names are given on page 11 of the annual report collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report and this notice contain all information required by law and the JSE Listings Requirements.

All shareholders are encouraged to attend, speak and vote at the annual general meeting.

If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Security Depository Participant ("CSDP") to hold your shares in your own name in the company sub-register) then:

- you may attend and vote at the annual general meeting; alternatively
- you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy and returning it to the company's Transfer Secretary (Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2017)) or lodging it at the registered office of the company by no later than 24 hours prior to the time appointed for the holding of the meeting.

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the company, your CSDP or broker

(or their nominee) would be. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- if you wish to attend the annual general meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if you are unable to attend the annual general meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the annual general meeting and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.
- CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the annual general meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the company's Transfer Secretary (Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown, 2017)) or lodging it at the registered office of the company not less than 24 hours prior to the time appointed for the holding of the meeting.

By order of the Board



M G McConnell  
Company secretary

18 May 2009