LEWIS GROUP LIMITED

(Incorporated in the Republic of South Africa)
*(Formerly **Rowmoor Investments 505 (Proprietary) Limited**)*
(Registration number 2004/009817/06)
JSE share code: LEW ISIN: ZAE000058236
("Lewis" or the "Company")

PROSPECTUS

This Prospectus relates to an offer for sale, subject to certain conditions (the "Offer"), by GUS Holdings B.V., a company incorporated in Eindhoven, the Netherlands (the "Offeror"), to certain institutional investors and the private clients of Investec Securities Limited in the Republic of South Africa ("South Africa") and to selected institutional investors in other jurisdictions to whom the Offer will specifically be addressed, of up to 39,999,999 ordinary shares of one cent each in the issued share capital of Lewis ("Lewis shares"). Further, up to 6,000,000 additional Lewis shares may be sold by the Offeror pursuant to a thirty-day option which the Offeror intends to grant to the potential underwriters of the Offer, solely to cover over-allotments. All the Lewis shares in issue are expected to be listed on the JSE Securities Exchange South Africa ("JSE").

It is currently estimated that the price at which the Lewis shares will be offered for sale pursuant to this Prospectus will be between R26.00 and R30.00 per Lewis share. However, the price may be outside this range.

Opening date of the Offer: 09:00 on **14 September 2004**

Indications of interest for the purposes of bookbuilding expected to be received up until 17:00 on **29 September 2004**

Expected closing date of the Offer: 24:00 on **30 September 2004**

Expected listing date**: 4 October 2004**

All times referred to in this Prospectus are times in South Africa.

The Lewis shares sold pursuant to this Prospectus rank pari passu with the other Lewis shares.

The Offer is subject to the conditions set out in paragraph 55, headed "the Offer", on page 57 of this Prospectus. Subject to certain conditions, a listing of 100,000,000 Lewis shares has been granted by the JSE in the "General Retailers" sector of the JSE lists under the abbreviated name "Lewis", symbol "LEW" and ISIN ZAE000058236.

It is noted that the acquisition of Lewis shares involves risks and you are referred to Part E, headed "Risk factors" beginning on page 50 of this Prospectus.

On the date of the listing of the Lewis shares, the share capital of Lewis will comprise 150,000,000 authorised ordinary shares of one cent each and 100,000,000 issued ordinary shares of one cent each.

All of the Lewis shares offered for sale pursuant to this Prospectus are offered by the Offeror and accordingly, Lewis will not receive any of the proceeds from the sale of these shares.

The directors of Lewis, whose names are given in paragraph 18 beginning on page 29 of this Prospectus, collectively and individually, accept full responsibility for the accuracy of the information contained herein 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 this Prospectus contains all information required by law and the JSE Listings Requirements.

PricewaterhouseCoopers Inc., Chartered Accountants (SA), whose reports are contained in this Prospectus, has given and has not, prior to registration of this Prospectus, withdrawn its written consent to the inclusion of its reports in the form and context in which they appear.

A copy of this Prospectus in the English language, accompanied by the consent of PricewaterhouseCoopers Inc. referred to above and the material contracts referred to in paragraph 76 on page 68 of this Prospectus, was registered by the Registrar of Companies on 10 September 2004, in terms of section 155(1) of the Companies Act, 1973 (Act 61 of 1973), as amended.

This Prospectus is only available in English and copies thereof may be obtained during normal business hours from 09:00 on 14 September 2004 until 17:00 on 29 September 2004 from Lewis and UBS South Africa (Proprietary) Limited at their respective physical addresses which appear in the "Corporate information" section beginning on page 4 of this Prospectus.

Bookrunner, financial adviser and sponsor

UBS

Co-lead manager

Investec Corporate Finance
Investec Bank Limited
(Registration number 1969/004763/06)

Co-lead manager

CAZENOVE
Cazenove South Africa (Proprietary) Limited
(Registration number 1998/011736/07)

Auditors and reporting accountants

PricewaterhouseCoopers Inc
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration no 1998/012055/21)

South African legal adviser to Lewis

sonnenberg hoffmann galombik

Legal adviser to Bookrunner

WERKSMANS INCORPORATED
(Reg. No. 1990/007215/21)

Date of issue: **14 September 2004**

Important legal notes

Special note in regard to the Offer

This Prospectus only constitutes an offer for sale of Lewis shares in South Africa and to selected institutional investors in other jurisdictions to whom the Offer will specifically be addressed and is only addressed to persons to whom it may lawfully be made. The distribution of this Prospectus and the Offer may be restricted by law. Persons into whose possession this Prospectus comes must inform themselves about and observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Lewis shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of Lewis shares to occur outside South Africa.

To the extent that this Prospectus is provided to persons outside South Africa the following is noted:

UNITED KINGDOM

The Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(1) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "relevant persons"). The Lewis shares offered pursuant to this Prospectus have not been offered or sold nor will they be offered or sold in circumstances which have resulted or will result in an offer to the public in the United Kingdom within the meaning of the United Kingdom Public Offers of Securities Regulations 1995 and are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire any Lewis shares offered pursuant to this Prospectus will be engaged in only with, relevant persons and where all applicable provisions of the United Kingdom Financial Services and Markets Act 2000 ("FSMA") have been complied with. Any person in the United Kingdom who is not a relevant person should not act or rely on this Prospectus or any of its contents. In addition no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Lewis shares offered pursuant to this Prospectus, except in circumstances in which section 21(1) of FSMA does not apply.

UNITED STATES OF AMERICA

The Lewis shares offered pursuant to this Prospectus have not been, nor will they be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any securities laws of any state of the United States, and such shares are not and may not be offered or sold within the United States.

THE NETHERLANDS

The Lewis shares offered pursuant to this Prospectus may not, directly or indirectly, be offered, sold, transferred to or delivered in or from the Netherlands, whether at their initial distribution or at any time thereafter, and neither this Prospectus nor any other document in respect of the Offer may be distributed or circulated in or from the Netherlands, other than to individuals or legal entities who or which trade or invest in securities in the conduct of their profession or trade (which includes banks, investment institutions, securities intermediaries, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises).

SWITZERLAND

This Prospectus does not constitute a prospectus within the meaning of Article 652a of the Swiss Code of Obligations of March 30, 1911. Accordingly, the Lewis shares offered pursuant to this Prospectus may not be offered or distributed in or from Switzerland on the basis of a "public solicitation" and neither this Prospectus nor any offering material relating to the Offer Shares may be distributed in connection with any offer or distribution which may constitute such a solicitation.

GENERAL

This Prospectus and the Offer do not constitute an offer in or from the United States, Canada, Australia, Japan or any other jurisdiction where the dissemination of this Prospectus or the making of the Offer may be illegal or fails to conform to the laws of such jurisdiction ("Affected Jurisdiction"). To the extent that this Prospectus may be sent to any Affected Jurisdiction, it is provided for information purposes only. Persons in Affected Jurisdictions may not accept the Offer. No person accepting the Offer should use the mail of any such Affected Jurisdiction nor any other means, instrumentality or facility in such Affected Jurisdiction for any purpose, directly or indirectly, relating to the Offer. It shall be the responsibility of any persons resident in a jurisdiction outside of South Africa to inform themselves about, and observe, any applicable legal requirements in the relevant jurisdiction.

Special note regarding forward-looking statements

Many of the statements included in this Prospectus are forward-looking statements that involve risks and uncertainties. Forward-looking statements may generally be identified by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. Other than statements of historical facts, all statements, including, among others, statements regarding the future financial position of the Lewis Group, business strategy, projected levels of growth in its market, projected costs, estimates of capital expenditures and plans and objectives of management for future operation, are forward-looking statements. The actual future performance of the Lewis Group could differ materially from these forward-looking statements. Important factors that could cause actual results to differ materially from these expectations include those risks set out in Part E of this Prospectus headed "Risk factors" beginning on page 50, as well as other matters not yet known to the board of directors of Lewis (the "Board") or not currently considered material by them.

Undue reliance should not be placed on these forward-looking statements. All written and oral forward-looking statements attributable to the Board or persons acting on their behalf are qualified in their entirety by these cautionary statements. Moreover, unless the Board is required by law to update these statements, they will not necessarily update any of these statements after the date of this Prospectus, either to conform them to actual results or to changes in their expectations.

Special note regarding date of information provided

Unless the context clearly indicates otherwise, all information provided in this Prospectus is provided as at the Last Practicable Date.

Corporate information [1(a), 3, 4 and 5]

Secretary [5]

Andrew James Dewijs Meerburg
Chartered Accountant (SA)
53A Victoria Road
Woodstock
Cape Town, 7925
(PO Box 43, Woodstock, 7915)
South Africa

Registered office [1(a)]

53A Victoria Road
Woodstock
Cape Town, 7925
(PO Box 43, Woodstock, Cape Town, 7915)
South Africa

Bookrunner, financial adviser and sponsor [4]

UBS South Africa (Proprietary) Limited
(Registration number 1995/011140/07)
64 Wierda Road East
Wierda Valley
Sandton, 2196
(PO Box 652863, Benmore, 2010)
South Africa

Registered office of Offeror and holding company [1(b)]

GUS Holdings BV
(Incorporated in Eindhoven, the Netherlands,
under registration number 30147911)
Plotterweg 33
NL – 3821 BB
Amersfoort
The Netherlands

Co-lead manager

Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive
Sandown
Sandton, 2196
South Africa

Co-lead manager

Cazenove South Africa (Proprietary) Limited
(Registration number 1998/011736/07)
1st Floor, Moorgate
6 North Road
Dunkeld Office Park
Dunkeld West
Johannesburg, 2196
South Africa

South African legal adviser to Lewis [4]

Sonnenberg Hoffmann Galombik
5 St George's Mall
Cape Town, 8001
(PO Box 2293, Cape Town, 8000)
South Africa

Legal adviser to Bookrunner

Werksmans Inc.
(Registration number 1990/007215/21)
155, 5th Street
Sandown
Sandton, 2196
(Private Bag 10015, Sandton, 2146)
South Africa

Auditors and reporting accountants [3]

PricewaterhouseCoopers Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors
(Registration number 1998/012055/21)
No. 1 Waterhouse Place
Century City
Cape Town, 7441
(PO Box 2799, Cape Town, 8000)
South Africa

Transfer office [1(a)]

Computershare Investor Services 2004 (Proprietary)
Limited
(Registration number 2004/003647/07)
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
South Africa

Commercial bankers [4]

FNB Corporate,
a division of FirstRand Bank Limited
(Registration number 1929/001225/06)
3rd Floor
Great Westerford Building
240 Main Road
Rondebosch, 7700
(PO Box 367, Cape Town, 8000)
South Africa

ABSA Corporate & Merchant Bank
a division of ABSA Bank Limited
(Registration number 1986/004794/06)
180 Commissioner Street
Johannesburg, 2001
(PO Box 2683, Johannesburg, 2000)
South Africa

The Standard Bank of South Africa Limited
(Registration number 1962/000738/06)
5 Simmonds Street
Johannesburg, 2001
(PO Box 61344, Marshalltown, 2107)
South Africa

Consultant to Lewis

Ray Schur Consulting
Woolworths House
93 Longmarket Street
Cape Town, 8001
(PO Box 2521, Cape Town, 8000)
South Africa

Financial communications adviser to Lewis

Brunswick South Africa Limited
(Incorporated in England and Wales under registration number 3080474 and registered in South Africa as an external company under registration number 1995/011507/10)
1st Floor
23 Fricker Road
Illovo Boulevard
Illovo, 2196
(PO Box 2603, Saxonwold, 2132)
South Africa

Contents

Salient features

The following information is only a summary of the more detailed information contained in the main body of this Prospectus, which should be read in its entirety for a full appreciation thereof. In these salient features, unless otherwise stated or the context clearly indicates otherwise, the words in the definitions and glossary annexed to this Prospectus as Annexure 15 shall have the meanings stated therein, words in the singular shall include the plural and *vice versa,* words importing one gender include the other genders and references to persons include juristic persons and associations of persons and *vice versa*.

Overview

The Lewis Group is a leading retailer in Southern Africa selling furniture, household and electrical goods mainly on credit, together with associated financial products. It has a strong position in the furniture credit retail market, with a focus on the currently rapidly growing LSM 4 – 7 customer categories. The Lewis Group operates in a market that is buoyant at present, with increased consumer spending driven by a favourable macro-economic environment and within an industry that is benefiting from a reduction in a previous overcapacity in the industry.

Founded in 1934, the 'Lewis' brand has since become the largest single brand by number of stores in the retail furniture industry in South Africa. The Lewis Group trades under the 'Lewis' brand in 400 furniture stores, under the 'Best Electric' brand in 47 specialist electrical stores and under the 'Lifestyle Living' brand in 18 more upmarket furniture and electronic goods stores. The Lewis Group also offers insurance products to customers.

Credit management is an area of unrelenting focus throughout the organisation, both at individual branch level and head office, which has resulted in a well-managed, high quality debtors' book. Approximately 82% of the Lewis Group's sales were on a credit basis for the financial year ended 31 March 2004 and the gross debtor book was R2,630 million at 31 March 2004.

The Lewis Group provides customers with convenience, choice and credit on affordable terms resulting in significant customer loyalty. The intense customer focus is underpinned by an enduring commitment to further improve operational efficiency.

Strengths

The Lewis Group's competitive strengths and attributes are:

CONVENIENCE
- Established furniture retailer with a long track record
- Extensive well-positioned store network
- 90% of sales delivered to customers within 24 hours

CHOICE
- Differentiated and exclusive product ranges
- Well-established and efficient supply chain
- Balanced portfolio of products across attractive market segments

CREDIT
- Varied credit offering
- Sophisticated credit systems and well-managed debtors' book

LOYALTY
- Approximately 62% of sales from repeat business for the financial year ended 31 March 2004 as a result of targeting re-servable customers
- The Lewis Club

Operational efficiency

- Strong trading record
- High operating margins
- Cost efficiency culture
- Ability to sell financial products into substantial client base
- Highly experienced management team
- Incentivised, well-trained and diverse employee base
- Efficient supply chain
- Smaller and more efficient stores.

Strategies for growth

The Lewis Group's overall strategy is to grow by attracting new customers and increasing sales from its existing customer base, whilst improving its current superior operating margins to that of the Lewis Group's major competitors (as reflected in their latest financial statements). More specifically, the strategy to achieve this growth is as follows:

Add new stores

- Selectively expand the Lewis stores chain
- Expand the Best Electric stores chain
- Grow the recently acquired Lifestyle Living stores chain

Increase like-for-like sales

- Broaden the merchandise range
- Continued development of a range of furniture to address the needs of a more affluent customer
- Enhancement of customer service
- Leverage the extensive Lewis footprint to grow financial services

Increase operating margins

- Improve operational efficiencies

Focus on cash management

- Continue to improve the debtors' book
- Continue to improve stock turns and merchandising systems.

Current trading and prospects

For the first five months of the current financial year, merchandise sales for the Lewis Group have grown by 15%. Excluding the sales of the Lifestyle Living chain, acquired in October 2003, the growth in merchandise sales was 11% for this period.

The high operating margins of the Lewis Group have been maintained as the Lewis Group continues to focus on sustainable revenue growth and cost efficiencies. The quality of the debtors' book continues to improve with valuations showing a better trend compared to the corresponding period for last year.

It is expected that positive trading conditions will continue for the foreseeable future.

Relationship with GUS

Although the Lewis Group forms part of the GUS Group, it has operated on an independent basis in terms of day-to-day operations. Its growth has been funded from returns generated within the Southern African market.

Lewis and Lewis Opco are, as at the date of this Prospectus, both direct subsidiaries of GUS Holdings. Prior to the Listing Lewis Opco will become a wholly-owned subsidiary of Lewis, pursuant to the Restructuring. Lewis is an investment holding company and will not have traded prior to the Listing.

Following the implementation of the Offer and subsequent transfers of Lewis shares to the Lewis Employee Share Incentive Trust, it is anticipated that GUS Holdings will own more than 50%, but less than 80% of the entire issued share capital of Lewis, depending on the level of allocations of the Lewis shares to be sold pursuant to this Prospectus and the extent to which the Underwriter's Option is exercised. In order to cater for awards and options granted under the Lewis Employee Share Incentive Schemes prior to the Listing, GUS Holdings has undertaken, from time to time, to transfer the required number of Lewis shares to the Lewis Employee Share Incentive Trust for no consideration. This undertaking is subject to a maximum limit of 4% of the entire issued share capital of Lewis at the Listing Date.

As at 31 March 2004, the GUS Group had outstanding loan claims (including interest) against Lewis Opco of R1,141.1 million in respect of the GUS Loans. In anticipation of the Offer, during July 2004, R376 million of the loan capital outstanding in respect of the GUS Loans was capitalised by the issue of one Lewis Opco share to GUS Holdings and Lewis Opco settled the outstanding interest in the amount of R298 million (including interest of R32.9 million which accrued since 31 March 2004) and repaid the remaining loan capital of R500 million. The settlement of the interest and the repayment of the balance of the loan capital of R500 million was funded from existing cash resources and a drawdown from the New Banking Facilities.

Summary of financial information

Lewis is an investment holding company and will not have traded between the date of incorporation and the Listing Date. At the Listing Date, pursuant to the Restructuring, Lewis' only asset will be the 100% shareholding in Lewis Opco.

A summary of the consolidated income statements and balance sheets for Lewis Opco and its subsidiaries for the financial years ended 31 March 2000 to 31 March 2004 and the unaudited *pro forma* consolidated income statement and balance sheet of Lewis Opco and its subsidiaries subsequent to the repayment and capitalisation of the GUS Loans is set out below:

Consolidated income statements for the years ended 31 March

	Unaudited *Pro forma* R'm	**2004 R'm**	**2003 R'm**	**2002 R'm**	**2001 R'm**	**2000 R'm**
Revenue	2,274.7	2,274.7	2,037.9	1,995.8	1,936.4	1,882.9
Gross profit	1,355.1	1,355.1	1,224.4	1,216.7	1,146.8	1,139.4
Operating profit before exceptional item	505.6	505.6	429.3	361.1	298.0	442.1
Operating profit	505.6	505.6	477.2	361.1	298.0	442.1
Net profit before finance costs	540.5	540.5	516.9	410.7	331.7	467.9
Profit before tax	450.8	398.8	360.3	263.5	173.3	289.3
Net profit attributable to ordinary shareholders	323.7	287.3	252.1	192.3	119.9	203.3

Lewis Opco has shown strong growth in profit over the last three years, following the weaker performance in 2001 which was a result of structural changes in consumer spending patterns.

Consolidated balance sheet at 31 March 2004

	Unaudited *Pro forma* R'm	Actual R'm
ASSETS		
Non-current assets	257.4	257.4
Current assets	2,238.7	2,562.5
Investments – insurance business	296.7	296.7
Inventories	155.3	155.3
Trade and other receivables	1,751.7	1,751.7
Cash on hand and deposits	35.0	358.8
Total assets	2,496.1	2,819.9
EQUITY AND LIABILITIES		
Capital and reserves	1,686.0	1,310.0
Non-current liabilities	371.9	747.9
Interest-bearing borrowings	307.8	683.8
Non-interest bearing borrowings	64.1	64.1
Current liabilities	438.2	762.0
Interest-bearing borrowings	148.4	472.2
Non-interest bearing borrowings	289.8	289.8
Total equity and liabilities	2,496.1	2,819.9

Lewis Opco's balance sheet is well capitalised with shareholder funds of R1,686 million post the conversion of R376 million of the loan capital in respect of the GUS Loans to equity.

Dividend policy

No dividends have been declared by Lewis Opco during the five years ended 31 March 2004. Lewis has a target dividend cover of approximately three times. There can be no assurance that dividends will be paid and any dividend proposed by the Directors in respect of any financial period will be dependent upon the operating results, financial condition and investment strategy of the Lewis Group and other factors. It is currently anticipated that most of the cash available and cash generated by the Lewis Group will be invested in the continued growth of its activities and the reduction of debt.

It is envisaged that interim dividends will be paid in January and final dividends in August of each year, in the approximate proportions of one-third and two-thirds of the annual dividend, respectively. The first dividend to be declared is expected to be the interim dividend for the 2005 financial year which is expected to be payable in January 2005.

Summary of the Offer

The Offer comprises an offering by GUS Holdings of up to 39,999,999 Lewis shares, at the Offer Price, to institutional investors and the private clients of Investec Securities in South Africa and to Selected Foreign Institutions.

The Offer is conditional on the Underwriting Agreement being concluded and becoming unconditional, the approval by the Registrar of Short-Term Insurance of the transfer of the Lewis Opco shares to Lewis pursuant to the Restructuring being obtained, such transfer occurring and the listing of all the Lewis shares on the JSE. The JSE has approved the listing of all the Lewis shares in the "General Retailers" sector of the JSE list, subject to the condition that all the Lewis Opco shares are transferred to Lewis pursuant to the Restructuring and the attainment of a spread of shareholders acceptable to the JSE. The Listing is expected to be effective from the commencement of business on 4 October 2004.

Lewis will not receive any proceeds from the sale of any of the Offer Shares in terms of the Offer.

The salient dates and times relating to the Offer are expected to be as follows:

Events	**2004**
Opening date of the Offer at 09:00 on	14 September
Indications of interest for purpose of the bookbuild received up until 17:00 on	29 September
Offer Price announced on SENS on	30 September
Offer Price announced in the South African press on	1 October
Successful applicants advised of allocations on	30 September
Closing Date of the Offer at 24:00 on	30 September
Successful applicants CSDP account details to be provided to Bookrunner by 13:00 on	30 September
Instructions to a successful applicant's CSDP by 14:00 on	30 September
Settlement Date and Listing Date on	4 October

All times are South African time.

All times and dates are subject to change, which will be published in the press and on SENS.

It is estimated that the price for the Offer Shares will be between R26.00 and R30.00 per Offer Share excluding UST. The price may, however, be outside of the price range. The Bookrunner is seeking indications of interest from institutional investors to acquire the Offer Shares as part of a bookbuilding process. Following this bookbuilding process, the Offer Price will be determined by the Bookrunner after consultation with the Offeror and Lewis and announced on SENS and in the South African press. The Offer Price will be exclusive of UST which will be borne by the Offeror.

Only institutional investors and Investec Securities on behalf of the Investec Securities private clients may participate in the Offer. If they wish to participate in the Offer, institutional investors should contact the Bookrunner and Investec Securities private clients should contact Investec Securities prior to 17:00 on 29 September 2004.

The basis of allocation of the Offer Shares will be determined by the Bookrunner in its sole discretion, after consultation with the Offeror and Lewis. It is expected that notice of the allocations will be given on or before Thursday, 30 September 2004.

Underwriting

The Underwriting Agreement has not been concluded at the date of this Prospectus. However, Lewis, the Offeror, GUS plc and the Potential Underwriters intend to enter into the Underwriting Agreement in connection with the Offer. If concluded, the Underwriting Agreement will provide that, subject to the terms and conditions prescribed therein, the Offeror will agree to sell the Offer Shares and the Potential Underwriters will agree to procure purchasers for, or failing that, to purchase themselves, the Offer Shares at the Offer Price, in accordance with their respective underwriting commitment.

The Offeror intends to grant the Potential Underwriters a thirty-day option to purchase additional Lewis shares up to a maximum of 15% of the number of Lewis shares sold in the Offer, on the same terms and conditions as those applicable to the sale of the Offer shares, solely to cover over-allotments, if any.

GUS plc, the Offeror and Lewis intend to give the Potential Underwriters an undertaking that they will not issue, sell or otherwise dispose of any additional Lewis shares for 365 days following the Listing Date, subject to certain exceptions set out in Part G of this Prospectus headed "Particulars of the Offer" beginning on page 57.

Over-allotment

In connection with the Offer, the Bookrunner may, for the account of the Potential Underwriters, over-allot or effect transactions with a view to supporting the market price of the Lewis shares at a higher level than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation for the Bookrunner to do so.

Risk factors

Part E of this Prospectus headed "Risk factors", beginning on page 50, describes certain risk factors that should be considered together with the other information in this Prospectus before making a decision to purchase any Lewis shares. Although information has been provided in this Prospectus in relation to the Lewis shares, a prospective purchaser, having made enquiries, should use his or her own judgment and seek advice from an independent financial adviser as to the appropriate value of such shares.

LEWIS GROUP LIMITED

(Incorporated in the Republic of South Africa)
*(Formerly **Rowmoor Investments 505 (Proprietary) Limited**)*
(Registration number 2004/009817/06)
(JSE share code: LEW ISIN: ZAE000058236

Prospectus

This Prospectus is issued in compliance with the Companies Act. The relevant number of each applicable paragraph of Schedule 3 to the Companies Act is given in parentheses after the appropriate heading of this Prospectus.

In this Prospectus, unless otherwise stated or the context clearly indicates otherwise, the words in the definitions and glossary annexed hereto as Annexure 15 shall have the meanings stated therein, words in the singular shall include the plural and *vice versa,* words importing one gender shall include the other genders and references to persons shall include juristic persons and associations of persons and *vice versa*.

Part A: The business of the Lewis Group

1. Overview

The Lewis Group is a leading retailer in Southern Africa selling furniture, household and electrical goods mainly on credit, together with associated financial products. It has a strong position in the furniture credit retail market, with a focus on the currently rapidly growing LSM 4 – 7 customer categories (currently these categories have an average monthly household income range from R1,523 to R5,507).

The Lewis Group provides consumers with convenience, choice and credit on affordable terms resulting in significant customer loyalty. The South African furniture retail market is currently buoyant, with increased consumer spending driven by a favourable macro-economic environment and benefiting from a reduction in a previous overcapacity in the industry. The Lewis Group has benefited from increased sales due to these changes and to specific growth strategies implemented by it. The Lewis Group enjoys strong operational leverage through superior operating margins to that of its major competitors (as reflected in their latest financial statements) which enhance the benefits of its sales growth.

2. Nature of business [6(b)]

The Lewis Group

Founded in 1934, the 'Lewis' brand has since become the largest single brand by number of stores in the retail furniture industry in South Africa.

The Lewis Group trades under the 'Lewis' brand in 400 furniture stores, under the 'Best Electric' brand in 47 specialist electrical stores and under the 'Lifestyle Living' brand in 18 upmarket furniture and electronic goods stores. The Lewis Group sells furniture and electrical goods on a credit or cash basis.

The Lewis Group provides credit facilities to the majority of its customers with approximately 82% of sales being on a credit basis in the financial year ended 31 March 2004. The Lewis Group's gross debtors' book as at 31 March 2004 was R2,630 million (31 March 2003: R2,537 million) comprising approximately 682,000 customer accounts (31 March 2003: 670,000 customer accounts).

Pursuant to its registration as a micro-lender with the Micro Finance Regulatory Council, Lewis Opco grants Furniture Loans to customers in order for them to purchase household and electrical goods on a cash basis.

In this paragraph and elsewhere in this Prospectus for the sake of convenience only, unless the context clearly indicates otherwise, references to "credit" also refer to the abovementioned Furniture Loans.

The Lewis Group, primarily through Monarch Insurance, offers insurance products to customers covering approximately 96% of the Lewis Group's credit customer base. Insurance contributed 15% to gross revenue for the financial year ended 31 March 2004.

The table below provides a summary of the 2004 financial and operational information by chain as at 31 March 2004:

Chain of stores	**Annual turnover (R'm)**	**Annual operating income (R'm)**	**Number of stores**	**Total trading space (m^2)**	**Annual turnover per square metre (R'm)**	**Operating profit per square metre (R'm)**
Lewis chain	2,061	475	400	190,737	10.8	2.5
Best Electric chain	179	28	47	8,108	22.1	3.5
Lifestyle Living chain	35	2	18	6,948	5.0	0.3
Total	2,275	505	465	205,793	11.1	2.5

Pursuant to the Restructuring, Lewis will, directly or indirectly, own 100% of the shares in all of its operating subsidiaries. Details of Lewis Opco and its subsidiaries and an organogram of the Lewis Group are set out in Annexure 7 to this Prospectus.

STORES

Lewis chain

The chain of Lewis stores sells a wide range of household furniture and electrical appliances throughout Southern Africa. Products are selected to suit the different needs of the target markets in the LSM 4 – 7 categories. The majority of Lewis stores are situated in locations that are easily accessible to their target markets and have competitive rentals.

The average size of a Lewis store is approximately 450 square metres, which is smaller than that of its major competitors, allowing for effective cost-containment, while maintaining high trading densities. Sales are both on a credit and cash basis, with credit sales comprising approximately 83% of sales in the financial year ended 31 March 2004.

Best Electric chain

The Best Electric stores were launched in 1998 as a specialist audiovisual and electrical appliance chain targeting customers in the LSM 4 – 7 categories. The Best Electric stores carry a range of household brand name electrical products at competitive prices. The concept is small stores with an average size of approximately 110 square metres situated in high traffic areas, such as shopping centres, with high trading densities. Sales are both on a credit and cash basis, with credit sales comprising approximately 75% of total sales for the year ended 31 March 2004.

Lifestyle Living chain

The Lewis Group acquired Lifestyle Living, a chain of 19 niche furniture stores targeting a higher income sector of the market, with effect from 7 October 2003. One of the stores has subsequently been closed. The acquisition has allowed the Lewis Group to broaden its retail furniture customer base through access to the higher-income consumers in the LSM 8 – 10 categories (these categories currently have an average monthly household income of R7,428 to R13,788). Lifestyle Living's merchandise consists of differentiated household furniture and electronic goods suited to the tastes of higher-income consumers. The average store size is approximately 400 square metres with future stores anticipated to increase in size to 600 – 800 square metres. Approximately 56% of sales in the financial year ended 31 March 2004 were on a credit basis.

Lifestyle Living is currently being integrated into the Lewis Group and is expected to benefit from the Lewis Group's experience in the furniture sector through improved systems, reduced costs from economies of scale, the removal of duplicated functions and greater availability of capital for expansion.

Geographic spread

The geographic spread of the Lewis Group's stores ensures a wide reach to customers throughout Southern Africa and particularly within South Africa. The total trading area of the Lewis, Best Electric and Lifestyle Living stores is approximately 205,793 square metres. These stores are grouped into regions (six to eight stores per region) and divisions (five regions per division).

The following table indicates the store locations by South African province and by country:

Province/Country	Number of stores
Western Cape	86
Eastern Cape	58
Northern Cape	28
KwaZulu-Natal	32
Free State	61
North West	33
Gauteng	37
Mpumalanga	52
Limpopo	29
Namibia	18
Swaziland	10
Lesotho	6
Botswana	15
Total	**465**

Store evolution

The Lewis Group has had a reasonably stable and consistent number of stores over the last five years. The table below sets out the number of stores and square metres over the last five years:

Years ended 31 March	2004	2003	2002	2001	2000
Number of stores	465	444	450	464	449
Stores opened/acquired	24	2	10	22	19
Stores closed	3	8	24	7	7
Stores re-sited	7	4	4	5	12
Total square metres ('000)	228	220	223	231	230
Trading square metres ('000)	206	198	200	206	200

3. Merchandising

Product range

The Lewis Group's product ranges and the percentage of total sales that products represent are as follows:

Product range	Percentage of total sales
Furniture, including bedroom suites, beds, wall units, lounge suites, dining room suites and kitchen furniture	42.5
Audiovisual products, including sound systems, televisions, VCRs, DVDs and cellular phones	29.1
Appliances, including refrigerators, freezers, stoves, washing machines, microwave ovens and household appliances	23.7
Carpets, rugs and household textiles	4.7
Total	100.0

Note: Based on sales for the financial year ended 31 March 2004.

The Lewis Group carefully monitors customer preferences and requests to ensure that merchandise offered meets customer demands in each of its chains.

Sourcing

Procurement is controlled centrally with the majority of purchases from regional suppliers and manufacturers. For the year ended 31 March 2004, approximately 92% of purchases were local with the remaining 8% imported directly. It is the Lewis Group's policy for all foreign orders to be covered by foreign exchange contracts.

The merchandise team has a strong knowledge of the retail furniture market and customer demands through customer focus groups, surveys and research, allowing for the alignment of new product ranges with market trends.

Merchandisers visit local and international factories and suppliers and international trade fairs on a regular basis to identify new merchandise lines for consideration by the merchandise executive committee. This committee includes the Chief Executive Officer, General Manager Operations and other senior managers. Divisional general managers and regional controllers also assist in the new range selection process to ensure new products are targeted appropriately to different regions.

Exclusivity

To ensure differentiated product offerings, many of the furniture lines are exclusively manufactured for the Lewis Group. Products are sourced from a wide range of suppliers, with no single supplier supplying more than 10% of the cost of the Lewis Group's total purchases for the financial year ended 31 March 2004. This enables the Lewis Group to obtain exclusivity, quality and competitive pricing.

Supply chain management and distribution

In several cases, the Lewis Group is the supplier's main customer, placing the Lewis Group in a position to influence the design of the merchandise and negotiate uninterrupted, high-quality supply. The delivery of merchandise by the supplier direct to stores increases efficiency and reduces the need for large warehouses. The management of the supply chain combined with the merchandising system leads to low stock levels and rapid delivery times to customers. Stores handle their own deliveries in order to provide a speedy and reliable service to customers with approximately 90% of deliveries to customers within 24 hours.

It is anticipated that the new merchandising system called 'Just Enough' which was introduced on 1 April 2004 will further minimise the loss of sales due to stores being "out of stock" and improve sales forecasting and forward ordering.

4. Credit

The Lewis Group recognises that a key risk relating to the business is granting credit to customers. There is, accordingly, a focus on credit management and subsequent collection throughout the organisation, both at individual branch level and head office. The Lewis Group has a sophisticated up-to-date credit management system and has invested in highly developed credit management software.

Credit granting

Credit approval is performed centrally utilising a highly sophisticated computerised credit scoring system which has been refined and enhanced over time. Credit scorecards were introduced in 1998 and have been updated to take account of further research and changing customer behaviour. The third generation scorecard was introduced successfully in February 2003.

The Lewis Group processes approximately 31,000 new credit applications every month which are transmitted from stores, via satellite, to Transact, a credit application system supplied by Experian. Transact interfaces with various internal databases containing available application, performance and fraud data, before making an enquiry to Experian or an independent credit bureau. Credit applications are also processed through the Hunter Fraud Protection System, which dynamically identifies duplicate data elements across different applications. Hunter is a well-recognised fraud prevention tool and is used extensively by credit granters in the United Kingdom and elsewhere.

Customer application information is assessed by scorecards to calculate the credit risk of an applicant. This score is then used together with the applicant's income to calculate an initial credit limit for the new customer.

This sophisticated computerised process of credit approval generally takes approximately 8 – 15 seconds to complete, allowing for immediate response to the customer. The scorecard decision can only be overridden by the referrals department at head office in conjunction with divisional managers and regional controllers. Approximately 8% of scorecard decisions are overridden and these are continuously monitored. Currently, about 22% of new credit applications are turned down.

The Lewis Group has developed a payment rating system to manage credit for its customers. This consists of two core measures, namely: the payment performance over the lifetime of the account and the payment performance over the last three months.

The Lewis Group operates a customer credit limit facility, which ensures that credit is more consistently managed based on a customer's payment performance. Each existing customer's payment performance is assessed on a monthly basis and is used to classify the customer's current risk to the Lewis Group. The Lewis Group derives a customer risk grade for each existing customer with an account history of longer than three months. This risk profile, together with the customer's current income, is used monthly to re-assess the customer's credit limit. This facility has resulted in a marked improvement in customer management and customer service.

A dedicated in-house analytical team supports all credit and marketing decisions. A range of reporting software is used to monitor scorecard performance, population stability and debtor performance on a monthly basis. While scorecards are monitored quarterly, providing stability, existing and potential credit policies are monitored monthly with the objective of reducing risk with the least possible impact on sales.

All credit sales (excluding sales pursuant to Furniture Loans) require a minimum deposit of 10% but depending on the credit risk of the customer, a larger deposit may be required. Repayment terms vary from six to 24 months.

Collection

The Lewis Group's decentralised credit collection allows for more efficient collection as collection clerks in-store have a face-to-face relationship with their customers. Advanced IT systems ensure monitoring of collections by head office and senior management on a daily basis.

The cash collection and follow-up of defaulting payers is the responsibility of each store, supported by regional and divisional account managers and collectors.

Each store has designated follow-up clerks who are responsible for a section of the debtors' book. The performance of each clerk's book is tracked via the Lewis Group's in-house IT system, allowing head office to track the productivity and results of each branch and the individual clerks. Follow-up clerks are incentivised by means of a monthly or quarterly bonus scheme and have to reach a specific target each month or quarter, as the case may be, to qualify for the incentive.

Regional account managers, who provide assistance with problematic accounts and monitor the performance and productivity of follow-up clerks on an ongoing basis, support the store collection operation. The emphasis at store level is on telephone contact, while follow-up letters are sent from head office where necessary. Customers who are unable to be contacted by telephone or who consistently break undertakings are scheduled for a personal visit by a store staff member.

Quality of debtors' book and provisioning

The strength of the credit granting procedures and subsequent debt collection is demonstrated in the improvement in the debtor ratios shown in the table below:

	2004	2003	2002
Bad and doubtful debts charge (R'm)	115.1	162.5	198.4
Provision for impairment/doubtful debts (R'm)	409.1	257.8	263.0
Total debtors provisions (R'm)	921.0	714.2	715.9
Bad and doubtful debts charge as a % of gross debtors	4.4%	6.4%	7.9%
Arrears as a % of gross debtors	28.2%	29.1%	27.8%
Total debtors provisions as a % of gross debtors including AC 133 adjustment	35.0%	34.2%	N/A
Total debtors provision as a % of gross debtors excluding AC 133 adjustment	29.1%	28.2%	28.3%
Impairment/Doubtful debts provision as a % of gross debtors including AC 133 adjustment	15.6%	16.2%	N/A
Impairment/Doubtful debts provision as a % of gross debtors excluding AC 133 adjustment	9.8%	10.2%	10.4%

Notes:

1. Bad and doubtful debts comprise actual write-offs, repossession losses and the movement in the provision for doubtful debts reduced by bad debt recoveries.
2. Bad debts are calculated in terms of AC 133 by assessing the future expected cash flows from each one of the customers.
3. The provision for doubtful debts is calculated by assessing the payment history over the last three months. The relevant assessment criteria used in calculating the provision for doubtful debts has remained unchanged for a number of years.
4. Arrears is defined as any portion of the debtors' account not paid by due date, including arrear interest.
5. The after tax effect of AC 133 on the bad and doubtful debts charge was as follows:
   - reduction in 2004 opening retained earnings of R108 million; and
   - increase in 2004 earnings of R16 million.

5. **Insurance** [2(d)]

The Lewis Group requires that goods purchased on credit be insured for the contract period. Customers who do not have adequate existing insurance cover are offered customer protection products by Monarch Insurance, a wholly-owned subsidiary of Lewis Opco, the cost of which is payable over the length of the contract. The basic insurance cover consists of settlement of the outstanding balance owing to the Lewis Group in the event of death, permanent disability or retrenchment (optional to qualifying customers) and the replacement of goods in the event of accidental loss, fire, theft or disaster.

Monarch Insurance has a South African restricted short-term insurance licence which it uses for the purpose of selling insurance policies to approximately 96% of the Lewis Group's credit customer base. Lewis Opco currently acts as an intermediary to Monarch Insurance by performing the functions of selling the insurance, collecting premiums and administering claims. The use of Lewis Opco's infrastructure significantly reduces the costs of providing and administering the insurance. Outside of South Africa, Lewis stores and Best Electric stores offer similar insurance policies through external insurance companies. The Lewis Group receives a commission for acting as a broker and claims processor in respect of these policies. Monarch Insurance contributed 15% to gross revenue for the financial year ended 31 March 2004.

The Lewis Group has various investments, as determined by statute, supporting its insurance business which are managed by Sanlam Investment Management. Further details of the agreement with Sanlam Investment Management are set out in Annexure 14.

Monarch Insurance re-insures 40% of its insurance risk. In anticipation of the Offer, Monarch Insurance entered into a new re-insurance agreement with Constantia Insurance Company Limited who replaced Global Guernsey, a wholly-owned subsidiary of GUS plc, with effect from 1 April 2004. The new agreement is on similar terms to the agreement with Global Guernsey but at better rates than those for the year ended 31 March 2004.

6. Marketing and advertising

The overall marketing strategy of the Lewis Group is to continue to build brand awareness, attract new business and retain the loyalty of existing customers. Customer loyalty is actively developed through the Re-serve Scheme below and the Lewis Club described on page 20 of this Prospectus.

Sales

The Lewis Group sells merchandise on the following basis:

Type of sale		Percentage of total sales for the financial year ended 31 March 2004
Cash sales		18
Credit sales		82
Credit agreement	– standard credit sale requiring a deposit and balance payable over between six months and 24 months	45
Furniture Loan	– a loan facilitating a cash purchase pursuant to Lewis' registration as a micro-lender, which is repayable over a maximum of 24 months	32
Open account	– purchase price payable in three equal instalments	5
Total		**100**

Note: Based on sales for the financial year ended 31 March 2004.

The Lewis Group's sales strategy is mainly driven through building strong customer relationships and by providing excellent service.

In conjunction with operational management, head office provides stores with a detailed monthly sales plan, outlining focus areas for the month and agreed sales targets. Store managers drive this process, with regular training and information sessions provided to sales staff.

Sales staff are incentivised on a monthly basis to reach pre-set sales targets. The Lewis Group's customer management system allows for the improved segmentation and behavioural modelling of customers, ensuring a more targeted and effective sales process.

Advertising

The Lewis Group believes that advertising has been and will continue to be an important factor in strengthening its brand names and image. The South African market is multi-cultural, multi-lingual and widespread. The Lewis Group takes this into consideration when planning effective communication programmes for its target market. The Lewis Group's advertising is focused on brand awareness and is directed to a specific target market of both existing and potential customers. Brochures illustrate the broad range of furniture on offer within the stores and are focused through direct mailings to a specific target market of both existing and potential customers. Television is used to build awareness of the 'Lewis' brand and is also used for special promotions, utilising exceptional value merchandise offers designed to attract new customers. Newspapers are used as a carrier of the product brochures, as well as to promote specific identifiable merchandise, mostly electrical goods.

Promotional offers

Promotional offers are made to customers at the various stages of their account life cycle. These personalised offers form part of a pack included with the customer's monthly statement. The number of offers escalate as the customer nears settlement and are supported by telephone follow-ups with salespersons explaining the various offers to the customer in order to encourage repurchase. A number of national and local promotions are held throughout the year. In-store events are used to build relationships with customers and promote merchandise.

Re-serve Scheme

The Lewis Group has in excess of 600,000 active and approximately 200,000 settled debtors' accounts. The Lewis Group has established a 'Re-serve Scheme' that identifies the suitability of customers for further credit offers based on their historic payment behaviour and current indebtedness to the Lewis Group. A payment rating system based on past performance and behavioural scoring provides crucial information on a customer's payment track record. This gives a strong predictive indicator of future paying patterns, allowing for targeted marketing and credit offers. Once the scheme identifies these 're-servable' customers, targeted advertising and promotions are used to encourage re-purchases. The Re-serve Scheme is fully integrated with the Lewis Group's debtors system and store operations, enabling customer segmentation and allowing for targeted customer management strategies. Its success is evidenced by approximately 62% of sales coming from existing customers for the financial year ended 31 March 2004.

Customer contact is made through monthly direct customer mailings outlining credit availability, follow-up telephone calls, a monthly loyalty magazine and direct contact in stores when clients come in to pay accounts or through customer promotional evenings.

The Lewis Club

The Lewis Group's marketing drive includes a customer loyalty programme, the Lewis Club. Any customer taking out insurance via the all inclusive benefit plan receives inclusive membership of the Lewis Club. The majority of the Lewis Group customers are members of the Lewis Club.

Members of the Lewis Club receive a monthly magazine with a strong editorial content as well as discount coupons, special offers and competitions. New Highway Publishing, a division of Lewis, publishes the Lewis Club magazine.

7. Key strengths

Lewis Group's competitive strengths and attributes in delivering the Lewis offering are set out below:

CONVENIENCE

- **Established furniture retailer.** The Lewis Group has been successfully selling furniture on credit in Southern Africa for more than 60 years and the "Lewis" brand is the single largest brand by number of stores in the South African retail furniture industry. It has strong brand awareness and is synonymous with quality customer service, a broad and distinctive product offering and affordable terms;
- **Extensive well-positioned store network.** The Lewis Group has a wide geographic spread, with stores in all South African provinces and in Lesotho, Botswana, Namibia and Swaziland. The Directors believe that these stores are well-positioned. Its network of 465 stores covers all major metropolitan areas (approximately 55% of stores) as well as rural areas (approximately 45% of stores), giving convenient access for target consumers;
- **Deliveries within 24 hours.** The stores handle their own deliveries with approximately 90% of deliveries to customers within 24 hours of purchase.

CHOICE

- **Differentiated and exclusive product ranges.** The Lewis Group sources products from a wide range of suppliers enabling the Lewis Group not only to offer exclusive ranges but also to procure quality merchandise;
- **Well-established supply chain.** The management of the supply chain allows the Lewis Group to influence the design of the merchandise and negotiate uninterrupted, high-quality supply;
- **Balanced portfolio of products across attractive market segments.** The Lewis Group has a predominant focus on the currently rapidly growing LSM 4 – 7 categories but continues to diversify into the higher LSM categories, both by way of acquisition and product development.

CREDIT

- **Varied credit offering**. The Lewis Group offers various credit and loan products, including open accounts, credit agreements and Furniture Loans, tailored to meet its clients needs;
- **Sophisticated credit systems and well-managed debtors' book.** The Lewis Group has a sophisticated modern credit management system and has invested in highly developed credit management software. A centralised credit scoring system enables a fraud detection process, credit bureau information and Lewis Opco's scorecard to be accessed within 8 – 15 seconds before a credit decision is given. The strength of the system has resulted in a decline in bad debts over the last three years and an improvement in the quality of the debtors' book.

Loyalty

- **Approximately 62% of sales from repeat business.** A customer-focused approach, the Re-serve Scheme and the sophisticated rating system allow for targeted marketing and merchandising strategies which result in substantial repeat business (approximately 62% of sales for the financial year ended 31 March 2004);
- **The Lewis Club.** This loyalty programme serves as a powerful marketing tool. Members enjoy a monthly magazine with strong editorial content as well as discount coupons, special offers and competitions.

Operational efficiency

- **Strong trading record.** Operating profit has grown by a compound annual growth rate of 19.3% over the last three years;
- **High operating margins.** Continued focus on generating high operating margins (22.2% in 2004 and 21.1% in 2003) results in significant operational leverage;
- **Cost efficiency culture.** Cost committees focus on costs on a monthly basis;
- **Ability to sell financial products to its substantial client base.** The Lewis Group uses the existing store infrastructure to sell insurance policies to a customer base in excess of 600,000 active and approximately 200,000 settled customers;
- **Highly experienced management team.** Current senior management has an average of 11 years of experience with the Lewis Group supported by 11 divisional managers with an average age of 44 and an average of 18 years of service;
- **Incentivised, well-trained and diverse employee base.** The success of the Lewis Group has been underpinned by the employment and development of high quality management and staff who are strongly incentivised through commission schemes. The Lewis Employee Share Incentive Schemes are intended to promote entrepreneurial behaviour and align the interests of employees and shareholders;
- **Efficient supply chain.** The management of the supply chain combined with the merchandising system allows for effective stock allocation and improved efficiency and delivery times; and
- **Smaller more efficient stores.** The Lewis Group stores tend to be smaller than those of its competitors. They achieve an average operating profit per square metre superior to that of the Lewis Group's major competitors (as reflected in their latest financial statements) and the Directors believe the Lewis Group has a rental cost advantage to the Lewis Group's major competitors (based on their latest financial statements).

8. Strategies for growth

The Lewis Group's overall growth strategy is to attract new customers, grow sales from its existing customer base whilst improving its current operating margins which are superior to that of its major competitors (as reflected in their latest financial statements). More specifically, the strategy to achieve this growth is as follows:

Add new stores

- **Selectively expand the Lewis stores chain.** Opportunities exist for further expansion of the Lewis stores chain in metropolitan areas and for the relocation of existing stores to better positions. Both will enable the Lewis Group to tap into the strong growth in the emerging middle market. The Lewis Group has identified approximately 25 additional towns in South Africa where it would like to establish a Lewis stores' presence within the medium term;
- **Expand the Best Electric stores chain.** The success of the Best Electric concept of small stores in high traffic areas has encouraged further expansion. Significant opportunities have been identified and it is anticipated that an additional 10 – 15 Best Electric stores will be opened in 2004/5 with a long-term potential of over 100 Best Electric stores (currently 47);
- **Grow the recently acquired Lifestyle Living chain.** The acquisition of Lifestyle Living has brought into the Lewis Group a niche furniture format offering modern aspirational merchandise. This will allow the Lewis Group to expand its customer base into a higher income market segment, leveraging its experience in the furniture sector. New expansion opportunities have already been identified for Lifestyle Living and are expected to contribute towards top line growth. It is anticipated that an additional five Lifestyle Living stores will be opened in 2004/5.

It is currently contemplated that this expansion will be funded from cash resources generated by the Lewis Group's trading activities.

Increase like-for-like sales

- **Broaden the merchandise range.** The Lewis Group continues to develop merchandise ranges that offer value and style away from the 'sameness' that exists in the retail furniture industry. This strategy is enhanced by relationships with strategic suppliers;
- **Continued development of a range of furniture to address the needs of a more affluent customer.** Extension of the product range in Lewis stores enables the Lewis Group to selectively offer higher priced products intended to attract a slightly higher income customer than that of its traditional target market;
- **Enhancement of customer service.** A single-minded focus on customer service will continue to be a prime objective in each store. Incentive and reward programmes are linked to achieve this goal along with increased training, especially on product knowledge;
- **Leverage the extensive Lewis footprint to grow financial services.** There is scope to grow the financial services and product sales within the Lewis Group's existing customer base through strategic relationships.

Increase in operating margins

- **Improve operational efficiencies**. There is a continuing focus on managing and improving the Lewis Group's cost base through:
  - continued management of occupancy costs by renegotiating leases;
  - increased use of technology through process automation;
  - outsourcing of certain functions;
  - interactive remote training;
  - benefits from the introduction of the "Just Enough" merchandise system;
  - reduced stock mark-downs.

Focus on cash management

- **Continue to improve the debtors' book**. The ongoing utilisation of the sophisticated functions of the credit management system are aimed at improving debt collection, reducing bad debt levels and achieving growth at reduced risk;
- **Continual improvement of stockturns.** The management of the supply chain combined with the merchandise system leads to low stock levels.

9. Current trading and prospects [6(i)]

For the first five months of the current financial year, merchandise sales for the Lewis Group have grown by 15%. Excluding the sales of the Lifestyle Living chain, acquired in October 2003, the growth in merchandise sales was 11% for this period.

The high operating margins of the Lewis Group have been maintained as the Lewis Group continues to focus on sustainable revenue growth and cost efficiencies. The quality of the debtors' book continues to improve with valuations showing a better trend compared to the corresponding period for last year.

It is expected that positive trading conditions will continue for the foreseeable future.

10. Information technology

The Lewis Group has invested heavily over the last five years to create a technology platform that is up to date, stable, low cost and scaleable.

Credit management

Transact, an automated credit application processing system, was introduced in 1998 to enable online bureau enquiries and facilitate the introduction of both the first application scorecard developed by Experian and the application of centralised credit policies. While the Lewis Group utilises the international expertise of Experian in the development and maintenance of risk scorecards and strategies where necessary, the Lewis Group also maintains the required experience and technical skills internally to maintain, adapt and improve the application of credit management systems.

Customer relationship management

In 2003, the Lewis Group introduced an Experian-developed customer management system called "Stratagem". The system is used for behavioural scoring, credit limit management, marketing and collections. Subsequent to the implementation of Stratagem, the first behavioural scorecard was adopted in mid-2003. Stratagem forms part of the monthly account management process and enables customers to be segmented at multiple levels. It also allows for a combination of customer management strategies to be applied to each customer. The system is not a modular-based system and additional scoring modules and actions can easily be added into the workflow without requiring any additional systems development or costs.

Branch computer system

The Lewis Group's in-store financial transactions operate on a transaction processing point of sale system. Most transactions are initiated in the store environment and the system automatically updates, on a daily basis via satellite, both the debtor and inventory databases that are located at both store and head office levels. The system also has strict change controls over finance charge rates, minimum deposit percentages, insurance and maintenance premiums. All changes have to be verified by the Lewis Group Finance and IT Executives and no changes can be made at branch level.

Disaster recovery

The Lewis Group operates a distributed network that allows branches to operate independently of each other and head office. However, the credit vetting process for new applications requires real time connectivity to the credit bureau, which is achieved through Transact. To prevent downtime, an off-site disaster recovery server for the Transact system has been set up. This disaster recovery site connects to the branch satellite network infrastructure and the credit bureau independently of the live environment. The whole Transact system is replicated at the disaster recovery site on a daily basis and can be activated within minutes of a disaster.

11. Employees

The following table sets out the number of permanent employees for the financial years ended 31 March 2002, 2003 and 2004:

Financial year ended	Number of employees
31 March 2002	4,913
31 March 2003	4,855
31 March 2004	5,242

51% of employees were members of trade unions at 31 March 2004. The Directors consider relations with its employees to be good as the Lewis Group has had no major industrial action in its history. A new two-year wage agreement was negotiated in July 2003.

The Lewis Group offers an extensive range of training courses for all employees concentrating on sales, credit and stock management. A training team working closely with the human resources department circulates throughout South Africa providing both on-site and off-site training which supplements interactive computer training on product knowledge at the stores. The Lewis Group has officially been accredited as a training provider within the Wholesale and Retail Sector Educational and Training Authority.

A service excellence programme measures the customer service levels of all stores. There is a recognition and reward programme for those employees delivering outstanding customer service.

12. Achievement of successful transformation

The Lewis Group continues to implement substantially successful transformation programmes, led by senior management.

The Lewis Group is committed to ensuring a workforce that is representative of the demographics of South Africa. The human resources department, together with senior management and the Board, has evaluated the Lewis Group's current Employment Equity Empowerment Policy to implement a targeted programme.

A detailed equity analysis of the staff has been prepared which indicates that as at 31 March 2004, approximately 72% of the employees, excluding white females, are from Designated Groups.

In 1999/2000 a five-year Employment Equity Empowerment Policy was compiled after consultation with stakeholders, including trade unions. Targets have been set to change the composition of staff by race and gender to more closely match the Lewis Group's customer base and national demographics. This plan has been documented and communicated to all stakeholders through employee training programmes. Several members of senior management have been tasked to monitor progress against the plan to ensure its successful implementation.

The Lewis Group has an established procurement policy in place. The Lewis Group procures a substantial amount of its merchandise from independent suppliers, which are mostly small, medium and micro-enterprises and owned by people from Designated Groups. It is estimated that during the financial year ended 31 March 2004, 42% of all furniture and bedding purchases (R148 million) were bought from Black Economic Empowerment ("BEE") suppliers. In addition, it is estimated that 90% of all vehicle purchases during the financial year ended 31 March 2004 (approximately R19 million) were bought from a BEE vehicle dealership. The Lewis Group has payment terms of 30 days compared to the average retail payment term of 90 days which supports the operations of these suppliers.

13. HIV/AIDS

The Lewis Group understands that the issues around HIV/AIDS have become an important part of any business operating in Southern Africa today. For this reason, the Lewis Group has extended training to staff to include programmes on dealing with HIV/AIDS.

14. Corporate social responsibility

The Lewis Group makes ongoing contributions and donations, with priority given to education and HIV/AIDS programmes.

During the financial year ended 31 March 2004, the Lewis Group made contributions to various charitable organisations and provided educational bursaries to over 1,500 customers. The Lewis Group provides educational bursaries for the children of employees. The Lewis Group, together with the GUS Charitable Trust, has contributed financial assistance to a children's crisis centre.

15. Relationship with GUS Holdings

Lewis and Lewis Opco are, as at the date of this Prospectus, both direct subsidiaries of GUS Holdings with GUS plc as their ultimate parent company, the shares of which are listed on the London Stock Exchange.

Prior to the Listing, Lewis Opco will become a wholly-owned subsidiary of Lewis, pursuant to the Restructuring, as more fully described in paragraph 50 headed "Shares issued otherwise than for cash" on page 55 of this Prospectus.

Although the Lewis Group forms part of the GUS Group, it has operated on an independent basis in terms of day-to-day operations. Its growth has been funded from returns generated within the Southern African market.

As at 31 March 2004, the GUS Group had outstanding loan claims (including interest) against Lewis Opco of R1,141.1 million in respect of the GUS Loans. In anticipation of the Offer, during July 2004, R376 million of the loan capital outstanding in respect of the GUS Loans was capitalised by the issue of one Lewis Opco share to GUS Holdings and Lewis Opco settled the outstanding interest in the amount of R298 million (including interest of R32.9 million, which has accrued since 31 March 2004) and repaid the remaining loan capital of R500 million. The settlement of interest and capital repayment was funded from existing cash resources and a drawdown from the New Banking Facilities.

Experian, a wholly-owned subsidiary of GUS plc, has provided and intends to continue to supply the Lewis Group with the use of the Transact credit processing system on an arm's length basis. The Transact licencing and maintenance agreement is renewed annually and the fees charged by Experian are market related. Alternative quotations are obtained from competitors from time to time. Should there be a change of control of Lewis Opco to the prejudice of Experian, Experian has the right to terminate the licencing and maintenance agreement.

Prior to 31 March 2004, Monarch Insurance re-insured 40% of its insurance risk with Global Guernsey, a wholly-owned subsidiary of GUS plc. With effect from 1 April 2004, Monarch Insurance terminated this re-insurance agreement and entered into a new re-insurance agreement with a Constantia Insurance Company Limited as described in paragraph 5 headed "Insurance" on page 18 of this Prospectus.

Following the implementation of the Offer and subsequent transfers of Lewis shares to the Lewis Employee Share Incentive Trust, it is anticipated that GUS Holdings will own more than 50% but less than 80% of the entire issued share capital of Lewis, depending on the level of allocations of the Lewis shares to be sold pursuant to this Prospectus and the extent to which the Underwriters Option is exercised. As more fully described in paragraph 53 headed "Lewis Employee Share Incentive Schemes" on page 56 of this Prospectus, GUS has undertaken, as and when required, to transfer for no consideration, to the Lewis Employee Share Incentive Trust the Lewis shares required in order for the trust to meet its obligations in respect of awards and options granted prior to the Listing under the Lewis Employee Share Incentive Schemes. This undertaking is subject to a maximum limit of 4% of the entire issued share capital of Lewis at the Listing Date.

The Directors and senior management of the Lewis Group have been granted awards and options under GUS plc's share incentive scheme. After the Listing it is intended that the Lewis Group Share Incentive Schemes will be used to incentivise the Directors and senior management of the Lewis Group and therefore it is expected that they will no longer grant any further awards or options in terms of GUS plc's share incentive schemes.

16. **Incorporation and history** [1(a), 1(b), 6(a)(i), 6(a)(iv) and 6(d)]

The Lewis Group's origins date back to 1934 when Latvian-born Meyer Lewis bought a business in Cape Town called 'Woodstock Auction Mart'. The name of the original business was changed to "M. Lewis & Company" in 1936 and new furniture was introduced to its range of products. On 3 October 1946, Lewis Opco was incorporated under the name 'Lewis Stores Limited', at which time it acquired from Meyer Lewis, Jack Lewis and Israel Lewis the household furnishing businesses operated by them under the name "M. Lewis and Company". The shares in Lewis Opco were listed on the JSE during 1946 to raise capital for expansion of the business in South Africa.

GUS plc entered the South African furniture retail market in 1947 by acquiring a controlling interest in Lewis Opco and in Barons Furnishers Limited, an independent furniture retailer based in Johannesburg and Lewis Opco was subsequently delisted. Ten years later Lewis Opco had 55 stores trading under the names 'Barons', 'Excelsior Meubels', 'Lewis' and 'Universal Stores' (the latter being a clothing chain with nine stores). Between 1969 and 1972 the Lewis Group established branches in Botswana, Namibia and Swaziland. In 1972, Lewis Opco acquired a furniture chain of about 50 stores from Edcon, which was rebranded under the 'Dan Hands' name. At the same time Lewis Opco sold the clothing chain of 55 'Universal Stores' to Edcon. The number of stores in the Lewis Group reached 227 by 1973. Lewis Opco was converted to a private company on 29 August 1981.

The 1980s saw expansion, with the Lewis Group growing by an additional 100 stores and the establishment of Lewis (Lesotho).

The Lewis Group's financial services division was established in 1994, through Monarch Insurance, to increase the product offering to prospective customers.

The Lewis Group decided to refocus away from the bottom end of the market in 1997 and the 130 "Dan Hands" stores were converted to Lewis stores. This increased the number of Lewis stores to approximately 430.

The Best Electric chain was launched in 1998, selling specialised electrical products in six stores in high traffic areas. The number of stores has grown steadily to the current 47 stores.

Debtors' scorecards were implemented in 1998 and Lewis Opco embarked on a major investment in information and technology systems in 1999 and 2000. All application systems were upgraded and modernised and selected services and functions were outsourced. The debtors' scorecards were improved and upgraded to third generation standards in 2003.

Towards the end of 2003 Lewis Opco acquired the entire issued share capital in Lifestyle Living which at the time owned 19 niche retail furniture stores, with effect from 7 October 2003.

Lewis was incorporated on 19 April 2004. In anticipation of the Listing and in order to interpose Lewis as the new holding company of Lewis Opco pursuant to the Restructuring, the entire issued share capital of Lewis was acquired by the GUS Group. On 15 July 2004 Lewis changed its name to "Lewis Group Limited" in order for its name to accord with its intended new role as the holding company of Lewis Opco. It was also converted into a public company on 15 July 2004. The entire issued share capital of Lewis Opco will be transferred to Lewis pursuant to the Restructuring.

17. Regulatory environment

The Lewis Group is subject to a variety of legislation and regulations promulgated thereunder. Some of the principal South African legislation regulating the credit retail industry in which the Lewis Group operates is highlighted below.

It should be noted that all legislation is subject to amendment and it is impossible to predict the outcome or timing of amendments and/or modifications to the applicable legislation and regulations promulgated in terms thereof, or their impact. Also, the regulatory environment of the respective jurisdictions governing the business conducted by Lewis (Namibia), Lewis (Botswana), Lewis (Lesotho), Lewis (Swaziland), Lewis Management Services (Botswana) and Lewis Management Services (Namibia) is not dealt with below.

The Credit Agreements Act and the Usury Act

The Lewis Group's credit arrangements are generally governed by the South African Credit Agreements Act, 75 of 1980 (as amended) ("the Credit Agreements Act") and the South African Usury Act, 73 of 1968 (as amended) ("the Usury Act").

The Credit Agreements Act regulates, among other things, certain credit and hire-purchase transactions relating to movable goods. The regulations promulgated thereunder prescribe, *inter alia*, the maximum period in which the full price under a credit transaction shall be paid (which in relation to household furniture and other goods which the Lewis Group sells, is 24 months from the date of delivery thereof) and the required initial payment (which in respect of the aforementioned goods is 10%).

The Usury Act stipulates, among other things, the maximum finance charges (including interest) that may be levied on money lending and credit transaction. In terms of a Government notice issued on 6 February 2004, the annual finance charge rate in respect of money lending transactions, where the total amount of money does not exceed R10,000, is 21%, and where the total amount of money does exceed R10,000, is 18%. In respect of credit transactions, where money values of the principal debt do not exceed R10,000, an annual finance charge rate of 21% shall apply, and where they do exceed R10,000, a rate of 18% applies.

The South African Minister of Trade and Industry has granted an exemption in terms of which micro-lenders who are registered with the Micro Finance Regulatory Council ("the Council") are exempt from most of the provisions of the Usury Act (including those stipulating the maximum rate of interest chargeable) in respect of certain money lending transactions which do not exceed R10,000. Lewis Opco is registered with the Council and, pursuant to this, grants Furniture Loans to customers. The South African Department of Trade and Industry has undertaken a review of, and is presently considering amendments to, the credit and loan related legislation. Any changes to the legislation may affect the Lewis Group's credit business, which may, in turn, impact on the Lewis Group's sales and/or financial services.

The Consumer Credit Bill was published in the Government Gazette on 17 August 2004 for comment. The Consumer Credit Bill proposes to repeal the Credit Agreements Act and the Usury Act and to replace both with a single Consumer Credit Act ("the Proposed Consumer Credit Act").

The Proposed Consumer Credit Act seeks to ensure that consumer rights are protected and to promote a fair, transparent and competitive credit market and a sustainable and responsible credit industry. It introduces a number of consumer credit protection measures, for example, the credit receiver is given the right to confidential treatment, the right to certain information and access to records, the right to choose to arrange his or her own credit insurance and the right to be given reasons for credit being refused. Moreover, the Proposed Consumer Credit Act prohibits unfair discrimination in the extension of credit, certain advertising and marketing practices and introduces new provisions for debt enforcement, debt restructuring, over-indebtedness and the repossession of goods.

The Proposed Consumer Credit Act provides for the establishment of four new regulatory institutions, including a Consumer Tribunal and the National Credit Regulator. Provision is also made for the establishment of provincial consumer protection authorities. The National Credit Regulator will be tasked with, *inter alia*, ensuring compliance with the Proposed Consumer Credit Act and with maintaining a register of credit providers.

The Proposed Consumer Credit Act provides that credit providers, such as Lewis Opco, will be required to apply to the National Credit Regulator for registration as a credit provider. The Proposed Consumer Credit Act provides for the National Credit Regulator to consider any such application taking into account the following:

- whether the credit provider complies with the provisions of the Proposed Consumer Credit Act;

- to the extent that it is appropriate, having regard to the nature of the applicant, the commitments of the credit provider, if any, towards black economic empowerment; and
- the credit provider's proposed contribution to combating over-indebtedness of consumers, including whether the applicant has subscribed to any industry code of conduct approved by the National Credit Regulator.

A credit provider's registration in terms of the Proposed Consumer Credit Act can be subject to any reasonable and justifiable conditions proposed by the National Credit Regulator.

In addition to the register of credit providers, the National Credit Regulator is also tasked with establishing and maintaining a single national register of outstanding credit agreements. Upon entering into a credit agreement, credit providers will be required to provide certain stipulated information relating thereto to the National Credit Regulator who may monitor the register to detect patterns of reckless credit granting and may use such information in exercising its mandate to investigate and enforce compliance with the Proposed Consumer Credit Act.

The Consumer Tribunal must, amongst others, consider and determine the merits of any issue concerning conduct that is prohibited under the Proposed Consumer Credit Act.

The Proposed Consumer Credit Act is still subject to comment and due process and may or may not be approved by the South African Parliament and promulgated in the present form contemplated by the Consumer Credit Bill. However, it is expected that this new credit legislation will be promulgated during 2005 in a similar form and will apply to the Lewis Group's South African operations.

The Short-Term Insurance Act

The South African Short-Term Insurance Act, 53 of 1998 ("Short-Term Insurance Act") regulates short-term insurance and requires that any person carrying on the business of a short-term insurer in South Africa must have a short-term insurance licence and be registered as a short-term insurer. The Short-Term Insurance Act makes provision for the imposition of conditions upon such registration to ensure desirable practices and the conduct of insurance business in the public interest. Registered insurers must comply with a number of regulations, including the holding of adequate assets in South Africa. The Short-Term Insurance Act and the regulations promulgated thereunder also govern the nature of investments and assets which may be held by a short-term insurer and the remuneration payable to and the agreements entered into with intermediaries.

The Registrar of Short-Term Insurance ("Registrar") is charged with the administration of the Short-Term Insurance Act and monitors compliance therewith. The South African Financial Services Board ("FSB"), a statutory entity established pursuant to the Financial Services Board Act, 97 of 1990, exercises strict supervision over insurers for the benefit of the policyholders and the general public, monitors the manner in which insurance business is conducted and oversees regulation.

Monarch Insurance has been granted a South African restricted short-term insurance licence which it uses to offer insurance policies to its customers in South Africa. Monarch Insurance's short-term insurance licence is restricted to policies providing short-term insurance cover in respect of goods sold by Lewis Opco and its subsidiaries in terms of a credit transaction. In South Africa, Lewis Opco acts as an intermediary for Monarch Insurance when offering insurance to customers.

In countries outside of South Africa, the Lewis Group offers similar insurance policies through external insurance companies. The Lewis Group receives commission for acting as a broker and claims processor in respect of these policies.

The Financial Advisory and Intermediary Services Act

The South African Financial Advisory and Intermediary Services Act, 37 of 2002 ("the FAIS Act") was introduced to regulate the rendering of certain advisory and intermediary services in respect of financial products (including short-term insurance policies) and various matters incidental thereto. As of 30 September 2004, no person may act as a financial services provider unless he is licensed with the FSB for this purpose. To obtain such a licence a person must, *inter alia*, be fit and proper to act as a financial services provider and must comply with certain requirements relating to personal character qualities of honesty and integrity, competence, operational ability and financial soundness.

Lewis and any of its South African subsidiaries that act as intermediaries for Monarch Insurance are required to apply for a licence in terms of the FAIS Act, in order to continue offering Monarch Insurance's insurance policies to customers. Lewis Opco has made the necessary application.

Associations

The Lewis Group is a member of the Furniture Traders Association of South Africa ("FTA"). The FTA is a representative body of furniture, appliance, audio and television retailers in South Africa, which ensures that its members conduct their businesses in an ethical manner and in full compliance with all applicable laws and regulations. The code of conduct of the FTA, which incorporates all the provisions of the Consumer Code for Furniture (published by the Business Practices Committee of the Department of Trade and Industry), contains provisions regulating, amongst others, prices, a cooling-off period for consumers, credit control and insurance. The code of conduct of the FTA also provides for disciplinary procedures.

The Lewis Group is also a member of the Consumer Credit Association ("CCA"), which was established to pool and share credit consumer information between the retailers who extend credit facilities to their customers. The code of conduct of the CCA contains provisions regulating, amongst others, the fair and reasonable dealings with consumers in the matter of credit granting. Members are also subject to disciplinary procedures.

Monarch Insurance is a member of the South African Insurance Association ("SAIA"), an association incorporated under section 21 of the Companies Act, which has the objects of protecting, promoting and advancing the common interests of its members, including the taking of any measures that it deems expedient whenever the businesses of its members may be affected by any government action or proposed action. It seeks to promote agreement and co-operation between its members on all matters of mutual interest and sees generally to the advancement of the short-term insurance business. The disciplinary procedures approved by the board of the SAIA on 2 December 2003 are comprehensive and grant the compliance committee of SAIA a broad disciplinary discretion.

The Competition Act

The South African Competition Act, 89 of 1998 ("Competition Act") regulates competition and uncompetitive behaviour in South Africa. Broadly speaking, the Competition Act deals with both prohibited practices and merger control. Prohibited practices include anti-competitive agreements and practices between competitors, as well as decisions by associations of competitors, such as price fixing. Dominant firms are also prohibited from abusing their positions of dominance in terms of the Competition Act.

With regard to merger control, qualifying mergers and acquisitions must be approved by the relevant competition authorities and in this regard the Competition Commission approved the acquisition by the Lewis Group of Lifestyle Living. Any future mergers or acquisitions by the Lewis Group may require approval by the relevant competition authorities.

Labour related legislation

Employment and labour relations are regulated in South Africa by legislation, including, the Labour Relations Act, 66 of 1995, the Basic Conditions of Employment Act, 75 of 1997, the Employment Equity Act, 55 of 1998, the Skills Development Act, 97 of 1998, the Skills Development Levies Act, 9 of 1999, the Unemployment Insurance Act, 63 of 2001, the Unemployment Insurance Contributions Act, 4 of 2002, the Occupational Health and Safety Act, 85 of 1993 and the Compensation for Occupational Injuries and Diseases Act, 130 of 1993.

Part B: Management and corporate governance

18. **Directors and management** [2(a) and 2(b)]

Details of the current Directors of Lewis are set out below:

Name, age and nationality	Business address	Occupation/ Function	Term of office
David Morris Nurek (54) South African	36 Hans Strijdom Avenue Foreshore Cape Town	Chairperson (*non-executive)	Not fixed (rotation every three years)
Alan James Smart (60) South African	c/o Lewis Group Limited Universal House 53A Victoria Road Woodstock Cape Town	Chief Executive Officer	Not fixed (rotation every three years)
David Alan Tyler (51) British	c/o GUS plc 1 Stanhope Gate London W1K 1AF	Director (non-executive)	Not fixed (rotation every three years)
Hilton Saven (51) South African	c/o Moores Rowland 27th Floor No. 1 Thibault Square Cape Town	Director (*non-executive)	Not fixed (rotation every three years)
Ben van der Ross (57) South African	39 Doordrift Village Doordrift Road Constantia Cape Town	Director (*non-executive)	Not fixed (rotation every three years)

*Indicates independent.

The directors of Lewis Opco are: Alan Smart; Kenneth van Aardt; Leslie Davies; Christopher Heiberg; Charles Irwin and Cornelius Lamprecht.

Further particulars of the Directors and executive management of the Lewis Group are set out in Annexure 6 to this Prospectus.

Short CV's of the Directors and senior management of the Lewis Group are set out below:

Executive Directors

Alan James Smart – Chief Executive Officer (60)

Alan Smart was appointed Chief Executive of Lewis Opco in 1991 and as Managing Director of Lewis on 22 June 2004.

Alan joined the Lewis Group in 1969. Prior to being appointed Chief Executive Officer he held the position of Joint Managing Director of Lewis Opco from 1984 to 1991 with responsibility for store operations and credit. Alan previously occupied the position of Credit Director from 1981 to 1984 and prior to that, he held various financial control positions within the Lewis Group.

From 1995, in addition to his South African responsibilities, he was appointed Chairman of GUS Canada Inc., a retail furniture group of 65 stores in eastern Canada and oversaw a turnaround programme prior to the sale of part of the business and the collection of the debtors' book of that company in 2000.

Alan was appointed to the board of GUS plc in 1996.

Non-Executive Directors

David Morris Nurek – Independent Non-Executive Chairperson of the Board (54) – Diploma in Law

David Nurek was appointed non-executive Chairperson of Lewis Opco in 2001 and as non-executive Chairperson of the Board of Lewis on 15 July 2004. He resigned from the board of Lewis Opco in August 2004.

David practised as a commercial attorney at Sonnenberg Hoffmann Galombik for more than 30 years, ultimately serving as Chairperson. In July 2000 he moved to his current position with Investec Bank, as Regional Chairman Western Cape Investec Group. He also serves on the boards of, amongst others: New Clicks Holdings Limited, Foschini Limited and Pick 'n Pay Stores Limited. David has been associated with the Lewis Group for more than 20 years.

David Alan Tyler – Non-Executive Director (51) – MA, FCMA, MCT

David Tyler was appointed as non-executive director of Lewis Opco in July 2003 and of Lewis on 22 June 2004. He resigned from the board of Lewis Opco in August 2004.

David graduated from Cambridge University, where he read Economics, in 1974.

He has worked for a number of companies incorporated in the United Kingdom. He spent the first 11 years of his career working for Unilever plc, in a variety of financial, commercial and strategic positions. In 1986 he joined County NatWest plc, where he worked in senior financial control roles. He then worked for Christie's International plc, from 1989 to 1996 as Finance Director and as President of Christie's America, a division of Christie's International plc. David has been Finance Director of GUS plc since February 1997. Aside from his financial role, he also has responsibility for the development of group strategy and operational responsibility for some of GUS plc's smaller businesses. Since June 2002, he has been a non-executive director of Burberry Group plc.

He is a Fellow of The Chartered Institute of Management Accountants and a Member of The Association of Corporate Treasurers in the United Kingdom.

Hilton Saven – Independent Non-Executive Director (51) – B Com, CA(SA)

Hilton Saven was appointed as an independent non-executive director of Lewis on 22 June 2004.

Hilton is a Chartered Accountant by training and has pursued a career in the accounting profession since 1975 with the firm Moores Rowland, currently being the senior partner of the Cape Town practice and chairman of Moores Rowland South Africa. He sits on the board of Moores Rowland International, which is an association of independent accounting firms throughout the world. He consults widely to private and public companies, particularly in the sphere of corporate finance and holds various directorships. His varied professional experience across numerous sectors enables him to add substantial value in relation to the Lewis Group's accounting and financial disclosure obligation in relation to corporate governance, transaction structuring and communication with shareholders. He is an independent non-executive chairman of Truworths International Limited.

Ben van der Ross – Independent Non-Executive Director (57) – Diploma in Law

Ben van der Ross was appointed as a non-executive director of Lewis on 22 June 2004.

Ben practised as an attorney for 18 years and continues to consult for Van Der Ross Motala attorneys. He has been a director of the Urban Foundation, a director and later deputy CEO of the Independent Development Trust and CEO of the South African Rail Commuter Corporation Limited and Business South Africa. He was a commissioner of the Independent Electoral Commission for the first democratic elections in South Africa in 1994.

Ben is currently appointed to the boards of among others: Naspers Limited, FirstRand Limited, Pick 'n Pay Stores Limited and Momentum Group Limited.

Senior Management

Kenneth Coenrad van Aardt – Group Commercial Executive (44) – B.Com, B.Com (Hon), CA(SA)

Kenneth van Aardt joined the Lewis Group in July 2003 as an executive director of Lewis Opco. A qualified Chartered Accountant, Kenneth has been involved in the South African and international fast moving consumer goods/retail industry for the past 15 years, in both executive financial and general management positions. His previous position before joining the Lewis Group was with Edcon. Kenneth joined Edcon as Group Financial Director in July 2000, was appointed to the main board in November 2000 and was appointed Chief Operating Officer in July 2002, which position he held until April 2003. Prior to working for Edcon he worked for RJR Nabisco Food Company (Proprietary) Limited from 1995 to July 2000.

Leslie Alan Davies – Group Finance Executive (48) – CA(SA)

Leslie Davies has been with the Lewis Group for 17 years and was appointed as Lewis Opco's financial director in July 1989. His experience covers a wide range of financial, administrative, legal, insurance and statutory compliance matters. A qualified Chartered Accountant, Leslie spent five years as Finance Director of AMC Classic (Proprietary) Limited before joining the Lewis Group.

Christopher Derek Heiberg – Group Marketing/Merchandise Executive (57)

Christopher Heiberg joined the Lewis Group in June 1975. He became a regional controller in April 1980, a divisional general manager in April 1982 and a director of Lewis Opco in February 1984. Christopher is now responsible for all marketing and merchandising across the Lewis Group.

Charles Patrick Irwin – Group IT Executive (51)

Charles Irwin joined the Lewis Group in February 1998 and became a director of Lewis Opco in March 1999. He has spent his entire working career in the retail industry. He has worked his way through the ranks of operational management in the fields of consumer credit, fast moving consumer goods, mass merchandising and general retail management. Charles made the transition to information technology in 1985 after qualifying in information technology project management and prior to joining the Lewis Group spent nine years in information technology at McCarthy Limited, a national retail organisation.

Cornelius Ferdenand Lamprecht – Group Property and Development Executive (63)

Ferdenand Lamprecht joined the Lewis Group in 1978 as Manager: Property & Development and in 1984 he was made responsible for managing the Lewis Group's property portfolio and leases. He was appointed a director of Lewis Opco in February 1984.

During his 25 years with the Lewis Group, Ferdenand has been instrumental in the increase in the number of stores. Ferdenand will be retiring at the end of April 2005.

Johan Enslin – General Manager, Operations (30)

Johan Enslin joined the Lewis Group as a salesman in August 1993. Later that year, he was promoted to branch manager, managing four different branches, prior to becoming an assistant regional controller in 1996.

In April 1997, Johan was promoted to regional controller. In 2000 he became divisional general manager, managing 67 branches. In April 2002 he was promoted to general manager: operations and is now responsible for the day-to-day operational management of all Lewis stores.

John Charles Young – General Manager, Credit (55)

John Young joined the Lewis Group in January 1972 as a salesman in Windhoek with the acquisition of Lewis (Namibia). He was promoted to branch inspector in 1974 for Namibia and the Boland. In 1978 John was promoted to branch manager and managed various stores.

He was then employed for two years by Iscor Limited as a buyer. In 1984 John was re-employed by the Lewis Group and was promoted to regional controller of Gordonia and Goldfield Regions in 1986.

John then went on to become divisional general manager of the Central Division, the largest division in the Lewis Group. After five years, he was promoted to head office as general manager: credit.

Jan Horn – General Manager, Human Resources (47) – B.Com, B.Com(Hon), M.Com, MBA

Jan Horn joined the Lewis Group in July 2001 to manage the human resources function. Before joining the Lewis Group, Jan worked at Pep Stores (Proprietary) Limited ("Pep Stores") as a personnel manager for 13 years where his responsibilities ranged from human resources to personnel and salary administration.

Prior to working at Pep Stores, Jan spent two years in human resources at Anglo American Corporation of South Africa Limited and four years with Atlantis Diesel Engines (Proprietary) Limited.

Alan Frank Solomon – General Manager, Marketing (47)

Alan Solomon was appointed general manager: marketing of Lewis Opco in May 2002. Prior to this, he had his own marketing and advertising consultancy following seven years as creative and marketing manager for Moregro Limited from May 1992 to January 1999. Alan has been creative director and copy chief for both above and below-the-line advertising agencies and has been involved in all aspects of advertising since 1979. His agency experience includes working at BBDO (Cape) (Proprietary) Limited from 1983 to 1985, Young & Rubicam Inc from 1985 to 1986 and Bates Wells from 1986 to 1990.

Brett van Aswegen – General Manager, Customer Management (29) – B.Com, MBA

Brett van Aswegen has been involved in the retail credit industry in South Africa for ten years. Brett spent four years with the Edcon group and then moved to The Standard Bank of South Africa Limited for a short period before joining the Lewis Group as the Group Credit Risk Manager in July 1999. In 2002, Brett was appointed general manager of customer management, specialising in scoring and strategic customer management.

Andrew James Dewijs Meerburg – Company Secretary (36) CA(SA), H Dip Tax

Andrew Meerburg joined the Lewis Group in November 2003 as Lewis Opco's company secretary and was appointed as Lewis company secretary on 22 June 2004.

Prior to joining the Lewis Group, Andrew spent six years with SAIL Group Limited ("SAIL Group") as the chief financial officer. In addition, he was responsible for the SAIL Group's corporate services function including group secretarial, human resources, information technology, public relations and legal functions.

Andrew is a qualified Chartered Accountant and completed his articles at Moores Rowland in 1997.

Derek Loudon – General Manager, Merchandise (41)

Derek Loudon was appointed general manager: merchandise of Lewis Opco in May 2000. His retail experience extends from 1981 when he began ten years with the Pick 'n Pay Stores Limited group, where his career evolved from trainee floor manager to buyer. Derek gained production experience with Airflex Furniture Industries (Proprietary) Limited as procurement manager before joining Morkels Limited for eight years where he was the electrical merchandise executive from 1997 to 1999. During this time, Derek travelled extensively around the world sourcing products in North and South America, Europe, the Middle East and Asia.

Neil Alan Timm – Chief Operations Executive – Lifestyle Division (49)

Neil Timm started in the furniture trade at Montays Limited in 1978. He quickly rose in rank and was appointed branch manager in 1980 and later divisional manager. He became group merchandise/marketing director of Montays Limited in 1986. The company was subsequently taken over by Rusfurn Group Limited and then by the JD Group Limited. In 1995 Neil left JD Group Limited and started the Freedom Furnishers business which was bought out by Profurn Limited and subsequently the JD Group Limited. In 2003 he was part of the management buy out of the business of Freedom Furnishers by Lifestyle Living.

Ivan Joseph King – Chief Merchandising Executive – Lifestyle Division (53)

Ivan King started his career in retail furniture in 1969 in Zimbabwe and moved to South Africa in 1976 where he joined a leading bedding manufacturer. In 1988 he moved to Montays Limited as a merchandise executive. Montays Limited was subsequently bought out by Rusfurn Group Limited which was in turn taken over by JD Group Limited. In 1995 he left the JD Group Limited and started the Freedom Furnishers business which was bought out by Profurn Limited and subsequently the JD Group Limited. In April 2003 Ivan was part of the management buy out of the business of Freedom Furnishers by Lifestyle Living.

Robert Shaw – Non-executive director of Monarch Insurance (54)

Robert has 31 years' experience in the insurance industry. He was employed for 11 years by Munich Reinsurance Company of SA Limited until October 1983 and acted as Managing Director of Edwardstone Broking Holdings from October 1983 to July 1986.

For the last 18 years Robert has run his own insurance consultancy specialising in insurance and reinsurance research. During this period he has consulted to and held directorships on numerous high profile companies including Constantia Insurance Company Limited and Constantia Life and Health Assurance Company Limited. Robert has contributed significantly to the insurance industry through, *inter alia*, lecturing at the College of Insurance in Johannesburg and being a founder committee member of The South African Society for Insurance Science at Rand Afrikaans University.

Raymond Ian Sanger – Non-executive director of Monarch Insurance (65)

Raymond Sanger was appointed non-executive director of Monarch Insurance in March 2003, bringing to the company his 39 years' experience in the insurance industry.

Prior to joining Monarch Insurance, Raymond worked for Mutual & Federal Insurance Company Limited from 1961 until his retirement in 2000 in a variety of senior managerial positions.

Raymond provides short-term insurance expertise to Monarch Insurance, particularly in the areas of claims management and administration, and in the formulation of insurance policies.

Divisional General Managers

There are 11 divisional general managers responsible for all aspects of store operations. Each divisional general manager has five or six regional managers reporting to him, with each regional manager being responsible for six to eight stores. The divisional general managers report to the General Manager, Operations. The 11 divisional general managers have all worked their way up through the operational structure, ensuring a deep understanding of the Lewis Group's trading environment. They have an average age of 44 years and average service of 18 years.

19. Appointment, qualification, remuneration and borrowing powers of Directors

[2(b), 2(c), 2(e) and 17(c)]

Set out in Annexure 13 to this Prospectus are extracts of the relevant provisions of the articles of association of Lewis, regarding:

- the qualification, appointment, terms of office and remuneration of Directors;
- the borrowing powers of Lewis exercisable by the Directors. The borrowing powers may be varied by an amendment to the articles of association;
- powers enabling Directors to vote on a proposal, arrangement or contract in which they are materially interested and to vote remuneration to themselves or any member of the Board; and
- retirement of Directors by rotation and on attaining an age limit.

Set out in Annexure 7 to this Prospectus are extracts of the relevant provisions of the articles of association of each of the companies, which will, pursuant to the Restructuring, become operating subsidiaries of Lewis regarding:

- the qualification, appointment, terms of office and remuneration of Directors; and
- the borrowing powers of Lewis exercisable by the Directors. The borrowing powers may be varied by amendment to the articles of association.

The Directors' borrowing powers have not been exceeded during the past three years.

The total aggregate remuneration and benefits paid and payable to the executive and non-executive directors of Lewis Opco for the year ended 31 March 2004 is set out below:

	Executive **R**	**Non-executive** **R**	**Total** **R**
Salaries	4,643,080	Nil	4,643,080
Fees	Nil	75,000	75,000
Benefits	382,094	Nil	382,094
Bonuses	4,092,000	Nil	4,092,000
Pension scheme benefits	746,296	Nil	746,296
Medical Aid contributions	180,739	Nil	180,739

The directors of Lewis Opco (including A J Smart but excluding D A Tyler) were in aggregate granted the following awards and options to acquire shares in GUS plc during Lewis Opco's financial year ended 31 March 2004:

- awards in terms of GUS plc's Performance Share Plan to acquire 16,107 shares in GUS plc for no consideration in June 2006, subject to performance conditions; and
- options in terms of GUS plc's executive share option scheme to acquire 16,107 shares in GUS plc at an option price of £6.755 exercisable from 19 June 2006.

While D A Tyler has been granted awards and options to acquire shares in GUS plc detailed in paragraph 20 headed "Directors' interests" beginning on page 34 of this Prospectus, this was in his capacity as a director of GUS plc and not remuneration for his services as a director of Lewis or Lewis Opco.

Further details of the Directors' remuneration and employment contracts are set out in Annexure 6 to this Prospectus. Save for the awards and options granted under the Lewis Employee Share Incentive Schemes detailed in paragraph 20 headed "Directors' interests" beginning on page 34 of this Prospectus, the remuneration payable to the Directors will not be varied in consequence of the Offer or Listing.

20. Directors' interests [10, 17(a) and 17(c)]

The Directors of Lewis have no direct or indirect interest in the share capital of Lewis except for those described below.

A J Smart:

- such number of Lewis shares as will equal to R6,144,000 divided by the Offer Price in respect of options granted under The Lewis Executive Share Option Scheme; and
- such number of Lewis shares as will equal R6,144,000 divided by the Offer Price in respect of awards under The Lewis IPO Restricted Share Scheme.

The directors of Lewis Opco and senior management of the Lewis Group have been granted awards and options in terms of the Lewis Share Incentive Schemes as detailed in paragraph 53 headed "Lewis Employee Share Incentive Schemes" on page 56 of this Prospectus and Annexure 10 to this Prospectus.

Except for D A Tyler who holds 153,466 shares in GUS plc, the Directors of Lewis and senior management of the Lewis Group do not hold any shares in GUS plc.

A J Smart and D A Tyler have been granted the following outstanding awards to acquire shares in GUS plc for no consideration in terms of GUS plc's Performance Share Plan, which awards are subject to performance conditions:

Name Date of award	Shares in GUS plc	GUS plc share price on date of award	Vesting date
A J Smart			
06.06.02	14,235	653.0 pence	June 2005
19.06.03	16,107	675.5 pence	June 2006
D A Tyler			
06.06.02	58,192	653.0 pence	June 2005
19.06.03	62,176	675.5 pence	June 2006
01.06.04	58,082	809.2 pence	June 2007

The Directors of Lewis, directors of Lewis Opco and senior management of the Lewis Group have been granted the following outstanding options in terms of GUS plc's executive share option scheme:

Date of award	Number of GUS plc shares	Exercise price (£)	Date from which exercisable
A J Smart			
11.06.01	37,038	6.127	11.06.04
06.06.02	14,235	6.530	06.06.05
19.06.03	16,107	6.755	19.06.06
D A Tyler			
09.12.98	37,918	5.802	09.12.98
23.06.99	37,308	6.902	23.06.99
11.06.01	114,248	6.127	11.06.04
06.06.02	58,192	6.530	06.06.05
19.06.03	62,176	6.755	19.06.06
01.06.04	58,082	8.092	01.06.07
Other directors of Lewis Opco			
11.06.01	30,413	6.127	11.06.04
06.06.02	33,414	6.530	06.06.05
19.06.03	41,387	6.755	19.06.06
Other members of senior management			
11.06.01	7,828	6.127	11.06.04
17.12.01	2,401	6,350	17.12.04
06.06.02	21,083	6.530	06.06.05
19.06.03	26,244	6.755	19.06.06

Except for the disclosed service agreements and the disclosed interests in the Lewis Employee Share Incentive Schemes and GUS plc, the Directors have no material beneficial interests in transactions that were effected by Lewis or its subsidiaries during the current or immediately preceding financial year or during an earlier financial year where the benefits in respect of the contract effected in the earlier financial year remain in any respect outstanding or unperformed.

21. Corporate governance

The Directors endorse, and accept full responsibility for, the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the Lewis Group. In discharging this responsibility, the intention is to comply with the requirements of the Code of Corporate Practices and Conduct (the "Code") as set out in the second King Report on Corporate Governance ("King II") in both letter and spirit. The Lewis Group's approach to corporate governance strives to be stakeholder inclusive, based on good communication and integrated into every aspect of the Lewis Group's business.

The Directors have pro-actively taken steps to ensure that all the elements required to make the Lewis Group fully compliant with the recommendations incorporated in the Code have been implemented. The Board is of the opinion that the Lewis Group is compliant with the Code in all material respects.

Chairperson and Chief Executive Officer

The Board is chaired by D M Nurek, an independent non-executive Director. The Chairperson is responsible for providing leadership to the Board, overseeing its efficient operation and has been tasked with ensuring effective corporate governance practices.

The Chief Executive Officer, A J Smart, is responsible for formulating, implementing and maintaining the strategic direction of the Lewis Group, as well as ensuring that the day-to-day affairs of the Lewis Group are appropriately supervised and controlled.

Board

The Board comprises one executive Director and four non-executive Directors, three of whom are independent.

The Board's responsibilities include providing the Lewis Group with clear strategic direction, ensuring that there is adequate succession planning at senior levels, overseeing operational performance and management, determining policies and processes which seek to ensure the integrity of Lewis' risk management and internal controls, implementing and maintaining the Lewis Group's communications policy and overseeing Director selection, orientation and evaluation.

The Board will retain full and effective control over the business of the Lewis Group. The Board has defined levels of materiality through a written delegation of authority, which sets out decisions the Board wishes to reserve for itself. The delegation will be regularly reviewed and monitored.

Non-executive Directors will bring an independent view to the Board's decision making. As a group, they will enjoy significant influence at the meetings.

No Directors have fixed terms of appointment and all the Directors are subject, by rotation, to retirement and re-election by shareholders at least every three years, in accordance with Lewis' articles of association.

Generally Directors have been and will be nominated based on their calibre, credibility, knowledge, experience, impact they are expected to have and time and attention they can devote to the role. The remuneration and nomination committee is responsible for vetting the individuals proposed for directorship and making recommendations to the full Board for approval. Before nomination, appropriate background checks are performed on proposed new Directors. New Directors are taken through a formal induction programme and are provided with all the necessary background information to familiarise them with issues affecting the Board.

The Board intends to meet at least four times a year with additional meetings called if necessary or desirable. Information relevant to a meeting is supplied on a timely basis to the Board ensuring Directors can make reasoned decisions. The Directors have unrestricted access to the Lewis Group information and management and, where appropriate, may seek the advice of independent professionals on matters concerning the affairs of the Lewis Group, at the expense of the Lewis Group.

Board committees

The responsibilities delegated to the committees are formally documented in terms of reference for that committee, which have been approved by the Board and will be reviewed annually. It is intended that the effectiveness of the committees will be reviewed annually by the Board, based on a self evaluation done by each committee of the degree to which they have fulfilled their terms of reference.

Audit and risk management committee

The audit and risk management committee is chaired by H Saven, an independent non-executive Director. The committee consists of three non-executive Directors, two of whom are independent. The current members are: H Saven, D M Nurek and D A Tyler.

It is intended that the committee will meet at least four times a year and is responsible for assisting the Board in fulfilling its responsibilities in respect of financial reporting issues, internal and external audit management, ensuring compliance with laws and regulations, risk management and development/maintenance of an effective internal control system.

Committee members have unrestricted access to information and management of the Lewis Group and, where appropriate, may seek the advice of independent professionals on matters concerning the affairs of the Lewis Group, at the expense of the Lewis Group.

The committee has appointed a risk working group to assist it with identifying, evaluating and managing significant risks faced by the Lewis Group. It is intended that the risk working group will meet bi-annually. It consists of the head of finance, human resources, information technology, internal audit, credit, marketing and merchandising and property management and is chaired by the Group Commercial Executive. The working group is responsible for identifying, monitoring and managing significant risks which it does using a formal methodology for risk management.

The audit and risk management committee sets the principles for recommending the use of the external auditors for non-audit purposes, which include:

- tax services, including advice on tax planning and transfer pricing issues;
- corporate restructuring;
- merger and acquisition advice; and
- training.

Executive committees

There are two executive committees, one for Lewis and Best Electric stores and another for Lifestyle Living stores. Both committees are chaired by A J Smart, the Chief Executive Officer, and consist of senior members of the executive team. The committees meet monthly and are responsible for assisting the Chief Executive Officer in the management of the Lewis Group.

Remuneration and nomination committee

The remuneration and nomination committee is chaired by D M Nurek, an independent non-executive Director who is also the Chairperson of the Board. The committee consists of three independent non-executive Directors. The current members are: D M Nurek, H Saven and B van der Ross.

The committee will meet at least twice a year and is responsible for assisting the Board in fulfilling its responsibilities in respect of maintaining an appropriate remuneration strategy, ensuring the Lewis Group's Directors and senior executives are fairly rewarded, providing for succession planning, assessing the effectiveness of the composition of the Board and evaluating the Board and individual Director's performances.

The remuneration strategy is aimed at ensuring that levels of remuneration are sufficient to attract, retain and motivate executives and, where appropriate, aimed at aligning the executives' interests with that of shareholders. Consequently, an element of the strategy is aimed at ensuring that the performance-related elements of the executive's remuneration should constitute a growing portion of total remuneration. The current remuneration package has three elements: a market-related base pay, incentive pay comprising an annual cash bonus and share incentives in terms of the Lewis Employee Share Incentive Schemes, subject to certain pre-defined performance targets being met.

In setting and approving remuneration levels and structures, the committee makes comparisons to remuneration paid by other companies in the same industry or similar industries, taking into account differing levels of responsibility, performance and complexity. The committee also gets advice from specialist remuneration consultants as and when needed and considers remuneration levels for other executives and staff in the Lewis Group.

The Lewis Employee Share Incentive Schemes are designed to allow the executive Directors and senior executives to individually build-up significant shareholdings in Lewis, to reinforce a sense of ownership and to align the behaviour of key executives with the interests of shareholders. Share incentives are considered an essential element of executive remuneration and comprise a material part of executives' remuneration.

Non-executive Directors do not participate in the Lewis Employee Share Incentive Schemes.

Share dealing

Following the Listing, the Board will implement an insider trading policy, in terms of which closed periods (as defined in the Listings Requirements) will apply. During any closed period, the Directors, officers and defined employees may not deal in the shares of Lewis.

Directors are required to obtain written clearance from the Chairperson before dealing in Lewis shares. If the Chairperson wishes to deal in Lewis shares, the Chairperson will require the written permission of the Chairperson of the audit and risk management committee.

In terms of the Listings Requirements, any share dealings by Directors are required to be published immediately on SENS. A register of share dealings by Directors will be maintained by the company secretary and reviewed by the Board on a quarterly basis.

Conflict of interest

All Directors and executives are required to sign, annually, a declaration that they are not aware of any conflicts of interest that may exist as a result of their interest or association with any other company, except as disclosed, setting out for record keeping purposes all business related interests they have. As soon as a Director becomes aware of any conflict of interest, he is required to disclose such conflict immediately and is precluded from voting on conflicted matters.

Company secretary

The company secretary acts as adviser to the Board and plays a pivotal role in ensuring compliance with statutory regulations and the Code, the induction of new Directors, tabling information on relevant regulatory and legislative changes, and giving guidance to the Directors regarding their duties and responsibilities. The Directors have unlimited access to the advice and services of the company secretary.

Internal audit

The internal audit department reports to the audit and risk management committee and has unfettered access to the Chairperson of the Board and the audit and risk management committee. For day-to-day matters it reports to the company secretary.

The internal audit department provides independent, objective assurance and consulting services designed to add value and improve the internal control environment of the Lewis Group by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of internal control and risk management. It provides assurance that management processes are adequate to identify and monitor significant foreseeable risks. It monitors the effective operation of the established internal control systems and is responsible for establishing credible processes for feedback on risk management in order to confirm that the Board is receiving the right quality of assurance and information from management and that this information is reliable.

The internal audit department operates in terms of a charter which has been approved by the audit and risk management committee and is consistent with the Institute of Internal Auditors' definition of internal auditing. The audit coverage plan is reviewed annually and all significant findings and recommendations are reported to executive management and the audit and risk management committee.

The internal audit department co-ordinates with the external auditors, as far as practicably possible, to ensure proper coverage of financial, operational and compliance controls and to minimise duplication of effort.

Internal control and risk management

The Lewis Group's system of internal control is designed to manage the risk of failure and can consequently only provide reasonable, not absolute, assurance that foreseen risks are mitigated. Management is accountable to the Board for designing, implementing, monitoring and integrating the internal controls into the day-to-day running of the Lewis Group.

The internal controls are focused on the efficiency and effectiveness of operations, safeguarding the Lewis Group's assets, legal and regulatory compliance, business sustainability, reliable reporting and responsible behaviour towards shareholders.

A comprehensive review and testing process to check whether the Lewis Group maintained adequate and effective systems of internal controls was carried out internally. The Board is of the view that current controls are adequate and effective to mitigate, to an acceptable level, the significant risks faced by the Lewis Group.

Behavioural code

The Lewis Group is committed to creating a culture of the highest levels of professionalism and integrity in its business dealings with stakeholders. Lewis' code of ethics sets out high standards of honesty, integrity and mutual respect. Employees are expected to act in terms of the code of ethics at all times and failure to do so may result in disciplinary measures.

Stakeholder communication

In all communications with stakeholders, the Board aims to present a balanced and understandable assessment of Lewis' position. This is done through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders.

The Board will encourage shareholder attendance at general meetings and where appropriate provides full and understandable explanations of the effects of resolutions to be proposed.

Communication with institutional shareowners and investment analysts will be maintained through periodic presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the pro-active dissemination of any messages considered relevant to investors.

Environment

The Lewis Group recognises that its activities have an impact on the environment. The Lewis Group has adopted a strategy that strives to minimise this impact by regularly reviewing its activities and compliance with all relevant legislation.

Employment equity

The Lewis Group has a clearly defined employment equity strategy aimed at realising the potential of previously disadvantaged people in South Africa.

The Lewis Group has complied in all material respects with the South African legislative requirements on employment equity and has implemented employment equity plans, as detailed in paragraph 12 headed "Achievement of successful transformation" beginning on page 23 of this Prospectus.

22. **Financial information** [6(f), 25(1), 25(3), 25(4) and 30]

Lewis will not have traded between the date of incorporation and the Listing Date. Lewis will acquire the entire issued share capital of Lewis Opco prior to the Listing Date. The historical financial information for Lewis for the period ended 31 July 2004 is set out in Annexure 1 to this Prospectus, the preparation of which is the responsibility of the Directors. The historical consolidated financial information of Lewis Opco and its subsidiaries for the financial years ended 31 March 2000 to 31 March 2004 is set out in Annexure 2 to this Prospectus, the preparation of which is the responsibility of the Directors. The information set out below should be read in conjunction with such historical financial information in Annexures 1 and 2 to this Prospectus and PwC's reports thereon set out in Annexures 3, 4 and 5 to this Prospectus.

Profit history [6(f), 25(1) and 25(3)(a)]

Set out below is a summary of the consolidated income statement of Lewis Opco and its subsidiaries for the five financial years ended 31 March 2004:

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Revenue	2,274.7	2,037.9	1,995.8	1,936.4	1,882.9
Gross profit	1,355.1	1,224.4	1,216.7	1,146.8	1,139.4
Operating profit before exceptional item	505.6	429.3	361.1	298.0	442.1
Operating profit	505.6	477.2	361.1	298.0	442.1
Net profit before finance costs	540.5	516.9	410.7	331.7	467.9
Net profit before tax	398.8	360.3	263.5	173.3	289.3
Net profit attributable to ordinary shareholders	287.3	252.1	192.3	119.9	203.3
Earnings per share (cents)[1]	287.3	252.1	192.3	119.9	203.3
Headline earnings per share (cents)	287.6	248.1	196.7	117.2	195.8

Notes:

1. For purposes of calculating the earnings per share and headline earnings per share, it has been assumed that the weighted average number of shares in issue was 100,000,000 (being the number of Lewis shares that will be in issue on the Listing Date). No adjustments have been made to the income statement to reflect the effect of the capitalisation and repayment of the GUS Loans or the Restructuring.
2. No dividends were paid by Lewis Opco during the five-year period ended 31 March 2004.

Balance sheet [25(1)(a) and 25(3)(b)]

Set out below is a summary of the consolidated balance sheet of Lewis Opco and its subsidiaries as at 31 March:

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Assets					
Non-current assets	257.4	289.9	279.4	178.0	162.2
Current assets	2,562.5	2,256.9	2,286.9	2,115.8	1,864.6
Investments – insurance business	296.7	263.6	256.3	323.4	174.7
Inventories	155.3	120.2	132.8	122.9	135.5
Trade and other receivables	1,751.7	1,852.6	1,852.2	1,651.4	1,538.7
Cash on hand and deposits	358.8	20.5	45.6	18.1	15.7
Total assets	2,819.9	2,546.8	2,566.3	2,293.8	2,026.8
Equity and liabilities					
Capital and reserves	1,310.0	1,153.5	921.4	698.1	570.5
Non-current liabilities	747.9	1,162.2	1,255.6	1,107.0	1,075.2
Interest-bearing borrowings	683.8	1,016.4	1,112.4	978.5	935.2
Non-interest bearing borrowings	64.1	145.8	143.2	128.5	140.0
Current liabilities	762.0	231.1	389.3	488.7	381.1
Interest-bearing borrowings	472.2	46.4	149.2	288.7	214.9
Non-interest bearing borrowings	289.8	184.7	240.1	200.0	166.2
Total equity and liabilities	2,819.9	2,546.8	2,566.3	2,293.8	2,026.8
Net asset value per share (cents) [(1)]	1,310.0	1,153.5	921.4	698.1	570.5
Net tangible asset value per share (cents) [(1)]	1,314.2	1,153.5	921.4	698.1	570.5

Note:

1. For purposes of calculating the net asset value per share and net tangible asset value per share, it has been assumed that the number of shares in issue was 100,000,000 (being the number of Lewis shares that will be in issue on the Listing Date). No adjustments have been made to the balance sheet to reflect the effect of the capitalisation and repayment of the GUS Loans or the Restructuring.

Unaudited *pro forma* financial information

The unaudited consolidated *pro forma* balance sheet and income statement of Lewis Opco and its subsidiaries pursuant to the repayment and capitalisation of the loan capital and interest in respect of the GUS Loans is set out below, the preparation of which is the responsibility of the Directors. This balance sheet and income statement have been prepared for illustrative purposes only, and because of their nature, may not give a fair reflection of the financial position of Lewis Opco and its subsidiaries pursuant to the capitalisation and repayment of the GUS Loans.

Unaudited *pro forma* income statement of Lewis Opco and its subsidiaries

The unaudited *pro forma* consolidated income statement has been prepared on the assumption that the repayment and capitalisation of the loan capital and interest in respect of the GUS Loans was implemented on 1 April 2003.

	Before[1] R'm	Adjustments[2–5] R'm	Unaudited *Pro forma* after R'm
Revenue	2,274.7	–	2,274.7
Gross profit	1,355.1	–	1,355.1
Operating profit before exceptional items	505.6	–	505.6
Investment income	34.9	–	34.9
Net profit before finance costs	540.5	–	540.5
Finance costs	(141.7)	52.0[4]	(89.7)
Net profit before tax	398.8	52.0	450.8
Tax	(111.5)	(15.6)[5]	(127.1)
Net profit attributable to ordinary shareholders	287.3	36.4	323.7
Earnings per share (cents) [6]	287.3	–	323.7[7]
Headline earnings per share (cents) [6]	287.6	–	324.0[7]

Notes:

1. Extracted from the audited consolidated annual financial results of Lewis Opco and its subsidiaries for the year ended 31 March 2004.
2. The outstanding balance of the GUS Loans on 31 March 2003 was R1,004.9 million. Lewis Opco converted R376.0 million of the GUS Loans into Lewis Opco share capital and the balance of loan capital and interest of R628.9 million was repaid from existing cash resources and borrowings.
3. Lewis Opco had no cash resources available on 1 April 2003. Accordingly, it has been assumed that the repayment was funded entirely from borrowings even though Lewis Opco became cash positive during the course of the year. It has been assumed that the repayment of the GUS Loans was financed as follows:
   - Term loans of R300.0 million at a three-month JIBAR rate plus 1.5%.
   - The balance of R328.9 million through overdraft facilities at the prime overdraft interest rate.
4. The adjustment to finance cost has been calculated as follows:

	R'm
• Interest paid on the term loans at an average rate of 11.89% per annum	(35.7)
• Interest paid on the overdraft facilities at an average prime overdraft rate of 14.74% per annum	(48.5)
• Interest saved on the GUS Loans at an average prime overdraft interest rate of 14.74% per annum	136.2
	52.0

5. A tax rate of 30.0% has been assumed.
6. The earnings per share and headline earnings per share were calculated assuming a weighted average number of shares in issue of 100,000,000 (being the number of Lewis shares that will be in issue on the Listing Date).
7. The repayment and capitalisation of the GUS Loans would have resulted in an increase in earnings per share and headline earnings per Lewis share of 12.7%.

Unaudited *pro forma* balance sheet of Lewis Opco and its subsidiaries

The unaudited *pro forma* consolidated balance sheet has been prepared on the assumption that the repayment and capitalisation of the loan capital and interest in respect of the GUS Loans was implemented on 31 March 2004.

	Before(1) R'm	Adjustments(2–5) R'm	Unaudited *Pro forma* After R'm
Assets			
Non-current assets	257.4	–	257.4
Current assets	2,562.5	(323.8)(2)	2,238.7
Investments-insurance business	296.7	–	296.7
Inventories	155.3	–	155.3
Trade and other receivables	1,751.7	–	1,751.7
Cash on hand and deposits	358.8	(323.8)	35.0
Total assets	**2,819.9**	**(323.8)**	**2,496.1**
Equity and liabilities			
Capital and reserves	1,310.0	376.0(3)	1,686.0
Non-current liabilities	747.9	(376.0)(3)	371.9
Interest-bearing borrowings	683.8	(376.0)	307.8
Non-interest bearing borrowings	64.1	–	64.1
Current liabilities	762.0	(323.8)(4)	438.2
Interest-bearing borrowings	472.2	(323.8)	148.4
Non-interest bearing borrowings	289.8	–	289.8
Total equity and liabilities	**2,819.9**	**(323.8)**	**2,496.1**
Net asset value per share (cents)(6)	1,310.0	–	1,686.0(7)
Net tangible asset value per share (cents)(6)	1,314.2	–	1,690.2(7)

Notes:

1. Extracted from the audited consolidated annual financial results of Lewis Opco and its subsidiaries for the year ended 31 March 2004.
2. The outstanding balance of the GUS Loans on 31 March 2004 was R1,141.1 million. Lewis Opco converted R376.0 million of the GUS Loans into Lewis Opco share capital and the balance of the loan capital and interest of R765.1 million was repaid from existing cash resources of R328.8 million and the balance from borrowings and the loan.
3. The adjustment to non-current liabilities comprises the following:

	R'm
• Non-current portion of GUS Loans	(676.0)
• Term loans negotiated with various banks to repay the GUS Loans	300.0
	(376.0)

4. The adjustment to current liabilities comprises the following:

• Current portion of GUS Loans	(465.1)
• Overdraft facility utilised to repay the remainder portion of the GUS Loans	141.3
	(323.8)

5. The net asset value per share and tangible net asset value per share were calculated assuming the number of shares in issue of 100,000,000 (being the number of Lewis shares that will be in issue on the Listing Date).
6. The repayment and capitalisation of the GUS Loans would have resulted in an increase in net asset value and tangible net asset value of 28.6%.

23. Material capital commitments, lease payments and contingent liabilities [6(e)(ii)]

The Lewis Group has the following material capital commitments, lease payments and contingent liabilities:

Material capital commitments

There were no material capital commitments as at the Last Practicable Date.

Lease payments

The Lewis Group leases the majority of its properties under operating leases. The lease agreements of the Lewis Group's store premises provide for a minimum annual rental payment and certain leases provide for additional payments determined on the basis of turnover. The future minimum operating lease commitments as at the Last Practicable Date is R166.2 million.

Contingent liabilities

The contingent liabilities as at the Last Practicable Date comprise bank and other guarantees given by the Lewis Group to third parties in an aggregate amount of R54.9 million.

24. Loan capital and material loans [9]

Details of the material loans to the Lewis Group as at the Last Practicable Date are set out in Annexure 11 to this Prospectus.

Lewis has no outstanding loan capital as at the Last Practicable Date.

No debentures have ever been issued by Lewis or by Lewis Opco or any of its subsidiaries.

The Lewis Group does not have any material loans receivable outstanding as at the Last Practicable Date.

No loans have been made or security furnished by the Lewis Group to or for the benefit of any Director or manager except for a housing loan to Johan Enslin in an amount of R252,804.76 as at the Last Practicable Date.

The inter-company loans of the Lewis Group at the Last Practicable Date are set out in Annexure 11 to this Prospectus.

Details of material inter-company financial and other transactions are set out in Annexure 14 to this Prospectus.

25. Dividends and dividend policy [6(f)(ii), (iii) and (iv)]

No dividends have been declared by Lewis since the date of its incorporation nor by Lewis Opco in the five years ended 31 March 2004. Details of dividends that have been declared by Lewis' subsidiaries in the five years ended 31 March 2004 are set out in Annexure 7 to this Prospectus.

Lewis currently has a target dividend cover of approximately three times. However, there is no assurance that a dividend will be paid out and any dividend proposed by the Directors in respect of any financial period will be dependent upon the operating results, financial condition, investment strategy, capital requirements and other factors. It is currently anticipated that most of the cash available and cash generated by the business will be invested in the continued growth of its activities and the reduction of debt. It is envisaged that interim dividends will be paid in January and final dividends in August of each year, in the approximate proportions of one-third and two-thirds of the annual dividend, respectively. The first dividend to be declared is expected to be the interim dividend for the 2005 financial year.

Any dividend or other money payable on or in respect of a Lewis share which is unclaimed may be retained and used by Lewis. If a dividend is retained and unclaimed for three years after the payment date, it shall revert to Lewis and may be dealt with by the Directors as they deem fit and may not be claimed by the shareholder concerned. There is no fixed date on which entitlement to dividends arises and the date of payment will be determined by the Directors or shareholders at the time of declaration, subject to the Listings Requirements. Relevant extracts of the articles of association of Lewis relating to dividends are set out in Annexure 13 to this Prospectus.

If the amount of any dividend or other distribution payable to any single shareholder is R10 or less, then in terms of the articles of association of Lewis, the dividend concerned shall not be paid to the shareholder but shall be donated by Lewis to one or more charities determined by the Directors.

Except for the abovementioned donations to charity, there are no current arrangements under which future dividends are waived or agreed to be waived.

26. **Material changes** [31]

The material changes in the assets, liabilities, the financial and trading position of the Lewis Group that have taken place between 31 March 2004 and the Last Practicable Date are as follows:

- the change in re-insurance provider to Monarch Insurance as described in paragraph 5 headed "Insurance" on page 18 of this Prospectus;
- the repayment and capitalisation of the GUS Loans described in paragraph 15 headed "Relationship with GUS Holdings" beginning on page 24 of this Prospectus;
- Lewis' agreement to acquire the entire issued share capital of Lewis Opco from GUS Holdings in terms of the Restructuring described in paragraph 15 headed "Relationship with GUS Holdings" beginning on page 24 and paragraph 50 headed "Shares issued otherwise than for cash" on page 55 of this Prospectus; and
- Lewis Opco has procured and drawn down on the New Banking Facilities with each of FirstRand, ABSA and Standard Bank, the salient features of which are set out in Annexure 11 to this Prospectus.

Commentary on the current trading of the Lewis Group between 31 March 2004 and the Last Practicable Date is set out in paragraph 9 headed "Current trading and prospects" on page 22 of this Prospectus.

27. **Adequacy of capital** [22]

The Directors are of the opinion that in the ordinary course of business, the working capital available to Lewis and its subsidiaries is sufficient for the Lewis Group's present requirements, that is, for at least 12 months following the date of this Prospectus and the issued share capital of Lewis after the Offer will be adequate for the purposes of the business of the Lewis Group.

Part D: Management's discussion and analysis of financial conditions and results of operations

The following discussion and analysis should be read together with the rest of this Prospectus, including the historical financial information in Annexure 2 to this Prospectus. Lewis is an investment holding company and will not have traded between the date of incorporation and the Listing Date. At the Listing Date, Lewis' only asset will be the 100% shareholding of the entire issued share capital of Lewis Opco. The financial information contained in this Part D relating to Lewis Opco and its subsidiaries has been extracted without material adjustment, except where stated, from the report on historical financial information in Annexure 2 to this Prospectus.

28. Revenue

Revenue comprises merchandise sold, services rendered, finance charges earned and insurance premiums earned net of value-added tax.

The following table sets out the turnover by line of business for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March (R'm)	2004	2003	2002
Merchandise sales	1,190.4	1,022.5	997.8
Finance charges earned	602.1	562.7	539.6
Services rendered	149.6	128.7	135.5
Insurance premiums earned	332.6	324.0	322.9
Total revenue	2,274.7	2,037.9	1,995.8

Revenue grew by 2.1% in 2003. Merchandise sales increased by 2.5% (2.8% on a like-for-like basis) in difficult trading conditions. Consumer spending came under pressure due to the effects of the depreciating Rand, increasing interest rates and a sharp rise in inflation. Finance charges earned in 2003 were 4.3% higher than the previous year as a result of higher interest rates. The Lewis Group continued to maintain strict credit granting procedures particularly with regard to new customers and high risk merchandise purchases (mainly electronic goods).

Revenue for 2004 grew by 11.6% with merchandise sales increasing by 16.4% (13.3% on a like-for-like basis). Trade picked up significantly from October 2003. Merchandise sales grew by 28% in the second half of the financial year compared to 5% in the first half of the financial year. Consumer spending improved due to the strengthening Rand which made goods more affordable (particularly electrical goods). Declining interest rates (the usury rate was reduced from 29% to 21% per annum for debt not exceeding R10,000) and reduced inflation also boosted consumer demand. In addition, the closure of a number of furniture outlets by competitors reduced overcapacity in the sector. The acquisition of Lifestyle Living with effect from 7 October 2003 contributed R35 million or 1.5% to revenue.

Finance charges earned benefited from the improved sales during the 2004 financial year. Insurance premiums earned reflected a moderate increase as the lagging effect of legislated reserving requirements filtered through.

29. Cost of sales

Cost of sales includes the costs of merchandise and distribution costs in bringing inventories to their final location, as well as re-insurance premiums.

The following table sets out a breakdown of cost of sales for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March (R'm)	2004	2003	2002
Merchandise cost of sales	790.7	691.9	658.3
Reinsurance	128.9	121.6	120.8
Total cost of sales	919.6	813.5	779.1

Monarch Insurance terminated its reinsurance agreement with Global Guernsey with effect from 1 April 2004. Reinsurance has been placed in the local market with Constantia Insurance Company Limited at market rates.

30. Gross profit

The following table sets out the gross profit and gross profit as a percentage of turnover for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March	2004	2003	2002
Gross profit (R'm)	1,355.1	1,224.4	1,216.7
Merchandise gross margin (%)	33.6	32.3	34.0
Total gross profit margin (%)	59.6	60.1	61.0

In the 2003 financial year merchandise gross margin declined as a result of the more difficult trading conditions. Promotional activity, necessary to maintain sales momentum, impacted negatively on margins.

The merchandise gross margin for the financial year ended 31 March 2004 increased by 1.3% due to improved margins across a range of merchandise as a result of improved performance of high margin merchandise. The decline in total gross profit margin was due to a lower contribution from finance charges (lower interest rates), a lower contribution from insurance due to statutory reserving and higher reinsurance premiums paid.

31. Operating costs

The following table sets out the total operating costs for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March (R'm)	2004	2003	2002
Bad and doubtful debts	115.1	162.5	198.4
Depreciation	38.7	33.9	29.1
Employment costs	367.8	318.3	301.3
Occupancy costs	83.4	75.3	74.7
Other operating costs	244.5	205.1	252.1
Total operating costs	849.5	795.1	855.6

Total operating costs for the financial year ended 31 March 2003 declined by 7.1% as a result of the decline in other operating costs and bad and doubtful debts which is discussed in more detail below. Total operating costs increased by 6.8% for the financial year ended 31 March 2004.

32. Bad and doubtful debts

Bad and doubtful debts for the financial years ended 31 March 2003 and 2004 decreased by R36 million and R47 million, respectively. This reflected the benefits of improved credit granting procedures, information technology investment and store collection processing.

33. Depreciation

Depreciation increased by R4.8 million for both of the financial years ended 31 March 2003 and 2004, respectively, consistent with the capital expenditure during those periods. A regular programme of capital expenditure and asset replacement is ongoing.

34. Employment costs

Employment costs include salaries, wages, commissions and contributions to retirement benefit funds.

Employment costs increased by 5.6% for the financial year ended 31 March 2003. The increase was restricted by 23 store closures during 2002 and 2003 and less commission paid due to weaker trading conditions. Wage settlements with trade unions were in line with those of the industry.

Employment costs increased by 15.6% for the financial year ended 31 March 2004 which included an additional amount of R10 million incurred to support a shortfall in the defined benefit retirement funds and R7 million relating to Lifestyle Living extra employment costs. Excluding such amounts incurred to support the shortfall and extra employment costs, 2004 employment costs would have increased by 10.2%.

35. Occupancy costs

Occupancy costs were flat in 2003. During late 2002 and early 2003 75% of the leases were negotiated downward for a five-year period with lower rental escalations. The annualised saving is approximately R7 million per annum. All of the leases provide for a minimum annual rental and approximately 33 leases are determined on the basis of the turnover of the respective stores.

Occupancy costs increased by 11% in 2004. If Lifestyle Living is excluded, the increase was 7% due to contractual annual escalations. In 2004, 19 Lifestyle Living stores were acquired, six under-performing stores were closed, seven stores were re-sited and three new stores were opened.

The Directors believe that occupancy costs at 3.7% of revenue are below industry norms.

36. Other operating costs

Other operating costs include the insurance business, marketing, delivery, communication and administration.

Other operating costs declined by 18.6% in 2003 due to cost saving initiatives of R8.8 million, and the receipt for the first time of reinsurers profit commission in an amount of R37.9 million as a result of the reinsurance agreements being renegotiated.

Other operating costs increased by 19.2% in 2004. Like-for-like expenses increased by 9% and the remaining increase was attributable to Lifestyle Living and other one-off costs.

37. Operating profit

The following table sets out the operating profit and operating profit as a percentage of revenue for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March	2004	2003	2002
Operating profit before exceptional items (R'm)	505.7	429.3	361.1
Operating profit (%)	22.2	21.1	18.1

Operating profit grew by 18.9% and 17.8% in 2003 and 2004, respectively. The improved operating margin in 2003 was due to cost control, a reduction in bad debts and the additional reinsurers profit commission.

The operating margin improved by 1.1% in 2004 showing the continued benefits of strict credit granting procedures and an improvement in the quality of the debtors' book and continued focus on cost control.

38. Investment income

Investment income includes interest and dividends received on insurance investments, and profit on disposal of investments.

The following table sets out the investment income for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March (R'm)	2004	2003	2002
Investment income	34.8	39.7	49.6

The decline in investment income for the 2003 financial year was as a result of prevailing investment market conditions and R85 million put into a long term investment policy where annual revenue no longer accrues. The policy pays out a capital amount in March 2007. In 2004, investment income was lower due to the volatile investment market and a decline in interest income.

39. Finance costs

Net finance costs include interest payable on the GUS Loans as well as interest on bank loans, overdraft and finance leases, reduced by interest earned on cash balances.

The following table sets out the finance costs for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March	**2004**	**2003**	**2002**
Finance costs (R'm)	141.7	156.6	147.2

Net finance charges increased by R9.4 million or 6.4% in 2003 as a result of an increase in the average prime rate from 13.7% to 16.4%. The decline in the prime overdraft rate during the course of 2004 resulted in net finance charges declining.

R376 million of the capital amount owed in respect of the GUS Loans was ceded to GUS Holdings and capitalised on 5 July 2004. The remaining portion of the GUS Loans was repaid from existing cash resources and drawdowns from the New Banking Facilities.

40. Exceptional items

The following table sets out the exceptional items for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March	**2004**	**2003**	**2002**
Exceptional items (R'm)	–	47.9	–

The Lewis Group renegotiated its reinsurance arrangements with Global Guernsey in 2003, which resulted in the receipt of reinsurance profit of R47.9 million accruing to the Lewis Group, determined with reference to reinsurance business written in prior years. Tax of R14.4 million was included in normal tax in 2003.

41. Tax

Tax consists of both current and deferred tax.

The following table sets out the tax and effective tax rates for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March	**2004**	**2003**	**2002**
Tax (R'm)	111.5	108.2	71.2
Effective tax rate (%)	28.0	30.0	27.0

In 2002, a prior year overprovision of R7.9 million reduced the tax charge. In 2004, a prior year overprovision of R11 million was released.

42. Cash flow

The following table sets out the principal components of the cash flows for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March (R'm)	**2004**	**2003**	**2002**
Cash generated from operations, before exceptional items	508.9	380.8	257.4
Net cash flow from operating activities	440.3	119.0	214.8

In 2003 and 2004 the growth in cash generated from operations is as a result of the improved operating profits and improved working capital management.

The fluctuation in cash flow from operating activities in the different years is due mainly to timing of group interest payments.

43. Interest-bearing liabilities

The following table sets out a breakdown of the interest-bearing liabilities for the years ended 31 March 2002, 2003 and 2004:

Years ended 31 March (R'm)	**2004**	**2003**	**2002**
Finance leases	14.9	21.2	14.2
GUS Loans	1,141.1	1,004.9	1,105.1
Short-term interest-bearing borrowings	–	36.7	142.3
Total interest-bearing borrowings	1,156.0	1,062.8	1,261.6
Cash balances	(358.8)	(20.5)	(45.6)
Net interest-bearing borrowings	797.2	1,042.3	1,216.0

The positive cash flow in 2003 reduced short-term borrowings by R105.6 million and the GUS Loans by R100.2 million reducing the overall net interest-bearing borrowings by R173.7 million.

In 2004, interest on the GUS Loans was capitalised, resulting in a R136.2 million increase in the GUS Loans. This, and the improved cash flow generation of Lewis Opco, resulted in the reduction of R36.7 million in short-term borrowings and an increase in cash balances of R338.3 million.

Part E: Risk factors

You should carefully consider the risks described below and the other information in this Prospectus before making a decision to purchase Lewis shares. Although information has been provided herein in relation to Lewis shares, a prospective purchaser, having made enquiries, should use his or her own judgment and seek advice from an independent financial adviser as to the appropriate value of such shares. In considering whether to hold or invest in Lewis shares, each investor should have regard to various issues which include, but are not limited to, the risks set out hereunder.

44. Risks related to Lewis Group's business

Competition

The South African retail furniture industry is highly competitive. There are a number of competitors offering product lines and credit products similar to those offered by the Lewis Group and if the Lewis Group is unable to compete successfully, among other things, its operating results and growth may be adversely impacted.

Consumer spending

A decline in consumer spending may adversely affect sales of Lewis Group products. Many factors can contribute to a decline in the level of consumer spending in the retail furniture industry, including increased unemployment, increased interest rates, increased taxes, increased inflation, shifts in discretionary spending towards other goods or services and other factors that negatively influence disposable income. Sales of the Lewis Group's products tend to decline during periods when there is a reduction in the average level of disposable income. Further, consumer spending in the retail furniture industry is cyclical. The Lewis Group also generally experiences quarterly fluctuations in sales with a greater portion of sales over the December period. Accordingly, if sales are poor over the December period it is likely to result in a decline in the annual sales and net profit.

Information systems

The Lewis Group is dependent on the effective operation of its information systems, particularly the Transact system used for its credit management. Any disruption to the operation of these information systems for an extended period will impede the ability of the Lewis Group to process credit applications efficiently and is likely to have a negative impact on the performance of the Lewis Group.

Deterioration in the Rand exchange rates

A significant portion of the Lewis Group's merchandise is directly or indirectly sourced from outside South Africa and any depreciation in the Rand is therefore likely to lead to increases in the cost of the Lewis Group's merchandise. Any increased costs of merchandise are likely to result in an increase in the Lewis Group's retail sales prices which may result in a decline in the volume of sales. If the increase in the cost of merchandise is not passed on to customers, it is likely to result in a decline in profit margins.

Fluctuations in interest rates

Over 25% of the Lewis Group's revenue comprises finance charges received. A sustained low interest rate environment will result in substantially lower revenue for the Lewis Group. The impact of this may be ameliorated by the Lewis Group's current practice of fixing interest rates applicable to credit transactions with its customers for the full duration of the credit transaction (i.e. until the credit is settled in full). Conversely, in a rising interest rate environment, existing credit transactions will attract interest at the fixed rate which may be lower than the then prevailing market interest rates and this could have a negative impact on the Lewis Group's performance. Any increase in the interest rate environment will also affect the interest payable on the Lewis Group's liabilities and loans and this could have a negative impact on the Lewis Group's performance.

Labour-related risks

Trade unions represent a large portion of the Lewis Group's employees. Since 1995 various labour laws have been enacted in South Africa that enhance the rights of employees and which have imposed increased labour costs on the retail furniture industry. Significant labour disputes, work stoppages, increased employee expenses as a result of collective bargaining and the cost of compliance with labour laws could disrupt business operations and/or reduce net profit.

Furniture Loan risks

As part of its business, the Lewis Group lends money to its customers under the terms of Lewis Opco's micro-lending authorisation. These arrangements, the structure of which has evolved over time, enable customers to purchase furniture and household goods from the Lewis Group. Loans under these arrangements totalling R1,197 million were outstanding at 31 July 2004.

Management believe that its lending practices are commonplace in the industry. In addition, the Department of Trade and Industry in South Africa (the "DTI") has been aware of these practices for some time and has not taken any steps to compel furniture retailers to discontinue these practices. The DTI is currently in the process of reviewing the existing credit legislation in South Africa and management expects that the new credit legislation will be promulgated during 2005, and that it is likely to permit and regulate the continuation of these practices. Nevertheless, it is possible that these arrangements may be challenged on the grounds of non-compliance with existing credit legislation in the jurisdictions in which the Lewis Group enters into these arrangements and this could give rise to legal proceedings. If legal challenges were to be successfully made, this could have a material adverse effect on the financial condition and results of the Lewis Group.

Changes in credit legislation

The Department of Trade and Industry has undertaken a review of, and is presently considering amendments to the credit and loan related legislation currently in force. In this regard, you are referred to paragraph 17 headed "Regulatory environment" beginning on page 26 of this Prospectus giving a brief overview of the current legislation and the recently published Credit Consumer Bill. The Credit Consumer Bill is subject to comment and due process and therefore it may not be promulgated in its present form. It is uncertain what effect the changes to the credit and loan legislation will have on the Lewis Group's business. There is, however, the risk that increased compliance costs and new requirements placed on credit providers relating to, among others, the determination of the creditworthiness of customers and the maximum permissible finance charges credit providers will be permitted to charge, may have an adverse impact on the Lewis Group's business.

Loss in key personnel

The Lewis Group's performance depends to a large extent on the efforts and abilities of its key senior personnel. These persons generally have substantial experience and expertise in the furniture retail business and have made significant contributions to the growth and success of the Lewis Group. The unexpected loss of the services of one or more of these individuals could disrupt the business operations of the Lewis Group and have an adverse effect on its operating results.

Risks relating to insurance business

Monarch Insurance conducts its insurance business pursuant to a restricted short-term insurance licence. Lewis Opco acts as an intermediary to Monarch Insurance by selling insurance, collecting premiums and administering insurance claims. In addition, subsidiaries of Lewis Opco have, in countries outside of South Africa, been appointed as insurance agents and claims managers of external insurance companies.

The conduct of insurance business and the provision of intermediary services are subject to regulatory requirements in the various jurisdictions in which the Lewis Group operates, including the holding and maintenance of certain licences, consents and authorisations (collectively, "licences"). Such regulatory requirements vary from time to time as a result of changes in legislation. Pursuant to the recent introduction of the Financial Advisory and Intermediary Services Act, 37 of 2002 ("the FAIS Act"), Lewis Opco will not be permitted to offer insurance policies issued by Monarch Insurance to customers after 30 September 2004 unless it has obtained a licence to act as a financial services provider, as more fully described in paragraph 17 headed "The Financial Advisory and Intermediary Services Act" on page 27 of this Prospectus. Lewis Opco made the necessary application for such a licence during June 2004. However, the outcome of the application is unknown as at the date of this Prospectus and, if refused, may have a material adverse effect on the insurance-related business of the Lewis Group. Furthermore, the costs of complying with regulatory requirements in this regard may vary over time.

Monarch Insurance is required by statute to maintain a certain level of reserves in respect of its insurance business. In addition, Monarch Insurance re-insures 40% of its insurance risk. If Monarch Insurance is unable to meet insurance claims and expenses from its reserves and reinsurance cover, the ability of the Lewis Group to conduct its business and its financial condition and result of operations may be materially adversely affected. The management of the Lewis Group believe it unlikely that Monarch Insurance will be unable to meet insurance claims and expenses from its reserves and reinsurance cover.

Investments supporting insurance business

Monarch Insurance has various investments, including equity investments and gilts, supporting its insurance business, which are managed by Sanlam Investment Management Limited. While the volatility and risks associated with these investments varies depending on the type of investment, there is a risk that the market value and return on these investments may decrease. Any decline in the market value or return on these investments is likely to negatively impact upon the net asset value of the Lewis Group and its profitability.

Changes in value of underlying assets

Due to changes in the economy and market sentiment the value of the underlying assets of the Lewis Group may either increase or decrease over time. As a result of this, the net asset value and the price at which the Lewis shares are valued may increase or decrease.

45. Risks related to major shareholder

Following completion of the Offer, GUS Holdings will hold a majority of the Lewis shares. The interests of GUS Holdings may not always co-incide with the interests of Lewis, which could inhibit the development of Lewis. GUS Holdings, as the majority shareholder, is in a position to control Lewis by virtue of the majority of votes it will have at any shareholders meeting. It can, therefore, determine matters requiring approval by shareholders and the composition of the Board and thereby exercise significant influence over Lewis' operations, business strategy, direction and policies.

46. Risks related to South Africa

Fluctuations in the value of the Rand

In recent years, the value of the Rand, as measured against the US Dollar and Pound Sterling, has been very volatile. Fluctuations in the exchange rate between the Rand and foreign currencies could have an adverse impact on the foreign currency equivalent of the share price and any dividends and distributions on Lewis shares payable in Rand.

Socio-political conditions

The Lewis Group's operations and customers are primarily located in South Africa and the political, social and economic conditions in South Africa are therefore relevant to investors in assessing a proposed investment in Lewis shares. South Africa faces many challenges in overcoming substantial inequalities in levels of social and economic development among its people. Although the South African Government has taken considerable steps in the last decade to alleviate some of the social and economic problems, certain problems still persist. While South Africa features a highly developed financial and legal infrastructure at the core of its economy, it has high levels of unemployment, poverty and crime. These problems may have a negative impact on the economy and the Lewis Group's performance in turn.

High rates of HIV/AIDS infection in Southern Africa and Africa

Southern Africa has high HIV/AIDS infection rates with South Africa having one of the highest in the world. The exact impact of increased mortality rates due to HIV/AIDS deaths on the cost of doing business in South Africa and the potential growth in the economy is unclear at this time. However employee related costs in Southern Africa are expected to increase as a result of the HIV/AIDS pandemic and the size of the South African population and retail furniture market could decline with a negative effect on the Lewis Group's sales. Furthermore, HIV/AIDS infection among the Lewis Group's employees may affect their productivity negatively and is likely to increase employee related costs. 96% of Lewis Group's customers benefit from death cover through Monarch Insurance. Should the incidence of HIV/AIDS infection amongst consumers increase beyond projected rates, this will increase the number of claims on life insurance policies issued by the Lewis Group and adversely affect its earnings in future periods.

47. Risks related to the Offer

Market fluctuations

Due to market fluctuations, the price of Lewis shares may increase or decrease over time. Accordingly, investors may realise less than their original investment.

Market liquidity

There is no assurance that the trading market for Lewis shares on the JSE will be liquid. If an active market does not develop following the Listing, the market price and liquidity of the Lewis shares may be adversely affected. The ability of a holder to sell a substantial number of Lewis shares on the JSE in a timely manner, especially by means of a large block trade, may be restricted by the limited liquidity of Lewis shares listed on the JSE.

Future sale of GUS Holdings shares in Lewis Stores

GUS Holdings will, after the Offer, continue to own the majority of the Lewis shares in issue. Sales of substantial numbers of Lewis shares by GUS Holdings or the appearance that a large number of Lewis shares are for sale, could cause the trading price of Lewis' shares to decline. GUS Holdings intends to agree with the Potential Underwriters to certain restrictions on the sale of the Lewis shares held by GUS Holdings for 365 days from the Listing Date, as described in Part G of this Prospectus under paragraph 67 headed "Underwriting" beginning on page 60 of this Prospectus, but this lock-up undertaking can be waived by the Potential Underwriters at their sole discretion.

Dividends dependent on profitability

Lewis' ability to pay dividends to shareholders is a function of its profitability. There can be no assurance that a dividend will be paid or what the timing or amount of future dividends will be. Dividends could be decreased or not paid at all if there is a decline in profitability.

Part F: Share capital

48. Share capital and share premium [8(a), 8(c) and 8(d)]

In anticipation of the Listing the GUS Group acquired from Moores Rowland Chartered Accountants the entire issued share capital of Lewis (then Rowmoor Investments 505 (Proprietary) Limited, a "shelf company"). As at the date of this Prospectus, Lewis has an authorised share capital of 150,000,000 ordinary shares of one cent each and an issued share capital of 1,000 ordinary shares of one cent each, 994 of which are held by GUS Holdings and the other six of which are held by other members of the GUS Group.

GUS Holdings has entered into a written agreement in terms of which it will, prior to the Listing, dispose of the entire issued share capital of Lewis Opco to Lewis in exchange for the issue by Lewis of 99,999,000 Lewis shares, as more fully described in paragraph 50 headed "Shares issued otherwise than for cash" on page 55 of this Prospectus. After the Restructuring, Lewis Opco will be a wholly-owned subsidiary of Lewis.

Accordingly, the authorised and issued share capital of Lewis on the Listing Date will be as follows:

	(R)
Authorised share capital	
150,000,000 ordinary shares of one cent each	1,500,000.00
Issued share capital	
100,000,000 ordinary shares of one cent each	1,000,000.00

The share premium of Lewis on the Listing Date will be determined by the price at which the Lewis Opco shares are transferred from GUS Holdings to Lewis, as described in paragraph 50 headed "Shares issued otherwise than for cash" on page 55 of this Prospectus.

The authorised and issued share capital of Lewis Opco at the date of this Prospectus, is as follows:

	(R)
Authorised share capital	
2,000,000 ordinary shares of 50 cents each	1,000,000.00
Issued share capital	
1,800,003 ordinary shares of 50 cents each	900,001.50
Share premium	675,999,998.50
Total	676,900,000.00

The unissued Lewis shares are under the control of the Directors, subject to the provisions of sections 221 and 222 of the Companies Act and the Listings Requirements.

While the Restructuring will have an effect on the authorised and issued share capital of Lewis, neither the authorised nor the issued share capital of Lewis will change as a result of the Offer.

There are no founders' or deferred shares. Other than the Lewis shares which are expected to be listed on the JSE, no securities have been issued by Lewis nor listed on any other stock exchange.

In terms of Lewis' articles of association any variation of the rights attaching to the Lewis shares will require the consent of the ordinary shareholders in general meeting, provided that any variation which directly or indirectly adversely affects the special rights or restrictions relating to the Lewis shares can only be effected with the prior written consent of shareholders holding at least 75% of the Lewis shares, or the approval of a resolution of such holders, passed, *mutatis mutandis*, as a special resolution.

In accordance with the articles of association of Lewis, at a general meeting of the shareholders of Lewis every shareholder present in person or by proxy (or, if a body corporate, duly represented by an authorised representative), shall have one vote on a show of hands, and on a poll every shareholder present in person or by proxy shall be entitled to that proportion of the total votes in Lewis which the aggregate amount of the nominal value of the shares held bears to the aggregate amount of the nominal value of all the shares issued by Lewis. Accordingly, for so long as all the shares issued by Lewis have the same nominal value, a shareholder will have one vote for each Lewis share of which that person is the registered holder. No special voting powers are reserved to any founder, vendor, Director or other person.

All authorised and issued Lewis shares, including those to be sold in terms of the Offer, will be of the same class and will rank *pari passu* in every respect. Set out in Annexure 13 to this Prospectus are extracts from the articles of association of Lewis dealing with the rights of holders of Lewis shares to dividends, profits and/or capital, including rights on liquidation and distribution of capital assets.

In terms of the articles of association of Lewis, dividends and any other payments due to holders of Lewis shares which remain unclaimed after a period of three years from the payment date shall be forfeited to Lewis.

49. Alterations to share capital and share premium [6(a)(ii) and 20(a)]

Set out below are the alterations to the share capital of Lewis which have occurred during the past three years:

- Lewis was incorporated in 2004 with an authorised share capital of R1,000, divided into 1,000 ordinary shares with a par value of R1.00 each, and an issued share capital of R10.00, divided into ten ordinary shares with a par value of R1.00 each and with no share premium;
- on 3 June 2004 Lewis sub-divided its authorised share capital into 100,000 ordinary shares with a par value of one cent each; and
- on 15 July 2004 Lewis increased its authorised share capital to R1,500,000, divided into 150,000,000 ordinary shares with a par value of one cent each and placed such authorised share capital under the control of the Directors.

As at the date of this Prospectus no share premium has been paid in respect of any Lewis shares and Lewis has not repurchased any Lewis shares.

Prior to the Listing Date, pursuant to the Restructuring, Lewis will issue 99,999,000 Lewis shares to GUS Holdings, in consideration for transfer to Lewis of the entire issued share capital of Lewis Opco, as more fully described in paragraph 50 headed "Shares issued otherwise than for cash" below.

Furthermore, the Lewis Employee Share Incentive Schemes may offer scheme participants up to a maximum of 10%, in aggregate, of the issued share capital of Lewis, as described in paragraph 53 headed "Lewis Employee Share Incentive Schemes" on page 56 of this Prospectus.

Extracts of the relevant resolutions adopted by the Shareholders and Directors of Lewis in respect of which Lewis shares have and will be issued are set out in Annexure 12 to this Prospectus.

Alterations to the share capital of Lewis Opco and each of its subsidiaries, which have occurred during the past three years, are set out in Annexure 7 to this Prospectus.

50. Shares issued otherwise than for cash [11]

As part of the Restructuring, Lewis has entered into a written agreement in terms of which it will issue 99,999,000 Lewis shares to GUS Holdings in consideration for transfer to Lewis of the entire issued share capital of Lewis Opco. For the purpose of the Restructuring the entire issued share capital of Lewis Opco will be valued at an amount equal to 100,000,000 (being the number of Lewis shares that will be in issue on the Listing Date) multiplied by the Offer Price. This value will be allocated to the par value of the Lewis shares issued and the balance to share premium.

Save as set out in the preceding paragraph, no Lewis shares were, within the two years preceding the date of this Prospectus, issued, or agreed to be issued, by Lewis or any of its subsidiaries to any person, other than for cash.

51. Options or preferential rights in respect of shares [10]

Except as contemplated in the Lewis Employee Share Incentive Schemes described in paragraph 53 headed "Lewis Employee Share Incentive Schemes" on page 56 of this Prospectus, neither Lewis nor any of its subsidiaries are party to any contract or arrangement (or proposed contract or arrangement), whereby an option or preferential right of any kind is (or is proposed to be) given to any person to subscribe for any shares in Lewis or its subsidiaries.

52. Previous offers [6(a)(iii)]

There have been no offers for subscription or sale of any shares of Lewis, Lewis Opco or any of its subsidiaries during the three years prior to the date of issue of this Prospectus.

53. **Lewis Employee Share Incentive Schemes** [10]

Lewis has put in place an incentive structure making use of five employee share incentive schemes ("the Schemes") to be administered by the Lewis Employee Share Incentive Trust for the benefit of employees (including executives and directors holding salaried employment or office) of Lewis and/or its subsidiaries from time to time. The salient features of the Schemes are set out in Annexure 10 to this Prospectus. The terms and conditions of these Schemes are substantially in line with the employee share incentive schemes implemented by other companies within the GUS Group internationally.

The maximum aggregate number of ordinary shares in Lewis (whether issued or unissued) which may be utilised for the Schemes at any time shall not exceed a number equal to 10% of the issued share capital of Lewis. The maximum number of shares which may be acquired by any employee under the Schemes shall not exceed 3% of the issued share capital of Lewis from time to time.

The five Schemes are as follows:

- the Lewis Executive IPO Restricted Share Scheme;
- the Lewis All Employee Share Scheme;
- the Lewis Executive Share Option Scheme;
- the Lewis Co-Investment Scheme; and
- the Lewis Executive Performance Share Scheme.

Each of the five Schemes has different terms and conditions relating, *inter alia*, to the criteria to qualify as a participant, how and when the vesting of the awards or options operates, the amount (if any) payable in respect of the awards or options and whether any performance conditions are applicable or not. No vesting of any of the shares or options awarded occurs on the date of the Listing.

To cater for awards and options granted before the Listing, GUS Holdings has undertaken to transfer to the Lewis Employee Share Incentive Trust up to a maximum of 4% of the Lewis shares as at the Listing Date for no consideration. Such Lewis shares will be transferred by GUS Holdings, as and when required, in order for the Lewis Employee Share Incentive Trust to meet its obligations under any options or awards granted prior to the Listing under the Lewis Executive IPO Restricted Share Scheme, the Lewis All Employee Share Scheme or the Lewis Executive Share Option Scheme, as the case may be. These shares are intended for those employees and executives who are employed by the Lewis Group at the time of Listing. This undertaking will not cover any awards or options granted in terms of the Schemes after the Listing.

Awards that are granted under the Lewis Executive IPO Restricted Share Scheme will be "once-off" awards granted to the qualifying participants prior to the Listing, which awards are intended to reward members of the senior management of the Lewis Group for their contribution in taking Lewis to the Listing. Awards or options granted to the Lewis All Employee Share Scheme or the Lewis Executive Share Option Scheme may be made prior to and after the Listing.

In this regard, A J Smart has been granted options for Lewis shares to the value of R6,144,000 under the Lewis Executive Share Option Scheme at an option price equal to the Offer Price and awards to the value of R6,144,000 under the Lewis Executive IPO Restricted Share Scheme for no consideration. The Lewis Group's senior management has also been granted options and awards in terms of these two Schemes. The senior management of the Lewis Group (excluding A J Smart) have in aggregate been granted options to the value of R12,645,905 under the Lewis Executive Share Option Scheme at the Offer Price and awards to the value of R14,103,857 under the Lewis Executive IPO Restricted Share Scheme for no consideration. All of the abovementioned values are based on the Offer Price and, accordingly, the number of shares awarded or being the subject matter of the option under the aforementioned Schemes is the stated value in each case divided by the Offer Price for one Lewis share.

Other employees of the Lewis Group have been granted, in aggregate:

- options to the value of R3,997,400 at the Offer Price under the Lewis Executive Share Option Scheme;
- awards for no consideration to the value of R18,176,101 under the Lewis Executive IPO Restricted Scheme; and
- awards for no consideration to the value of R34,543,000 under the Lewis All Employee Share Scheme.

The number of Lewis shares which are the subject matter of the above awards or options is dependent on the Offer Price as described above. The total value of the allocations are as follows:

- the Lewis Executive Share Option Scheme – R22,787,305;
- the Lewis Executive IPO Restricted Scheme – R38,423,958; and
- the Lewis All Employee Share Scheme – R34,543,000.

54. Purpose of the Offer and Listing [7]

The main purposes of the Offer and the Listing are to:

- enable GUS plc to become more focused on its core business in developed markets;
- enhance GUS plc shareholder value;
- enhance the public profile and general public awareness of the Lewis Group;
- provide Lewis Group with a further source from which capital can be raised, if required, to facilitate future expansion;
- afford institutions, private clients, other business associates of the Lewis Group and members of the public the opportunity to participate directly in the equity of Lewis; and
- attract and retain high quality staff by affording employees of the Lewis Group the opportunity to participate further in the equity and future growth of the Lewis Group.

55. The Offer [18(a)]

The Offer comprises an offering by GUS Holdings of up to 39,999,999 Lewis shares, at the Offer Price, to:

- institutional investors in South Africa;
- the private clients of Investec Securities in South Africa; and
- Selected Foreign Institutions.

The Offer is conditional on the Underwriting Agreement being concluded and becoming unconditional; the approval by the Registrar of Short-Term Insurance of the transfer of all the issued Lewis Opco shares to Lewis pursuant to the Restructuring being obtained; such transfer occurring; and the listing of all the issued Lewis shares on the JSE, failing which the Offer and any acceptance thereof shall not be of any force or effect and no person shall have claim whatsoever against the Offeror, the Potential Underwriters or any other person as a result of the failure of any condition. JSE approval of the Listing is conditional on all the issued Lewis Opco shares being transferred to Lewis pursuant to the Restructuring and the attainment of a spread of shareholders acceptable to the JSE.

All Lewis shares (including the Offer Shares) that are in issue as of the date of this Prospectus will rank *pari passu* in all respects.

To the extent that this Prospectus is provided to persons outside South Africa, recipients are referred to the "Important legal notes" beginning on page 2 of this Prospectus. This Prospectus and the Offer do not constitute an offer in or from any jurisdiction where the Offer, or dissemination, of this Prospectus, may be illegal or fails to conform to the laws of such jurisdiction ("Affected Jurisdiction"). To the extent that this Prospectus may be sent to any Affected Jurisdiction, it is provided for information purposes only. Persons in Affected Jurisdictions may not accept the Offer. No person accepting the Offer should use the mail of any such Affected Jurisdiction nor any other means, instrumentality or facility in such Affected Jurisdiction for any purpose, directly or indirectly, relating to the Offer. It shall be the responsibility of any persons resident in a jurisdiction outside of South Africa to inform themselves about, and observe, any applicable legal requirements in the relevant jurisdiction.

56. Time and date of the opening and closing of the Offer [19]

The Offer opens at 09:00 on Tuesday, 14 September 2004 and is expected to close at 24:00 on Thursday, 30 September 2004. Indications of interest for the purposes of the bookbuilding process referred to below in paragraph 57 headed "Offer Price" will be received up until 17:00 on 29 September 2004. Any changes to these dates and times will be announced on SENS and published in the South African press.

57. Offer Price [18(a)]

It is estimated that the price for the Offer Shares will be between R26.00 and R30.00 per Offer Share. The Offer Price may, however, be outside of the price range. The Offer Price will be exclusive of UST and will be payable in full in Rands without deduction or set-off. The UST due on the transfer of the Offer Shares will be paid by the Offeror.

The Bookrunner is seeking indications of interest from institutional investors to acquire the Offer Shares as part of a "book-building" process. Following this book-building process, the Offer Price will be determined by the Bookrunner after consultation with the Offeror and Lewis either prior to or on the Closing Date and will be announced on SENS on Thursday, 30 September 2004 and in the South African press on Friday, 1 October 2004. Any change to these dates and times will likewise be announced on SENS and in the South African press.

Among the factors which may be considered by the Bookrunner in determining the Offer Price are Lewis' historical and expected results of operations, an assessment of the investment markets' valuation of comparable companies, the prevailing market conditions, the demand for the Offer Shares and the prices at which investors bid to acquire the Offer Shares during the bookbuilding process and the desire to establish an orderly after-market in the Lewis shares.

58. Participation in the Offer [18(a)]

Institutional investors and Investec Securities on behalf of Investec Securities private clients may participate in the Offer. An institutional investor wishing to participate in the Offer should contact the Bookrunner prior to the cut-off time for providing indications of interest referred to in paragraph 56 headed "Time and date of the opening and closing of the Offer", on page 57 of this Prospectus.

Investec Securities private clients wishing to participate in the Offer may only do so through Investec Securities acting as their agent and should contact Investec Securities timeously in order for Investec Securities to carry out any necessary compliance procedures and make the application on their behalf in accordance with the agreement between them and Investec Securities. Investec Securities contact details are as follows:

Investec Securities Limited
100 Grayston Drive
Sandown
Sandton
2196
Tel: +27 11 286 4500 or +27 11 286 4700
Fax: +27 11 286 9595

Investec Securities is not an agent of the Offeror, Lewis or the Potential Underwriters.

59. Representation

Any person applying for or accepting an offer of Offer Shares shall be deemed to have represented to Lewis, the Offeror and the Potential Underwriters that such person was in possession of a copy of this Prospectus at that time. Any person applying for or accepting an offer of Offer Shares on behalf of another shall be deemed to have represented to the Offeror and the Potential Underwriters that such person is duly authorised to do so and warrants that such person and the purchaser for whom such person is acting as agent is duly authorised to do so in accordance with all relevant laws and such person guarantees the payment of the Offer Price and that a copy of this Prospectus was in the possession of the purchaser for whom they are acting as agent.

60. Allocation

The basis of allocation of the Offer Shares will be determined by the Bookrunner in its sole discretion, after consultation with the Offeror and Lewis. It is intended that notice of the allocations will be given on or before Thursday, 30 September 2004. Applicants may receive no Lewis shares or fewer than the number of Lewis shares applied for. Any dealing in Lewis shares prior to delivery of the Lewis shares is at the risk of the applicant.

61. Dematerialisation of Offer Shares

The Offer Shares will be transferred from the Offeror to successful applicants in Dematerialised form only. Accordingly, all successful applicants must appoint a CSDP, directly or through a broker, to receive and hold the Dematerialised Shares on their behalf. Should a shareholder require a physical share certificate for its Lewis shares, it will have to materialise its Lewis shares following the Listing and should contact its CSDP to do so. It is noted that there are risks associated with holding shares in certificated form, including the risk of loss or tainted script, which are no longer covered by the JSE Guarantee Fund. All shareholders who elect to convert their Dematerialised Shares into Certificated Shares will have to dematerialise their Lewis shares should they wish to trade them under the terms of STRATE (see paragraph 65 headed "STRATE" beginning on page 59 of this Prospectus).

Each applicant's duly appointed CSDP or broker will receive the Dematerialised Shares on its behalf against payment of the Offer Price by the applicant's CSDP, which is expected to occur on Monday, 4 October 2004 during the STRATE settlement runs.

62. Payment and delivery of Offer Shares

Each successful applicant must, as soon as possible after being notified of an allocation of Offer Shares, forward to:

- its CSDP, all information required by the applicant's CSDP and instruct its CSDP to pay, against delivery of the applicant's allocation of Offer Shares, the aggregate price for such Offer Shares to the designated account of UBS. Such information and instructions must be confirmed to the applicant's CSDP no later than 14:00, two business days (expected to be Thursday, 30 September 2004) prior to the Settlement Date; and
- the Bookrunner, details of its CSDP, the name of the account holder and number of shares and such other information as is required by the Bookrunner's CSDP in order to effect delivery of the relevant Offer Shares. Such information must be confirmed to the Bookrunner no later than 13:00, two business days (expected to be Thursday, 30 September 2004) prior to the Settlement Date.

By no later than 17:00 on Friday, 1 October 2004, each applicant must place its funds with its CSDP or make other necessary arrangements to enable its CSDP to make payment for the allocated Offer Shares on Settlement Date, in accordance with each applicant's agreement with its CSDP.

The applicant's CSDP must commit in STRATE to the receipt of the applicant's allocation of Offer Shares against payment by no later than 17:00 on Friday, 1 October 2004.

On the Settlement Date (which is expected to be Monday, 4 October 2004), the applicant's allocation of Offer Shares will be credited to the applicant's CSDP or broker against payment during the STRATE settlement runs which occur throughout the day.

63. Exchange Control Regulations

Currency and shares are not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations of the South African Reserve Bank as described more fully in Part H of this Prospectus. The Exchange Control Regulations also regulate the acquisition by former residents and non-residents of Offer Shares. Applicants who are resident outside the Common Monetary Area should seek advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable an acceptance of the Offer.

64. Applicable law

The Offer, applications, allocations and acceptances will be exclusively governed by the laws of South Africa and each applicant will be deemed, by applying for Lewis shares, to have consented and submitted to the jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the Offer.

65. STRATE

Ordinary shares may only be traded on the JSE in electronic form (Dematerialised Shares) and will be trading for electronic settlement in terms of STRATE immediately following the Listing.

STRATE is a system of "paperless" transfer of securities. If you have any doubt as to the mechanics of STRATE please consult your broker, CSDP or other appropriate adviser and you are referred to the STRATE website at http://www.strate.co.za. Some of the principal features of STRATE are as follows:

- electronic records of ownership replace share certificates and physical delivery of certificates;
- trades executed on the JSE must be settled within five business days;
- all investors owning Dematerialised Shares or wishing to trade their securities on the JSE are required to appoint either a broker or a CSDP to act on their behalf and to handle their settlement requirements; and
- unless investors owning Dematerialised Shares specifically request their CSDP to register them as an "own name" shareholder (which entails a fee), their CSDP's or broker's nominee company, holding shares on their behalf, will be the shareholder (member) of the relevant company and not the investor. Subject to the agreement between the investor and the CSDP or broker (or the CSDP's or broker's nominee company),

generally in terms of the rules of STRATE, the investor is entitled to instruct the CSDP or broker (or the CSDP's or broker's nominee company), as to how it wishes to exercise the rights attaching to the shares and/or to attend and vote at shareholders meetings.

66. Listing of Lewis shares on the JSE [23]

The JSE has approved the Listing of all the Lewis shares in the "General Retailers" sector of the JSE list under the abbreviated name "Lewis", symbol "LEW" and ISIN "ZAE000058236" subject to the transfer of all the Lewis Opco shares to Lewis pursuant to the Restructuring prior to the Listing Date and the attainment of a spread of shareholders acceptable to the JSE. The Listings Requirements require a free float of 20% of the Lewis shares in issue. Should such conditions be fulfilled, the Listing is expected to be effective from the commencement of business on Monday, 4 October 2004.

67. Underwriting

As at the date of this Prospectus, no underwriting agreement has been concluded in respect of the Offer. However, Lewis, the Offeror, GUS plc and the Potential Underwriters intend to enter into the Underwriting Agreement in connection with the Offer once the Offer Price has been determined in accordance with paragraph 57 headed "Offer Price" beginning on page 57 of this Prospectus. If the Underwriting Agreement is concluded, the Offeror will, subject to the terms and conditions described in the Underwriting Agreement, agree to sell the Offer Shares and the Potential Underwriters will agree, severally and not jointly, to procure purchasers for, or failing that, to purchase themselves the Offer Shares, at the Offer Price in accordance with their respective underwriting commitments. The commitments of the respective Potential Underwriters will, if the Underwriting Agreement is concluded and becomes unconditional, be as follows:

- UBS South Africa (Proprietary) Limited – 75% of the Offer Shares;
- Investec Bank – 12.5% of the Offer Shares; and
- Cazenove – 12.5% of the Offer Shares.

The Underwriting Agreement will, if concluded, provide that if one of the Potential Underwriters defaults, the purchase commitments of non-defaulting Potential Underwriters may be increased.

Pursuant to the Underwriting Agreement, if concluded, the Bookrunner as the representative of the Potential Underwriters will have the right to terminate the Underwriting Agreement under specified circumstances upon written notice to Lewis, the Offeror and GUS plc at any time after conclusion of the Underwriting Agreement but before the Settlement Date. These circumstances include the following:

- any statement contained in this Prospectus being untrue, incorrect or misleading in any material respect;
- a breach by Lewis, the Offeror and/or GUS plc of any warranty or any other provision of the Underwriting Agreement;
- Lewis, the Offeror and/or GUS plc failing to take certain remedial actions and/or to notify the Bookrunner and the other Potential Underwriters of the occurrence of certain events;
- the occurrence of any event or omission which, in the opinion of the Bookrunner, is or may be prejudicial to Lewis, the Offeror, the successful outcome of the Offer and/or the acquisition of Offer Shares by persons other than the Potential Underwriters;
- the occurrence of any event of *vis major, casus fortuitus* or *force majeure*, the effect of which, in the judgement of the Bookrunner, makes it impractical or inadvisable to proceed with the Offer; and/or
- the occurrence of any suspension, limitation or disruption of or in securities trading activities, banking activities and/or clearance or settlement activities in New York, London or Johannesburg or any change in South African or other taxation affecting the Lewis Group, the effect of which, in the judgement of the Bookrunner, makes it impractical or inadvisable to proceed with the Offer.

The Bookrunner is acting as bookrunner and, pursuant to the Underwriting Agreement, if concluded, will be one of the Potential Underwriters of the Offer and is the representative of the other Potential Underwriters.

The following are the Potential Underwriters:

UBS South Africa (Proprietary) Limited	
Registration number	1995/011140/07
Registered office	64 Wierda Road East, Wierda Valley, Sandton, 2196, South Africa
Directors	R W J Hardie W Lawson-Turnbull B Johnson A Bernard C Niehaus G M Mbetse
Investec Bank Limited	
Registration number	1969/004763/06
Registered office	100 Grayston Drive, Sandown, Sandton, 2196, South Africa
Directors	D M Lawrence G R Burger B Kantor S Koseff B Tapnack H S Herman S E Abrahams D E Jowell M P Malungani D R Motsepe Dr M Z Nkosi P R S Thomas F Titi R A P Upton
Cazenove South Africa (Proprietary) Limited	
Registration number	1998/011736/07
Registered office	1st Floor, Moorgate, 6 North Road, Dunkeld Office Park, Dunkeld West, Johannesburg, 2196, South Africa
Directors	R M Pickering M Wentworth-Stanley A T Carruthers R A Lederle P D Brooke R B Kruger G C Butcher J B R Wentzel T P Leeuw

If the Underwriting Agreement is concluded, the Offeror intends to grant the Potential Underwriters, an option to purchase from the Offeror, on the same terms and conditions as those applicable to the sale of the Offer shares pursuant to this Prospectus, additional Lewis shares not exceeding in aggregate 15% of the number of Offer Shares sold ("Underwriters Option"). The aggregate of Lewis shares sold in terms of the Offer and the Underwriters Option shall be less than 46% of the aggregate Lewis shares in issue. If granted, the Underwriters Option may be exercised, in whole or in part, on or before 30 days from the Settlement Date, solely to cover over-allotments, if any, in connection with the Offer.

Pursuant to the Underwriting Agreement, if concluded, the total underwriting commissions to be paid to the Potential Underwriters by the Offeror will be 2% of the enterprise value of Lewis attributable to the number of Lewis shares sold in the Offer. The enterprise value of Lewis will be the market capitalisation of Lewis on the Listing Date plus the principal amount of the indebtedness (other than trade creditors) of the Lewis Group at such time. In addition to the above fees, the Offeror may decide to pay to the Potential Underwriters an additional discretionary incentive commission of up to 0.5% of the enterprise value of Lewis attributable to the number of shares sold in the Offer on the basis of overall performance of the Potential Underwriters in respect of the Offer.

Pursuant to the Underwriting Agreement, if concluded, GUS plc, the Offeror and Lewis will jointly and severally indemnify the Potential Underwriters against certain liabilities, losses and expenses and contribute to payments the Potential Underwriters may be required to make in respect of those liabilities, losses and expenses, as is standard practice in an underwriting agreement of this nature.

The Offeror and Lewis intend to agree with the Potential Underwriters that, without the prior written consent of the Bookrunner on behalf of the Potential Underwriters, it will not, during the period ending 365 days after the Listing Date, except in terms of the Lewis Employee Share Incentive Schemes and pursuant to the Underwriters Option as contemplated in the Underwriting Agreement as described above and in paragraph 68 headed "Over-allotment" below:

- issue, offer, pledge, sell, contract to sell, grant any option to purchase or otherwise dispose of any Lewis shares or any securities convertible into or exercisable or exchangeable for Lewis shares;
- deposit any Lewis shares or any securities convertible into or exchangeable or exercisable for Lewis shares in any depository receipt facility; or
- enter into any swap or similar arrangement that transfers to another, in whole or in part, the economic risk of ownership of the Lewis shares or any securities convertible into or exchangeable or exercisable for any such Lewis shares.

Prior to the Offer, there has been no public market for the Lewis shares. The Offer Price will be determined in accordance with paragraph 57 headed "Offer Price" beginning on page 57 of this Prospectus.

From time to time, in the ordinary course of their respective businesses, the Potential Underwriters and their affiliates have and may in the future engage in commercial or investment banking transactions with the Offeror and Lewis.

No promoter, Director or officer of Lewis has any beneficial interest, direct or indirect, in any of the Potential Underwriters.

68. Over-allotment

In connection with the Offer, the Bookrunner may, for the account of the Potential Underwriters, over-allot or effect transactions with a view to supporting the market price of the Lewis shares at a higher level than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation for the Bookrunner to do so. Such stabilising action, if commenced, may be discontinued at any time, provided two business days notice is given to the JSE, but may under no circumstances continue beyond the 30th calendar day after the Listing Date. The Bookrunner will act as the sole stabilisation manager in connection with the Offer. The Bookrunner may allocate more Lewis shares than the Offeror is obliged to sell under the Underwriting Agreement, creating a short position. The short sale is covered if the short position is no greater than the number of Lewis shares available for purchase under the Underwriters Option. The Bookrunner may close out a covered short sale by exercising the Underwriters Option or purchasing Lewis shares in the open market.

If the Underwriting Agreement is concluded, the Potential Underwriters may also borrow Lewis shares from the Offeror under the share lending arrangement to enable the Potential Underwriters to satisfy their delivery obligations in connection with over-allotments and syndicate short positions. This arrangement will be limited to the size of the Underwriters Option. Lewis shares borrowed under this arrangement will be returned through the exercise of the Underwriters Option or purchases of Lewis shares in the market or otherwise.

Save as is required by the Listings Requirements, the Potential Underwriters do not intend to disclose to the public the extent of any stabilising transactions or the amount of any long or short position.

Part H: Tax and exchange control

69. Taxation issues

The following is a summary of the material South African tax consequences in connection with the acquisition, ownership and disposal of shares. The following summary is not a comprehensive description of all of the tax considerations that may be relevant to a decision to acquire, purchase, own or dispose of the Lewis shares and does not cover tax consequences that depend upon your particular tax circumstances or jurisdictions outside of South Africa. This discussion is only a general discussion, it is not a substitute for tax advice.

It is recommended that you consult your own tax adviser about the consequences of holding the Lewis shares, as applicable, in your particular situation. The discussion in this section is based on current law. Changes in the law may alter the tax treatment of the Lewis shares, as applicable, possibly on a retro-active basis.

Residence based system of taxation

Since 1 January 2001 South Africa has moved from a largely source based to a residence based system of taxation.

Residents of South Africa are taxed on their world-wide income and capital gains, whereas non-residents are taxed only on income and certain capital gains sourced in South Africa or deemed to be from a source in South Africa.

Individuals

An individual will be a resident of South Africa for tax purposes if:

- such individual is ordinarily resident in South Africa. This term is not defined in the South African Income Tax Act, 58 of 1962 ("the Income Tax Act"), and therefore its meaning is determined according to guidelines established by the courts. Generally, a person's ordinary residence will be, "the country to which he would naturally and as a matter of course return from his wandering; as contrasted with other lands it might be called his usual or principal residence and it would be described more aptly than other countries as his real home"; or
- the requirements of the physical presence test are met. This is determined with reference to the number of days spent by the individual in South Africa during a four-year period.

Legal persons (company, close corporation and trust)

As regards legal persons, a resident is defined in the Income Tax Act as any person which is incorporated, established or formed in South Africa or which has its place of effective management in South Africa. Reference can be made to 'Income Tax Interpretation Note 6 – Resident: Place of Effective Management' issued on 26 March 2002 which details the approach adopted by SARS.

General proviso regarding treaty resident persons

The Income Tax Act excludes from the definition of resident all persons (legal or natural) that are deemed to be exclusively resident in another country in terms of an agreement for the avoidance of double taxation to which South Africa is a party.

Dividend income

Dividends declared by a South African company are exempt from tax in the hands of the recipient. Non-resident shareholders' tax ("NRST") was abolished with effect from 1 October 1995, and currently there is no withholding tax on dividends paid by a South African company to its shareholders, whether or not they are resident in South Africa.

However, a Secondary Tax on Companies ("STC") is levied on the distribution of after-tax profits by way of a dividend, subject to certain exemptions. STC is triggered by the declaration of a dividend and is levied at 12.5%, bringing the effective company tax rate to 37.78%.

STC is a tax on the declaring company, not the recipient shareholder. Relief is therefore not provided by most double taxation agreements entered into by South Africa.

Disposal of shares

The disposal of shares will give rise to either a capital or revenue receipt or accrual in the hands of the taxpayer. In determining whether the income derived from the disposal of such shares is of a capital or revenue nature, the South African tax authorities and courts look at, among other things, the intention of the holder of the shares to determine whether the disposal gave rise to a capital or revenue profit. Profits derived from the disposal of South African shares held as long-term investments are generally regarded as profits of a capital nature and are not subject to South African income tax.

Subject to certain relief under double taxation agreements, if a non-resident shareholder trades in South African shares, such non-resident shareholder could be subject to South African income tax if the proceeds from the disposal would be seen as being from a South African source, which would generally be the case where the trading activities take place in South Africa.

Capital Gains Tax ("CGT")

Residents of South Africa are (subject to certain relief under double taxation agreements) subject to CGT in respect of gains made on the disposal of their world-wide assets.

Non-residents will incur liability for CGT only in relation to fixed property situated in South Africa, assets of a South African permanent establishment or shares in companies that are primarily South African fixed property owning. As this should not be the case in the present circumstances, the disposal of Lewis shares by a non-resident shareholder should not be subject to CGT in South Africa.

The following table sets out the prescribed portion of a capital gain that would be included in a taxpayers' taxable income, the normal tax rates applicable to certain taxpayers and, consequently, the effective rate at which capital gains are taxed:

Type of taxpayer	Prescribed portion of the capital gain included in taxable income expressed as a percentage	Statutory income tax rate (%)	Effective rate (%)
Individuals	25	0–40	0–10
Trusts			
• Special	25	0–40	0–10
• Other	50	40	20
Life assurers			
• Individual policyholder fund	25	30	7.5
• Company policyholder fund	50	30	15
• Corporate fund	50	30	15
• Untaxed policyholder fund	0	0	0
Companies	50	30	15
Permanent establishments (branches)	50	35	17.5
Collective investment schemes	0–50	0–30	0–15

Corporate tax

The corporate tax rate is 30% of taxable income.

Additionally, STC is payable by resident companies of South Africa at a rate of 12.5% calculated on the net amount of dividends declared by a company during any dividend cycle, leading to an effective maximum tax rate on companies of 37.78%.

Uncertificated Securities Tax

The Lewis shares will be both certificated and uncertificated. Uncertificated securities tax is imposed in respect of the issue of, and every change in beneficial ownership of, any listed securities, at the rate of 0.25% of the taxable amount of such securities being the value or consideration given for the shares, determined in the South African Uncertificated Securities Tax Act, 1998 (Act 31 of 1998).

70. Exchange control

The following is a summary of the material South African Exchange Control regulations, which has been derived from publicly available documents. The following summary is not a comprehensive description of all of the South African Exchange Control Regulations ("Exchange Control Regulations") and does not cover Exchange Control consequences that depend upon your particular circumstances. We recommend that you consult your own adviser about the Exchange Control consequences in your particular situation. The discussion in this section is based on the current South African law and regulations. Changes in the law may alter the Exchange Control provisions that apply to you, possibly on a retro-active basis.

Introduction

Dealing in foreign currency, the export of capital and/or revenue, incurring of liabilities by residents to non-residents and various other Exchange Control matters in South Africa are regulated by the Exchange Control Regulations. Pursuant to the Exchange Control Regulations, the control over South African capital and/or revenue reserves, as well as their accruals and spending, is vested in the Minister of Finance.

The Exchange Control Department of the South African Reserve Bank ("Excon") is responsible for the day-to-day administration and functioning of Exchange Controls. Excon has wide discretion but exercises its powers within certain policy guidelines. Within prescribed limits, authorised dealers in foreign exchange are permitted to deal in foreign exchange. Such dealings in foreign exchange by authorised dealers are undertaken in accordance with the provisions and requirements of the Exchange Control rulings, which rulings are issued by Excon, as the delegate of the Minister of Finance, and contain certain administrative measures, as well as conditions and limits applicable to transactions in foreign exchange, which may be undertaken by authorised dealers. Non-residents have been granted general approval, pursuant to the rulings, to deal in South African assets and to invest and disinvest in South Africa.

South Africa's Exchange Control Regulations provide for restrictions on exporting capital from the Common Monetary Area. Transactions between residents of the Common Monetary Area, including companies, and non-residents are subject to these Exchange Control Regulations.

The South African Minister of Finance has indicated that all remaining Exchange Controls are likely to be dismantled as soon as circumstances permit. There has, since 1996, been a gradual relaxation of Exchange Controls. The gradual approach to the abolition of Exchange Controls adopted by the Government of South Africa is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time. The stated objective of the authorities is equality of treatment between residents and non-residents with respect to inflows and outflows of capital. The focus of regulation, subsequent to the abolition of Exchange Controls, is expected to favour the positive aspects of prudent financial supervision. It is not possible to predict when existing Exchange Controls will be abolished or modified by the South African Government in the future.

The present Exchange Control system in South Africa is used principally to control capital movements. South African companies are not permitted to maintain foreign bank accounts and, without the approval of Excon, are generally not permitted to export capital from South Africa or hold foreign currency. In addition, South African companies are required to obtain the approval of Excon prior to raising foreign funding on the strength of their South African balance sheets, which would permit recourse to South Africa in the event of defaults. Where 75% or more of a South African company's capital, voting power, power of control or earnings is, directly or indirectly, controlled by or payable to non-residents, such a company is designated an affected person by the South African Reserve Bank and certain restrictions are placed on its ability to obtain local financial assistance. These local borrowing restrictions apply with reference to the company's effective capital, which includes, *inter alia*, share capital and approved foreign shareholder's loans.

An affected company may not raise loan finance from South African sources in excess of an amount determined in accordance with the following formula:

$$\text{Max amount} = \text{Effective capital} \times \left\{ 300\% + \frac{\%\ \text{SA participation} \times 100}{\%\ \text{Non-resident participation}} \right\}$$

If after implementation of the Offer, GUS Holdings (together with other non-residents), directly or indirectly, holds more than 75% of the Lewis shares in issue, then Lewis will remain an affected person, and the restrictions will continue to apply to Lewis.

Foreign investment and outward loans by South African companies are also restricted. In addition, without the approval of Excon, South African companies are generally required to repatriate to South Africa profits of foreign operations and are limited in their ability to utilise profits of one foreign business to finance operations of a different foreign business. South African companies establishing subsidiaries, branches, offices or joint ventures abroad are generally required to submit financial statements on these operations to Excon on an annual basis. As a result, a South African company's ability to raise and deploy capital outside the Common Monetary Area is restricted.

Although Exchange Controls have been gradually relaxed since 1996, unlimited outward transfers of capital are not permitted at this stage. Some of the more salient changes to the South African Exchange Control provisions over the past few years have been as follows:

- companies wishing to invest in countries outside the Common Monetary Area may, in addition to what is set out below, apply for permission to enter into corporate asset/share swap and share placement transactions to acquire foreign investments. The latter mechanism entails the placement of the locally quoted company's shares with long-term overseas holders who, in payment for the shares, provide the foreign currency abroad which the company then uses to acquire the target investment. Since February 2001, institutional investors are no longer entitled to make use of the asset swap mechanism but are entitled to invest either 15% or 20%, depending on the type of institutional investor, of total assets in foreign investments;
- companies wishing to establish new overseas ventures are permitted to transfer offshore up to R1 billion to finance approved investments abroad and up to R2 billion per new investment to finance approved new investments in Africa. However, the approval of Excon is required in advance. On application to Excon, companies are also allowed to use part of their local cash holdings to finance up to 20% of approved new foreign investments where the cost of these investments exceeds the current limits. In addition, South African companies may utilise part of their cash holdings in South Africa to repay up to 20% of outstanding foreign debt raised to finance foreign investments, provided the facility is for a minimum period of two years; and
- remittance of directors' fees payable to persons permanently resident outside the Common Monetary Area may be approved by authorised dealers, pursuant to the rulings.

Authorised dealers in foreign exchange may, against the production of suitable documentary evidence, provide forward cover to South African residents in respect of fixed and ascertained foreign exchange commitments covering the movement of goods.

Persons who emigrate from South Africa are entitled to take limited amounts of money out of South Africa as a settling-in allowance. The balance of the emigrant's funds will be blocked and held under the control of an authorised dealer. These blocked funds may only be invested in:

- blocked current, savings, interest bearing deposit accounts in the books of an authorised dealer in the banking sector;
- securities listed on the JSE and financial instruments listed on the Bond Exchange of South Africa which are deposited with an authorised dealer and not released, except temporarily for switching purposes, without the approval of Excon. Authorised dealers must at all times be able to demonstrate that listed securities or financial instruments which are Dematerialised or immobilised in a central securities depository are being held subject to the control of the authorised dealer concerned;
- mutual funds units; or
- the South African Futures Exchange.

Aside from the investments referred to above, blocked Rand may only be utilised for very limited purposes. Capitalisation shares and dividends declared out of capital gains or out of income earned prior to emigration remain subject to the blocking procedure. The Minister of Finance stated recently that the South African Government is expected to allow the release of emigrant blocked assets by way of allowing the relevant emigrants, on application to Excon and subject to an agreed exiting schedule and exit charge of 10%, to transfer such blocked assets out of South Africa.

Sale of ordinary shares

Under present Exchange Control Regulations, subject to Excon approval of the original acquisition of ordinary shares of a South African company by a non-resident, such shares are freely transferable outside the Common Monetary Area between non-residents, subject to any restrictions imposed by the laws applicable to such non-residents in their country of residence. In addition, the proceeds from the sale of ordinary shares on the JSE on behalf of shareholders who are not residents of the Common Monetary Area are freely remittable to such shareholders. In regard to shares held by non-residents, in the case of Certificated Shares, the share certificates will be endorsed with the words “non-resident” and, in the case of Dematerialised shares, an appropriate electronic entry will be made in the relevant register reflecting a “non-resident” endorsement.

Dividends

Dividends declared in respect of ordinary shares held by a non-resident in a company whose shares are listed on the JSE are freely remittable, in terms of the rulings of Excon.

Any cash dividends paid by Lewis are expected to be paid in Rand. Holders of ordinary shares on the relevant record date will be entitled to receive any dividends payable in respect of the Lewis shares.

Shareholders who are not residents of the Common Monetary Area who are in receipt of scrip dividends and who elect to dispose of the relevant ordinary shares, may remit the proceeds arising from the sale of the relevant ordinary shares.

Lewis shares acquired using blocked Rands

In terms of the Exchange Control Regulations, a former resident of South Africa who has emigrated from the Common Monetary Area may use emigrant blocked funds to purchase Lewis shares pursuant to this Prospectus.

All payments in respect of applications for Lewis shares by emigrants using emigrant blocked funds must be made through the authorised dealer in foreign exchange controlling the blocked assets.

In regard to any Lewis shares purchased with emigrant blocked funds pursuant to this Prospectus, in the case of Dematerialised shares, an appropriate electronic entry will be made in the relevant register reflecting a “non-resident” endorsement and, in the case of Certificated Shares the share certificates reflecting the Lewis shares purchased will be endorsed “non-resident”. Share certificates will be placed under the control of the authorised dealer through whom the payment was made.

If applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for Lewis shares pursuant to this Prospectus emanating from emigrant blocked fund account, will, subject to the terms of the Prospectus, be returned to the authorised dealer through whom payments were made for credit to such applicant’s blocked account.

Lewis shares acquired by non-residents

Persons resident outside the Common Monetary Area applying for Lewis shares pursuant to this Prospectus should note that while there are no restrictions similar to those placed on emigrants using blocked funds, in regard to Lewis shares acquired by non-residents pursuant to this Prospectus, in the case of Certificated Shares, the share certificates will be endorsed with the words “non-resident” and, in the case of Dematerialised shares, an appropriate electronic entry will be made in the relevant register reflecting a “non-resident” endorsement.

71. Information on subsidiaries [6(e)(i)]

Details of Lewis Opco and its subsidiaries are set out in Annexure 7 to this Prospectus.

72. Principal immovable property owned or leased [6(c)]

The Lewis Group owns 64 properties and leases 419 properties. Details of the principal immovable properties owned or leased by the Lewis Group are set out in Annexure 8 to this Prospectus. None of the Directors have any material interest in any of the immovable properties owned or leased by the Lewis Group.

73. Property and subsidiaries acquired or to be acquired and vendors [12 and 17(b)]

Set out in Annexure 9 to this Prospectus are details of:

- the material acquisitions in the three years preceding the date of this Prospectus or the proposed acquisition by the Lewis Group of any securities in, or the business undertakings of, any other company or business enterprise or any immovable properties or other property in the nature of fixed assets (collectively "property"); and
- any option to acquire property.

None of the Directors or the promoters have a material beneficial interest in any such property acquired or proposed to be acquired.

74. Disposal of property

No material property, as defined in paragraph 73 headed "Property and subsidiaries acquired or to be acquired and vendors" of this Prospectus above, has been disposed of during the past three years and, as at the date of this Prospectus, the Lewis Group does not intend to dispose of any such property.

75. Interests of advisers and promoters [13 and 17(a)]

None of the advisers, as set out in the "Corporate information" section beginning on page 4 of this Prospectus, hold any shares in or have agreed to acquire any shares in Lewis. However, the Potential Underwriters may be granted the Underwriters Option as set out in paragraph 67 headed "Underwriting" beginning on page 60 of this Prospectus for the purposes of covering over-allotments made in connection with the Offer.

The Lewis Group has not paid any amount, (whether in cash or in securities) nor given any benefit to any promoters or any partnership, syndicate or other association of which the promoter was a member, not being a Director or the Offeror during the three years preceding the date of this Prospectus. Save for the interests of the Directors set out in Part D of this Prospectus and paragraph 53 headed "Lewis Employee Share Incentive Schemes" on page 56, the Offeror and the Lewis Group as disclosed in this Prospectus, no promoters have any material beneficial interest in the promotion of Lewis.

76. Material contracts [16]

Annexure 14 to this Prospectus sets out:

- material contracts that have been entered into by the Lewis Group during the two years preceding the date of this Prospectus, other than in the ordinary course of business;
- contracts relating to the acquisition of Lifestyle Living;
- contracts relating to all material Lewis Group inter-company financial and other transactions;
- contracts entered into other than in the ordinary course of business at any time that contain obligations or settlements material to Lewis or its subsidiaries as at the date of this Prospectus; and
- existing or proposed contracts relating to directors and managerial remuneration, royalties, secretarial and technical fees payable by the Lewis Group.

77. Litigation statement

No legal or arbitration proceedings have been instituted that may have or have had in the last 12 months, a material effect on the Lewis Group's financial position nor is Lewis aware of any such proceedings that are pending or threatened.

78. Expenses [15]

The Offeror will pay for the preliminary expenses incurred by Lewis (estimated at approximately R200,000) in connection with its formation and all other expenses and fees incurred by the Lewis Group in connection with the Offer and Listing.

79. Commissions paid or payable in respect of Underwriting

No consideration has been paid within the three years preceding this Prospectus or is payable to any person (including commission so paid or payable to any sub-underwriter that is the holding company, promoter, director or officer of Lewis) for subscribing or agreeing to apply to subscribe, or agreeing to procure subscriptions for any of the Lewis shares. No commissions, discounts, brokerage or other special terms were granted during the three years preceding the date of this Prospectus in connection with the issue of any securities, stock or debentures in the capital of Lewis.

If the Underwriting Agreement is concluded, the Offeror will pay to the Potential Underwriters the commission set out in paragraph 67 headed "Underwriting" beginning on page 60 of this Prospectus and reimburse certain related expenses incurred.

80. Registration of Prospectus

A copy of this Prospectus in the English language was registered by the Registrar at Pretoria on 10 September 2004 in terms of section 155(1) of the Companies Act, together with:

- a copy of each of the agreements referred to in paragraph 76 headed "Material contracts" on page 68 of this Prospectus; and
- the written consent of PwC to the inclusion in this Prospectus of their reports in the form and context in which they appear, which consent had not been withdrawn prior to registration.

81. Consents

PwC, the legal advisers, the Bookrunner (in its capacities as bookrunner, sponsor and potential underwriter), the co-lead managers (in their capacities as co-lead managers and potential underwriters) and the commercial banks named in this Prospectus have consented in writing to act in the capacities stated, and to their names being stated in this Prospectus, and none of these consents have been withdrawn prior to registration of the Prospectus with the Registrar.

82. Paragraphs of Schedule 3 to the Companies Act which are not applicable [50]

This Prospectus complies with Schedule 3 to the Companies Act.

The following paragraphs of Schedule 3 to the Companies Act are not applicable: 2(d); 6(g); 6(h); 8(b); 14; 17(b); 18(b); 20(b); 21; 24; 25(1)(b); 25(2); 26; 27; 28 and 32 to 48.

83. Documents available for inspection

Copies of the following documents will be available for inspection at Lewis' registered office and the Sponsor's offices set out in the "Corporate information" section beginning on page 4 of this Prospectus during normal business hours (Saturdays, Sundays and official South African public holidays excepted) from the date of issue of this Prospectus until the Closing Date:

- the memoranda and articles of association of Lewis and its subsidiaries;
- the reports of PwC, dated 6 September 2004, which are included as Annexures 3, 4 and 5 to this Prospectus;
- the written consents of the legal advisers, PwC, the Bookrunner (in its capacities as bookrunner, sponsor and potential underwriter), the co-lead managers (in their capacities as co-lead managers and potential underwriters) and commercial bankers named in this Prospectus to act in those capacities;

- the written consent of PwC, to the publication of its reports dated 6 September 2004 and references thereto in the form and context in which they are included in this Prospectus;
- the Lewis Employee Share Incentive Schemes;
- the annual consolidated financial statements of Lewis Opco and its subsidiaries for the last five financial years ended 31 March 2004;
- copy of the material contracts referred to in paragraph 76 headed "Material contracts" on page 68 of this Prospectus;
- the employment agreements referred to in Annexure 6; and
- copy of the most recent sworn appraisals or valuations of immovable property.

SIGNED AT CAPE TOWN ON 9 SEPTEMBER 2004 BY ALAN SMART IN HIS CAPACITY AS A DIRECTOR OF LEWIS GROUP LIMITED AND ON BEHALF OF EACH OF THE OTHER DIRECTORS OF LEWIS GROUP LIMITED

Alan James Smart
Director and duly authorised agent by way of Powers of Attorney from each of the other directors

SIGNED AT CAPE TOWN ON 9 SEPTEMBER 2004 ON BEHALF OF GUS HOLDINGS B.V.

For: Berend van de Maat and Arie van Herk in their capacity as directors and duly authorised agents of GUS Holdings B.V.

Alan James Smart
Capacity: Duly authorised agent by way of Powers of Attorney

Historical financial information of Lewis

1. Introduction

Lewis Group Limited ("Lewis") was incorporated as a private company in the Republic of South Africa on 19 April 2004 and was converted into a public company on 15 July 2004. Lewis will acquire the entire issued share capital of Lewis Stores (Proprietary) Limited ("Lewis Opco") prior to the Listing Date. At the Listing Date, Lewis' only investment will be the 100% of the entire issued share capital of Lewis Opco. Lewis will not have conducted any trading between the date of incorporation and the Listing Date.

The financial information of Lewis for the period ended 31 July 2004 is set out in this Annexure.

The historic financial information of Lewis is the responsibility of the directors of Lewis.

2. Basis of preparation

The financial information of Lewis presented herein has been extracted and compiled from the audited financial statements of Lewis for the period ended 31 July 2004.

3. Financial information of Lewis

3.1 Balance sheet as at 31 July

	2004 R
Assets	
Cash	10
Equity	
Share capital	10

3.2 Income statement

No income statement has been prepared for the period ended 31 July 2004 as Lewis conducted no trading during this period.

3.3 Cash flow statement and statement of changes in equity

No cash flow statement or statement of changes in equity have been prepared as the only transaction for the period ended 31 July 2004 was the R10 in respect of the shares issued.

4. Notes to the financial information

Accounting policies

4.1 Basis of preparation

Lewis' financial information is prepared on the historical cost basis. The financial information incorporate the following principal accounting policies which conform with South African Statements of Generally Accepted Accounting Practice.

4.1.1 Cash and cash equivalents

Comprise cash on hand.

4.2 Share capital

		R
4.2.1	*Authorised*	
	150,000,000 ordinary shares of 1 cent each	1,500,000
4.2.2	*Issued*	
	1,000 ordinary shares of 1 cent each	10

The directors are authorised, by resolution of the shareholders and until the forthcoming Annual General Meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as they see fit.

4.3 Material changes

Lewis will be listed and will acquire the entire issued share capital of Lewis Opco in exchange for the allotment and issue of 99,999,000 ordinary shares in Lewis. The shares in Lewis will be issued at a par value of R0.01 each plus a premium based on the Offer Price per Lewis share by multiplying the Office Price per Lewis share by 100,000,000, being the aggregate number of Lewis shares that will be in issue immediately after the implementation of the Offer.

Historical financial information of Lewis Opco and its subsidiaries

1. Introduction

Lewis Group Limited ("Lewis") was incorporated as a private company in the Republic of South Africa on 19 April 2004 and was converted into a public company on 15 July 2004. Lewis will acquire the entire issued share capital of Lewis Stores (Proprietary) Limited ("Lewis Opco") prior to the Listing Date. At the Listing Date, Lewis' only investment will be 100% of the entire issued share capital of Lewis Opco. Lewis will not have conducted any trading between the date of incorporation and the Listing Date.

The consolidated financial information of Lewis Opco and its subsidiaries ("the Lewis Group") for the financial years ended 31 March 2000 to 31 March 2004 is set out in this Annexure.

The historic financial information of the Lewis Group is the responsibility of the directors of the Lewis Group.

2. Commentary on the Lewis Group

The Lewis Group is a leading furniture credit retailer selling furniture, household and electrical goods mainly on credit, together with associated financial products, in Southern Africa. The Lewis Group trades under the "Lewis" brand in 400 furniture stores, under the "Best Electric" brand in 47 specialist electrical stores and under the "Lifestyle Living" brand in 18 more up-market furniture and electronic goods stores. The Lewis Group, primarily through Monarch Insurance Company Limited, also offers insurance products to customers.

There has been no material change in the nature of the business of Lewis Opco and its subsidiaries during the last financial year.

Year ended 31 March 2000

Trading conditions were favorable with revenue increasing by 19.8% during the year. Merchandise turnover increased by 10.1%, insurance revenue improved due to the launch of the Lewis All Inclusive Benefit Plan in December 1999 and finance charges earned increased due to higher insurance and sales revenues. An operating margin of 23.5% was achieved.

The R14.5 million loss reflected under "share of associate result" was incurred on winding up a joint finance company structure.

Net profit attributable to ordinary shareholders increased by 10.7% to R203 million.

Working capital increased by R380 million due to growth in revenue requiring increased investments in trade receivables and inventory.

Year ended 31 March 2001

Revenue growth came under pressure from the structural changes in consumer spending patterns. During the year the state lottery was launched, cell phone sales escalated and the micro-lending industry significantly increased its market share, which affected the customers' ability to take on more debt with the Lewis Group reacting by tightening credit control.

Merchandise sales declined by 5.7% and finance charges rates were down due to the sharp decline in usury rates in the previous year. This was partly compensated for by a 57.3% increase in insurance revenue as statutory reserves stabilised after the introduction of the Lewis All Inclusive Benefit Plan in December 1999.

Operating costs increased by 21.7% due mainly to credit related expenses, an increase in distribution costs due to rising fuel prices and an increase in employment costs incurred in strengthening the credit control function that resulted in the operating margin dropping to 15.4%.

Net profit attributable to ordinary shareholders declined to R120 million as a result of the decline in revenue and weakening operating margins.

The slowdown in revenue growth resulted in a cash inflow of R241 million from operations. Insurance investments increased by R158 million to R409 million due to statutory requirements.

Year ended 31 March 2002

Revenue growth of 3.1% was achieved in difficult trading conditions with a dramatic deterioration of the Rand, particularly in the second half of the year and aggressive credit offerings by some competitors. The Lewis Group's approach was to maintain strict credit granting procedures and to focus on maintaining high operating margins.

The operating margin increased to 18.1% due to improved cost control and bad and doubtful debts decreasing by R52 million, as a result of strong collection structures at store level and the benefit of a second generation application scorecard. 24 under performing stores were closed.

Net profit attributable to ordinary shareholders increased by 60.4% to R192 million.

Cash generated from operations increased by 6.9% to R257 million.

Year ended 31 March 2003

Revenue increased by 2.1% during the year as consumer spending came under pressure due to the effects of the depreciating Rand, a sharp rise in food inflation and increasing interest rates.

Operating margins increased to 21.1% mainly as a result of a reduction in operating expenses of 7.1%. Bad and doubtful debts declined by a further R36 million from 2002 levels with the focus remaining firmly on collection and credit granting procedures. Foreign reinsurance profit commissions were renegotiated with an additional inflow of R36 million per annum going forward from 2003 and an adjustment of R48 million to prior years, reflected separately.

Net profit attributable to ordinary shareholders increased by 31.1% to R252 million.

Cash generated from operations increased to R381 million as a result of a combination of improved operating profits and improved working capital management.

Year ended 31 March 2004

Revenue increased by 11.6%. The second half of the year experienced a rapid increase in revenue as consumer spending improved. The strengthening of the Rand allowed for a significant decrease in electrical goods prices and together with a sharp decline in interest rates further bolstered consumer demand.

The operating margin improved to 22.2%. Bad and doubtful debts decreased by R47 million.

Fair value adjustments required by the adoption of AC 133 were provided for on 1 April 2003 and relate to the valuation of the debtors' book and insurance investments. The adjustments were made directly against reserves. R98.9 million was provided against distributable reserves in respect of the fair value of debtors and held-for-trading insurance investments and R45.3 million was provided against non-distributable reserves relating to available-for-sale insurance investments.

Included as income in the income statement are fair value adjustments to debtors and held-for-trade insurance investments of R12.2 million for the 2004 year.

Cash generated from operations increased to R509 million as a result of a combination of improved operating profits and working capital management.

3. Basis of preparation

The consolidated financial information of the Lewis Group presented herein has been extracted and compiled from the audited consolidated financial statements of the Lewis Group for the years ended 31 March 2000 to 31 March 2004. Throughout section 4 of this annexure, amounts smaller than R50,000 have been indicated with an asterisk (*).

The previously reported historical information for the years ended 31 March 2000 and 31 March 2001 was adjusted to give effect to retrospective application of changes in accounting policies as applied for the year ended 31 March 2002. Refer to note 1.20 for a reconciliation of these adjustments.

Certain balances in the previously reported financial information have been reallocated due to the reclassification of certain prior year balances. These re-allocations do not have any effect on the net results as previously reported.

4. **Financial information of the Lewis Group**

Balance sheet at 31 March

	Notes	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
ASSETS						
Non-current assets						
Property, plant and equipment	2	115.4	117.5	105.7	92.9	86.2
Negative goodwill	3	(4.2)	–	–	–	–
Investments – insurance business	4	146.2	172.4	173.7	85.1	76.0
		257.4	289.9	279.4	178.0	162.2
Current assets						
Investments – insurance business	4	296.7	263.6	256.3	323.4	174.7
Inventories	5	155.3	120.2	132.8	122.9	135.5
Trade and other receivables	6	1,751.7	1,852.6	1,846.2	1,651.4	1,512.5
Tax		–	–	6.0	–	26.2
Cash on hand and deposits		358.8	20.5	45.6	18.1	15.7
		2,562.5	2,256.9	2,286.9	2,115.8	1,864.6
Total assets		2,819.9	2,546.8	2,566.3	2,293.8	2,026.8
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital and premium	7	300.9	300.9	300.9	300.9	300.9
Non-distributable reserves	8	32.1	62.4	82.4	51.4	43.7
Distributable reserve	9	977.0	790.2	538.1	345.8	225.9
		1,310.0	1,153.5	921.4	698.1	570.5
Non-current liabilities						
Interest-bearing borrowings	10	683.8	1,016.4	1,112.4	978.5	935.2
Deferred tax	11	28.1	112.1	117.1	105.9	121.0
Retirement benefits	12	36.0	33.7	26.1	22.6	19.0
		747.9	1,162.2	1,255.6	1,107.0	1,075.2
Current liabilities						
Trade and other payables	13	207.4	161.7	240.1	197.1	166.2
Tax		82.4	23.0	–	2.9	–
Current portion of interest-bearing borrowings	10	472.2	9.7	6.9	12.7	9.9
Overdrafts and short-term interest-bearing borrowings	14	–	36.7	142.3	276.0	205.0
		762.0	231.1	389.3	488.7	381.1
Total equity and liabilities		2,819.9	2,546.8	2,566.3	2,293.8	2,026.8
Shares in issue ('m)*		100	100	100	100	100
Net asset value per share (cents)		1,310.0	1,153.5	921.4	698.1	570.5
Net tangible asset value per share (cents)		1,314.2	1,153.5	921.4	698.1	570.5

*The net asset value per share and the tangible net asset value per share have been calculated assuming that the number of shares in issue is 100,000,000 (being the number of Lewis shares that will be in issue on the Listing Date). No adjustments have been made to the balance sheet to reflect the capital raising and restructuring of the GUS Loans.

Income statement for the years ended 31 March

	Notes	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Revenue	15	2,274.7	2,037.9	1,995.8	1,936.4	1,882.9
Cost of sales	16	919.6	813.5	779.1	789.6	743.5
Gross profit		1,355.1	1,224.4	1,216.7	1,146.8	1,139.4
Bad and doubtful debts		115.1	162.5	198.4	249.9	216.3
Depreciation	2	38.7	33.9	29.1	27.4	26.2
Employment costs	12	367.8	318.3	301.3	275.8	245.8
Occupancy costs		83.4	75.3	74.7	69.7	63.6
Other operating costs		244.5	205.1	252.1	226.0	145.4
Operating profit before exceptional item	18	505.6	429.3	361.1	298.0	442.1
Exceptional item	19	–	47.9	–	–	–
Operating profit		505.6	477.2	361.1	298.0	442.1
Investment income	20	34.9	39.7	49.6	33.7	25.8
Net profit before finance costs		540.5	516.9	410.7	331.7	467.9
Finance costs	21	141.7	156.6	147.2	158.4	164.1
Share of results of associate	22	–	–	–	–	14.5
Net profit before tax		398.8	360.3	263.5	173.3	289.3
Tax	23	111.5	108.2	71.2	53.4	86.0
Net profit attributable to ordinary shareholders		287.3	252.1	192.3	119.9	203.3
Earnings per share (cents)	24	287.3	252.1	192.3	119.9	203.3
Headline earnings per share (cents)	24	287.6	248.1	196.7	117.2	195.8

No dividends have been paid by Lewis Opco during the years under review.

Statement of changes in equity for the years ended 31 March

	Share capital and premium R'm	Non-distributable reserves R'm	Distributable reserve R'm	Total R'm
Balance at 31 March 1999	300.9	39.1	22.6	362.6
Balance as previously stated	300.9	71.1	43.2	415.2
Prior year adjustment to opening balance arising from adoption of AC 135 and revised AC 116	–	(32.0)	(20.6)	(52.6)
Net profit attributable to ordinary shareholders	–	–	203.3	203.3
Contingency reserve – movement during year	–	4.6	–	4.6
Balance at 31 March 2000	300.9	43.7	225.9	570.5
Net profit attributable to ordinary shareholders	–	–	119.9	119.9
Contingency reserve – movement during year	–	7.7	–	7.7
Balance at 31 March 2001	300.9	51.4	345.8	698.1
Net profit attributable to ordinary shareholders	–	–	192.3	192.3
Contingency reserve – movement during year	–	(1.6)	–	(1.6)
Revaluation at 1 October 2001	–	5.0	–	5.0
Foreign currency translation reserve	–	27.6	–	27.6
Balance at 31 March 2002	300.9	82.4	538.1	921.4
Net profit attributable to ordinary shareholders	–	–	252.1	252.1
Deferred tax on revaluation	–	(6.3)	–	(6.3)
Foreign currency translation reserve	–	(13.7)	–	(13.7)
Balance at 31 March 2003	300.9	62.4	790.2	1,153.5
Effect of adopting AC 133				
• Fair value adjustment to instalment sale receivables	–	–	(108.2)	(108.2)
• Fair value adjustment of held-for-trading investments	–	–	9.3	9.3
• Fair value adjustments of available-for-sale investments	–	(45.3)	–	(45.3)
Restated balance at 1 April 2003	300.9	17.1	691.3	1,009.3
Net profit attributable to ordinary shareholders	–	–	287.3	287.3
Fair value adjustments of available-for-sale investments	–	26.7	–	26.7
Loss on disposal of available-for-sale investments recognised	–	3.0	–	3.0
Contingency reserve – movement during year	–	1.6	(1.6)	–
Foreign currency translation reserve	–	(16.3)	–	(16.3)
Balance at 31 March 2004	300.9	32.1	977.0	1,310.0

Cash flow statement for the years ended 31 March

	Notes	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Cash flow from operating activities						
Cash flow from trading	25.1	535.9	460.3	416.2	352.9	537.0
Working capital movement	25.2	(27.0)	(79.5)	(158.8)	(112.1)	(380.2)
Cash generated from operations – before exceptional item		508.9	380.8	257.4	240.8	156.8
Exceptional item	19	–	47.9	–	–	–
Cash generated from operations		508.9	428.7	257.4	240.8	156.8
Dividends received		3.9	3.4	2.6	2.0	2.5
Interest received		45.6	44.7	50.2	28.7	15.6
Interest paid		(18.9)	(267.3)	(26.5)	(114.4)	(132.4)
Tax paid	25.3	(99.2)	(90.5)	(68.9)	(39.4)	(101.5)
Net cash flow from operating activities		440.3	119.0	214.8	117.7	(59.0)
Cash utilised in investing activities						
Investments		(8.3)	(2.9)	(12.0)	(219.6)	(78.2)
Acquisition of subsidiary company	25.4	(18.6)	–	–	–	–
Acquisition of property, plant and equipment		(36.3)	(46.3)	(37.8)	(34.6)	(25.5)
Proceeds on disposal of property, plant and equipment		4.2	4.4	1.2	0.9	3.3
Net cash outflow from investing activities		(59.0)	(44.8)	(48.6)	(185.9)	(100.4)
Cash effects of financing activities						
Amount owing to holding company		–	(0.7)	–	–	–
Finance lease liability		(6.3)	7.0	(5.0)	(0.4)	(4.2)
Associate company balance		–	–	–	–	20.0
Net cash (outflow)/inflow from financing activities		(6.3)	6.3	(5.0)	(0.4)	15.8
Net increase/(decrease) in cash and cash equivalents		375.0	80.5	161.2	(68.6)	(143.6)
Cash and cash equivalents at beginning of year		(16.2)	(96.7)	(257.9)	(189.3)	(45.7)
Cash and cash equivalents at end of year	25.5	358.8	(16.2)	(96.7)	(257.9)	(189.3)

Notes to the financial information

Accounting policies

1. Basis of preparation

The Lewis Group's financial information is prepared on the historical cost basis, adjusted for the revaluation of general purpose land and buildings and the restatement of certain financial instruments to fair value. The financial information incorporates the following principal accounting policies which conform with South African Statements of Generally Accepted Accounting Practice. These policies are consistent in all material respects with those applied in the previous year, except for the change in accounting policy in respect of the adoption of AC 133, Financial instruments: Recognition and Measurement (effective 1 April 2003) as more fully set out in note 1.19.

The Lewis 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.

1.1 Basis of consolidation

The Lewis Group's annual financial information incorporates the financial information of Lewis Opco and its subsidiaries. For this purpose subsidiaries are entities in which Lewis Opco 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 dates of acquisition and up to the effective date of disposal. The accounting policies and year-ends of all subsidiaries are consistent throughout the group and all intergroup transactions and balances are eliminated on consolidation.

1.2 Goodwill

Goodwill, being the excess of the purchase consideration, including direct costs attributable to the acquisition, over the attributable fair value of the net identifiable assets at the date of acquisition, is capitalised and amortised on a straight-line basis over the lesser of its effective economic life and twenty years. Any excess of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired, over the cost of the acquisition, is recognised as negative goodwill and amortised to income on a systematic basis over the remaining weighted average useful life of the identifiable acquired asset.

1.3 Foreign currency translations

1.3.1 *Foreign currency transactions and balances*

Foreign currency transactions are accounted for at the exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Resultant exchange profits and losses are recognised in the income statement.

1.3.2 *Foreign entities*

All foreign subsidiaries are classified as foreign entities. The assets and liabilities of foreign subsidiaries, excluding shareholders loans that are considered as part of the net investment, are translated into South African Rands at the rates of exchange ruling at the balance sheet date. Income, expenditure and cash flow items are translated using average rates of exchange during the relevant accounting period. Differences arising on translation are reflected in a foreign currency translation reserve. On disposal of a foreign subsidiary, such translation differences are recognised in the income statement as part of the gain or loss of the sale.

1.4 Financial instruments

Financial instruments are initially measured at cost, including transaction costs, when the Lewis Group becomes a party to their contractual arrangements. The subsequent measurement of financial instruments is dealt with below. Disclosure about financial instruments to which the Lewis Group is party is provided in Note 26 to this Annexure.

1.4.1 *Cash and cash equivalents*

Cash and cash equivalents are carried at amortised cost.

1.4.2 ***Derivative instruments***

The Lewis Group uses derivative financial instruments (forward exchange contracts) to hedge its exposure to foreign currency fluctuations. Despite the derivative instruments providing effective economic hedges, as per the Lewis Group's risk management policy, changes in the fair value of these derivative instruments are recognised immediately in the income statement.

1.4.3 ***Investments***

The Lewis Group has classified its investments into two classes, based on the purpose for which the investment was acquired. The classification is determined at the time of investment and re-evaluated thereafter on a regular basis. Investments that are acquired principally for the purpose of generating profits from short-term fluctuations in price are classified as held-for-trading investments and are included in current assets. Investments acquired with the intention of being held indefinitely, which may be sold to raise operating capital or due to changes in the investment strategy, are classified as available-for-sale and are included in non-current assets, unless management has the express intention of holding the investment for less than twelve months from the balance sheet date.

Purchases and sales of investments are recognised on the trade date, being the date that the Lewis Group commits to the transaction. The cost of the purchase, for initial recognition purposes, includes transaction costs and thereafter both the trading and available-for-sale assets are carried at fair value, which is calculated by reference to quoted bid prices at the close of business on the balance sheet date or, where appropriate, discounted cash flow models. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise, and unrealised gains and losses arising from changes in fair value of available-for-sale investments are recognised in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

1.4.4 ***Trade and other receivables***

Trade and other receivables, including instalment sale receivables, are carried at amortised cost. Amortised cost is the net present value of future expected cash flows, discounted at the original contract rate less an appropriate provision for estimated irrecoverable amounts.

1.4.5 ***Financial liabilities***

Financial liabilities are recognised at amortised cost, being original debt value less principle payments and amortisations, except for derivatives that are accounted for in accordance with note 1.4.2.

1.4.6 ***Set-off***

Where there is a legally enforceable right of set-off between a financial asset and liability, and settlement is intended to take place on a net basis or simultaneously, such financial asset and financial liability are offset.

1.5 **Property, plant and equipment**

Property, plant and equipment, with the exception of land and buildings, are carried at cost less accumulated depreciation.

Freehold land and buildings are initially measured at cost and subsequently at market value less subsequent accumulated depreciation and impairments in value. Market value is based on valuations performed by independent external valuers every five years. Increases in carrying value are taken directly to a revaluation reserve and on disposal of a previously revalued property, any amount relating to that asset remaining in the revaluation reserve, is transferred directly to retained earnings. Decreases in market value that offset previous increases in the same asset are charged against the revaluation reserve and all other decreases are charged to the income statement. Revaluation reserves are not adjusted for the additional depreciation incurred on the revalued amount.

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
• Computer equipment	3 years
• Furniture and equipment	3 to 10 years
• Vehicles	3 to 5 years

Land is not depreciated.

1.6 Leased assets

Leases of property, plant and equipment, where the Lewis 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 property 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 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 against operating profit systematically 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. Provision is made for slow moving, redundant and obsolete inventory.

Repossessed property is included in stock at 50% of net realisable value.

1.8 Impairment

The carrying value of assets is reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount.

1.9 Deferred tax

Deferred tax is provided, using the liability method, on all temporary differences between the taxation base of an asset or liability and its carrying value. The deferred taxation is calculated based on currently enacted rates of taxation. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will arise in the foreseeable future against which the asset can be realised. Provision for taxation, which could arise on remittance of retained earnings, is only made where there is a current intention to remit such earnings.

1.10 Provisions

A provision is recognised when the Lewis 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.

The Lewis Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations made under the contract.

1.11 Insurance business provisions

1.11.1 *Outstanding claims*

Provisions are made for the estimated final costs of all claims notified but not settled at the accounting date and claims arising from insured contingencies that occurred before the close of the accounting period, but which had not been reported by that date (IBNR reserve). The provisions are reduced by amounts due by re-insurers under re-insurance arrangements.

1.11.2 *Contingency reserve*

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

1.11.3 *Provision for unearned premiums*

The provision for unearned premiums represents that part of the premiums that relate to risk periods that extend to subsequent years.

1.12 **Segmental information**

The principal segments of the Lewis Group have been identified on a primary basis by the principal revenue producing activities of the Lewis Group and on a secondary basis by significant geographical region. The basis is representative of the internal structure for management purposes. The source and nature of business risks are segmented on the same basis. The accounting policies are consistently applied in determining the segmental information.

1.13 **Current assets and liabilities**

Current assets and liabilities have maturity terms of less than 12 months, except for instalment sale receivables. Instalment sale receivables, which are included in trade and other receivables, have maturity terms of between 6 – 24 months but are classified as current as they form part of the normal operating cycle.

1.14 **Employee benefits**

1.14.1 ***Retirement benefits***

The Lewis 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 accounting costs are assessed annually by a qualified actuary, in terms of AC 116, 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, the excess is charged or credited to income over the average remaining service lives of employees. Actuarial surpluses are not accounted unless the Lewis Group has a legal right to such surpluses.

The Lewis 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.

1.14.2 ***Post-retirement health care costs***

The Lewis 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 Lewis Group prior to 1 August 1997. The post-retirement healthcare costs are assessed on an annual basis 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.

1.14.3 ***Provision for leave pay***

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

1.15 **Cash and cash equivalents**

Comprise cash on hand and demand deposits reduced by amounts in overdraft.

1.16 **Exceptional items**

Exceptional items are items of such nature, size or incidence that necessitates separate disclosure to explain the Lewis Group's financial performance.

1.17 Revenue recognition

Revenue comprises net merchandise sales, earned finance charges, earned TV and appliance service contracts, cartage and gross insurance premiums earned. Value added tax is excluded.

Revenue from the sale of merchandise is recognised on the date of delivery. Insurance premiums are recognised on a time proportionate basis over the period of the contract, after an appropriate allowance is made for commission and reinsurance cost. Finance charges are recognised, on a sum-of-digits basis which closely approximates the effective yield basis, as instalments become due. Revenue from service contracts is recognised on a straight-line basis, over a 24-month period, commencing after the manufacturer's guarantee has expired. Revenue from the provision of other services is recognised when the services are rendered.

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

1.18 Cost of sales

Cost of sales includes the costs of merchandise and distribution costs incurred in bringing inventories to their final retail location, as well as outward re-insurance premiums.

1.19 Change in accounting policy

Effective 1 April 2003 the Lewis Group changed its accounting policy with regard to the measurement and recognition of financial instruments in order to comply with AC 133, Financial Instruments: Recognition and Measurement of financial instruments (revised 2002). The fair value adjustments required by the adoption of AC 133 have been dealt with in terms of the transitional provisions of AC 133 and consequently the comparative results have not been restated. The impact of adopting AC 133 is shown below:

Impact on opening reserves – net of taxation	Distributable reserve R'm	Fair value reserve R'm	Total R'm
Opening balance 31 March 2003	790.1	–	790.1
1. Present value adjustment to instalment sale receivables	(108.1)	–	(108.1)
2. Fair value adjustment of held-for-trading investments	9.3	–	9.3
3. Fair value adjustment of available-for-sale investments	–	(45.3)	(45.3)
Restated balance at 1 April 2003	691.3	(45.3)	646.0

1. AC 133 requires the impairment of instalment sale debtors to be determined using the expected future cash receipts discounted at the rate of interest implicit in the original contract.
2. Insurance investments in gilts, classed as held-for-trading, were previously held at cost and are now carried at market value.
3. Insurance investments in shares and an investment policy, classed as available-for-sale, previously held at cost and now carried at market value.

Impact on current income – 2004	Other income R'm	Bad and doubtful debts R'm	Total R'm
Present value adjustment to instalment sale receivables	–	16.1	16.1
Fair value adjustment of held-for-trading investments	(3.9)	–	(3.9)
	(3.9)	16.1	12.2
Taxation effect	1.2	(4.8)	(3.6)
Net impact on current income 2004	(2.7)	11.3	8.6

Impact on closing reserves – net of taxation	Distributable reserve R'm	Fair value reserve R'm	Total R'm
Retained income at 31 March 2004 – before AC 133 impact	1,067.3	–	1,067.3
Opening adjustments	(98.9)	(45.3)	(144.2)
Current year adjustments	8.6	29.7	38.3
Closing retained income at 31 March 2004	977.0	(15.6)	961.4

1.20 **Adjustments to previously reported historical financial information**

Balance sheet at 31 March

	2003 R'm	2002 R'm	2001 R'm	2000 R'm
ASSETS				
Non-current assets				
Property, plant and equipment				
Balance previously reported			132.4	124.7
Restatement due to revaluation of land and buildings in 2002			(39.5)	(38.5)
Restated balance			92.9	86.2
EQUITY AND LIABILITIES				
Capital and reserves				
Non-distributable reserve			SCE	SCE
Distributable reserve			SCE	SCE
Non-current liabilities				
Deferred tax				
Balance previously reported			117.8	131.0
• Restatement due to 2002 property valuation			(11.9)	(10.0)
Restated balance			105.9	121.0
Retirement benefits				
Balance previously reported			–	–
Implementation of AC 116 – post-retirement benefits			22.6	19.0
Restated balance			22.6	19.0
Current liabilities				
Trade and other payables				
Balance previously reported	113.1	191.7	109.5	104.0
Accounting for change in accounting policy – leave pay provision	–	–	9.8	8.1
Various account reclassifications	48.6	48.4	77.8	54.1
Restated balance	161.7	240.1	197.1	166.2

SCE – Refer to Statement of Changes in Equity.

Income statement for the years ended 31 March

	Net profit before taxation R'm	Taxation R'm	Net profit for year R'm
2000			
Profit previously reported	301.0	94.7	206.3
Adjustments due to change in accounting policies:			
• Revaluation of property, plant and equipment	(1.0)	(0.3)	(0.7)
• Accounting for leave pay provision	(0.6)	(0.2)	(0.4)
• Accounting for post-retirement medical aid	(2.6)	(0.7)	(1.9)
Associated income at gross earnings	(7.5)	(7.5)	–
Restated profit	289.3	86.0	203.3
2001			
Profit previously reported	179.6	55.3	124.3
Adjustments due to change in accounting policies:			
• Revaluation of property, plant and equipment	(1.0)	(0.3)	(0.7)
• Accounting for leave pay provision	(1.7)	(0.5)	(1.2)
• Accounting for post-retirement medical aid	(3.6)	(1.1)	(2.5)
Restated profit	173.3	53.4	119.9

Statement of changes in equity for the years ended 31 March

	Distributable reserve R'm	Non-distributable reserves R'm
2000		
Balance previously reported	249.4	62.8
Changes in accounting policy-impact prior to 1999		
• Depreciation on buildings – AC 135	(5.5)	(44.2)
• Recognition of post retirement benefits – AC 116	(16.4)	–
• Recognition of leave pay provision – AC 116	(7.5)	–
• Deferred tax on changes to policies	8.8	–
Changes in accounting policy-impact for 2000		
• Depreciation on buildings – AC 135	(1.0)	12.2
• Recognition of post-retirement benefits – AC 116	(2.6)	–
• Recognition of leave pay provision – AC 116	(0.6)	–
• Deferred tax on changes to policies	1.3	–
• Contingency reserve previously disclosed separately	–	12.9
Restated balance	225.9	43.7
2001		
Balance previously reported	373.8	62.8
Changes in accounting policy-impact prior to 2000		
• Depreciation on buildings – AC 135	(6.5)	(44.2)
• Recognition of post retirement benefits – AC 116	(19.0)	–
• Recognition of leave pay provision – AC 116	(8.1)	–
• Deferred tax on changes to policies	10.0	–
Changes in accounting policy-impact for 2001		
• Depreciation on buildings – AC 135	(1.0)	12.2
• Recognition of post retirement benefits – AC 116	(3.6)	–
• Recognition of leave pay provision – AC 116	(1.7)	–
• Deferred tax on changes to policies	1.9	–
• Contingency reserve previously disclosed separately	–	20.6
Restated balance	345.8	51.4

Cash flow statement

Classification changes were made between different income statement and balance sheet disclosable items. These allocation changes do not have an effect on the net increase/(decrease) in cash and cash equivalents other than an allocation of money market investments, previously disclosed with cash, to the rest of the investments on the balance sheet. Disclosure changes resulted in the following net cash movement:

	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Net (decrease)/increase in cash for the year				
As previously reported	(2.8)	(59.9)	45.9	62.1
Less: Movement in short-term borrowings	103.0	134.0	(76.5)	(132.5)
Add: Movement in money market investments	(19.7)	87.1	(38.0)	(73.2)
Restated balance	80.5	161.2	(68.6)	(143.6)

The closing balances of cash and cash equivalents, to which the cash flow reconciles, have changed due to the inclusion of short-term borrowings and the exclusion of the money market cash in the closing cash balances.

2. Property, plant and equipment

	Land and buildings R'm	Leased equipment R'm	Vehicles and fixtures R'm	Total R'm
Year ended 31 March 2004				
Opening net carrying value	38.3	11.2	68.0	117.5
Additions	–	2.5	35.2	37.7
Disposals	–	(0.1)	(1.0)	(1.1)
Depreciation	(1.2)	(6.3)	(31.2)	(38.7)
Closing net carrying value	37.1	7.3	71.0	115.4
At 31 March 2004				
Cost/Value	86.4	68.2	209.4	364.0
Accumulated depreciation	(49.3)	(60.9)	(138.4)	(248.6)
Net revalued carrying value	37.1	7.3	71.0	115.4
Net carrying value had property not been revalued	9.3	7.3	71.0	87.6
Year ended 31 March 2003				
Opening net carrying value	39.3	8.0	58.4	105.7
Additions	0.1	9.6	36.6	46.3
Disposals	*	–	(0.6)	(0.6)
Depreciation	(1.1)	(6.4)	(26.4)	(33.9)
Closing net carrying value	38.3	11.2	68.0	117.5
At 31 March 2003				
Cost/Value	86.4	65.9	186.8	339.1
Accumulated depreciation	(48.1)	(54.7)	(118.8)	(221.6)
Net revalued carrying value	38.3	11.2	68.0	117.5
Net carrying value had property not been revalued	9.5	11.2	68.0	88.7
Year ended 31 March 2002				
Opening net carrying value	35.1	9.6	48.2	92.9
Additions	0.3	4.5	33.0	37.8
Revaluations	5.0	–	–	5.0
Disposals	–	–	(0.9)	(0.9)
Depreciation	(1.1)	(6.1)	(21.9)	(29.1)
Closing net carrying value	39.3	8.0	58.4	105.7

	Land and buildings R'm	Leased equipment R'm	Vehicles and fixtures R'm	Total R'm
At 31 March 2002				
Cost/Value	86.3	56.3	161.7	304.3
Accumulated depreciation	(47.0)	(48.3)	(103.3)	(198.6)
Net carrying value	39.3	8.0	58.4	105.7
Net carrying value had property not been revalued	9.6	8.0	58.4	76.0
Year ended 31 March 2001				
Opening net carrying value	35.1	9.7	41.4	86.2
Additions	1.1	7.0	26.5	34.6
Disposals	–	–	(0.5)	(0.5)
Depreciation	(1.1)	(7.1)	(19.2)	(27.4)
Closing net carrying value	35.1	9.6	48.2	92.9
At 31 March 2001				
Cost/Value	74.7	51.8	136.2	262.7
Accumulated depreciation	(39.6)	(42.2)	(88.0)	(169.8)
Net carrying value	35.1	9.6	48.2	92.9
Net carrying value had property not been revalued	9.6	9.6	48.2	67.4
Year ended 31 March 2000				
Opening net carrying value	33.8	14.7	40.0	88.5
Additions	2.3	1.7	21.5	25.5
Disposals	–	–	(1.6)	(1.6)
Depreciation	(1.0)	(6.7)	(18.5)	(26.2)
Closing net carrying value	35.1	9.7	41.4	86.2
At 31 March 2000				
Cost/Value	73.6	44.8	113.5	231.9
Accumulated depreciation	(38.5)	(35.1)	(72.1)	(145.7)
Net carrying value	35.1	9.7	41.4	86.2
Net carrying value had property not been revalued	8.8	9.7	41.4	59.9

Computer equipment, with a net carrying value of R6,7 million (2003: R11,1 million; 2002: R7.9 million; 2001: R9.5 million; 2000: R9.7 million) has been pledged as security for finance lease liabilities – refer note 10. Market value of freehold land and buildings was established by independent professional valuers at 1 October 2001 on an open market basis. If land and buildings had not been revalued the carrying value would be R9.2 million (2003: R9.5 million, 2002: R9.6 million). Depreciation would be R0.9 million (2003: R0.9 million, 2002: R0.9 million). A register of the Lewis Group's land and buildings is available for inspection at Lewis Opco's registered office and a copy will be mailed upon receipt of a written request.

Included in additions in 2004 are property, plant and equipment of R1,4 million acquired as part of the acquisition of Lifestyle Living (Proprietary) Limited – refer note 25.4. The assets were valued at fair value at the date of acquisition and comprise:

	R'm
Vehicle and fixtures	0.9
Computer hardware and software	0.5

There has been no major change in the nature of property, plant and equipment and no change in the policy regarding the use thereof for the latest financial year.

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm

3. Negative goodwill

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Opening balance	–	–	–	–	–
Acquired during year	(5.2)	–	–	–	–
Amortised	1.0	–	–	–	–
Closing balance	(4.2)	–	–	–	–

4. Investments

Investments – Insurance business

Carrying value

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Listed investments					
Listed shares – available-for-sale	89.7	87.1	88.4	85.1	76.0
Investment policy – available-for-sale	56.5	85.3	85.3	–	–
Gilts – held-for-trading	208.0	179.8	190.9	170.8	60.1
Money market – held-to-maturity	88.7	83.8	65.4	152.6	114.6
	442.9	436.0	430.0	408.5	250.7
Analysed as follows:					
Long-term	146.2	172.4	173.7	85.1	76.0
Short-term	296.7	263.6	256.3	323.4	174.7
	442.9	436.0	430.0	408.5	250.7

Market value

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Listed investments					
Listed shares – available-for-sale	89.7	66.9	87.5	78.5	87.1
Investment policy – available-for-sale	56.5	68.0	83.9	–	–
Gilts – held-for-trading	208.0	194.3	179.3	181.7	63.0
Money market – held-to-maturity	88.7	84.8	65.5	152.6	114.6
	442.9	414.0	416.2	412.8	264.7
Analysed as follows:					
Long-term	146.2	134.9	171.4	78.5	87.1
Short-term	296.7	279.1	244.8	334.3	177.6
	442.9	414.0	416.2	412.8	264.7

A register of the Lewis Group's listed shares is available for inspection at Lewis Opco's registered office. Fair value of investments are determined on readily tradable markets. Listed shares and the investment policy are considered by the Board to be investments available-for-sale, while gilts are regarded as financial assets held-for-trading. Regular purchases and sales of financial assets are accounted for on the trade date.

5. Inventories

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Merchandise	155.3	120.2	132.8	122.9	135.5

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm

6. Trade and other receivables

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Instalment sale receivables	2,630.4	2,537.0	2,525.5	2,311.5	2,138.4
Provision for impairment/doubtful debts	(409.1)	(257.8)	(263.0)	(243.0)	(231.0)
Provision for unearned finance charges, unearned insurance premiums and unearned maintenance income	(511.9)	(456.5)	(452.9)	(457.2)	(426.2)
Other receivables	42.3	29.9	36.6	40.1	31.3
	1,751.7	1,852.6	1,846.2	1,651.4	1,512.5

Amounts due from instalment sale receivables after 1 year are reflected as current, as they form part of the normal operating cycle. The credit terms of instalment sale receivables range from 6 – 24 months.

7. Share capital and premium

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
7.1 Authorised					
2,000,000 ordinary shares of 50 cents each	1.0	1.0	1.0	1.0	1.0
7.2 Issued					
1,800,002 ordinary shares of 50 cents each	0.9	0.9	0.9	0.9	0.9
Share premium	300.0	300.0	300.0	300.0	300.0
	300.9	300.9	300.9	300.9	300.9

8. Non-distributable reserves

Comprising:

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Fair value reserve	(15.8)	–	–	–	–
Foreign currency translation reserve	(2.2)	14.0	27.7	0.2	0.2
Surplus on revaluation of land and buildings	28.5	28.5	34.8	29.7	29.7
Other	0.8	0.8	0.8	0.8	0.8
	11.3	43.3	63.3	30.7	30.7
Statutory insurance contingency reserve	20.8	19.1	19.1	20.7	13.0
	32.1	62.4	82.4	51.4	43.7

9. Distributable reserve

Comprising:

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Lewis Opco	824.2	668.7	504.9	291.0	297.3
Consolidated subsidiaries	152.8	121.5	33.2	54.8	(71.4)
Associated company	–	–	–	–	*
	977.0	790.2	538.1	345.8	225.9

Distribution by certain foreign subsidiaries will give rise to withholding taxes of R32 million. No provision is raised until dividends are declared.

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm

10. Interest-bearing borrowings

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Capitalised finance leases					
Net liability under capitalised finance leases at a prime linked rate	14.9	21.2	14.2	19.2	19.6
Current portion repayable within one year transferred to current liabilities	(7.1)	(9.7)	(6.9)	(12.7)	(9.9)
	7.8	11.5	7.3	6.5	9.7
Loans from a fellow GUS subsidiary	1,141.1	1,004.9	1,105.1	972.0	925.5
Portion repayable within one year transferred to current liabilities	(465.1)	–	–	–	–
Long-term portion	676.0	1,004.9	1,105.1	972.0	925.5
Total interest-bearing borrowings					
Long-term portion	683.8	1,016.4	1,112.4	978.5	935.2
Short-term portion	472.2	9.7	6.9	12.7	9.9
	1,156.0	1,026.1	1,119.3	991.2	945.1

Total long-term finance lease obligations inclusive of interest amount to R16.7 million (2003: R24,5 million; 2002: R16.6 million; 2001: R21.8 million; 2000: R22.5 million) and are repayable over terms of between two and five years. These leases have been secured over computer equipment – refer note 2.

These finance leases are with Stannic and Wesbank and arose from the purchase of assets. Payments due within 12 months will be financed from available cash and overdraft facilities.

Loans from a fellow subsidiary of the GUS plc Group totalling R876 million were introduced as part of the restructuring of the GUS plc Group during the 1999 financial year. The outstanding balance of R1,141.1 million includes outstanding interest of R265.1 million. The loans, which are unsecured, were ceded to another subsidiary of GUS Plc in 2001. Interest is charged at the prime-lending rate. Refer to note 33 for details regarding the repayment and conversion of this loan after 31 March 2004.

11. Deferred tax

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Balance at beginning of year	112.1	117.1	105.9	121.0	133.5
Income statement (refer note 23)	(47.1)	(11.3)	11.2	(15.1)	(3.8)
Acquisition of subsidiary	3.0	–	–	–	–
Prior year adjustment	–	–	–	–	(8.7)
Revaluation reserve taken to equity	–	6.3	–	–	–
Fair value adjustment (AC 133) – taken to equity	(39.9)	–	–	–	–
Balance at end of year	28.1	112.1	117.1	105.9	121.0
Comprising:					
Debtors' tax allowances	36.0	123.3	110.4	95.3	106.7
Provisions	(18.7)	(17.2)	(16.5)	(14.7)	(3.0)
Other	10.8	6.0	23.2	25.3	17.3
Balance at end of year	28.1	112.1	117.1	105.9	121.0

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Deferred tax (charges)/credit to equity during the year are as follows:					
Required by adoption of AC 133					
• Present value adjustment: Instalment sale receivables/(retained income)	(46.3)	–	–	–	–
• Revaluation of held-for-trading investments/(retained income)	4.0	–	–	–	–
• Revaluation of available-for-sale investments/(fair value reserve)	(2.1)	–	–	–	–
Provided on revaluation of land and buildings in prior years	–	6.3	–	–	–
Provided on fair value adjustments of available-for-sale assets	4.5	–	–	–	–
	(39.9)	6.3	–	–	–

12. Directors and employees

12.1 Pension and post-retirement benefits

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Amounts recognised in balance sheet:					
Defined benefit retirement plan liability	5.0	4.2	–	–	–
Post-retirement healthcare benefits	31.0	29.5	26.1	22.6	19.0
	36.0	33.7	26.1	22.6	19.0

Retirement plans

The Lewis Group operates a number of retirement funds, all of which are held separate from the Lewis Group's assets. The Lewis Group operates 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. The Lewis Group also operates two defined benefit funds, namely the Lewis Stores Group Pension Fund which has been closed to new members since 1 July 1997 and the Lewis Stores Retirement Fund for executive management. Both defined benefit plans are registered under the Pension Funds Act, 24 of 1956.

Defined benefit plans

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 AC 116 using the projected unit credit method. The latest actuarial valuation was carried out as at 1 January 2004.

Amounts recognised in the balance sheet	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Present value of obligations	226.3	224.5	207.9	137.9	137.9
Fair value of plan assets	(181.9)	(175.6)	(247.8)	(153.6)	(153.6)
	44.4	48.9	(39.9)	(15.7)	(15.7)
Unrecognised actuarial (gains)/losses	39.4	44.7	(39.9)	(15.7)	(15.7)
Defined benefit retirement plan liability	5.0	4.2	–	–	–

As the surplus at 31 March 1999 had not been apportioned in terms of the Pensions Fund Act, 24 of 1956, no asset was recognised for the financial years ended 31 March 2000 to 31 March 2002.

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Amounts recognised in income statement:					
Current service cost	9.0	13.4	N/A	N/A	N/A
Interest cost	21.7	20.9	N/A	N/A	N/A
Expected return on plan assets	(17.9)	(25.4)	N/A	N/A	N/A
Net actuarial losses recognised in year	1.2	1.7	N/A	N/A	N/A
	14.0	10.6	9.2	5.6	5.0
Movement in retirement benefit liability:					
Present value at beginning of year	4.2	–	N/A	N/A	N/A
Income statement	14.0	10.6	N/A	N/A	N/A
Benefits paid during year	(13.2)	(6.4)	N/A	N/A	N/A
Present value at end of year	5.0	4.2	N/A	N/A	N/A
Principal actuarial assumptions used were as follows:					
Discount rate	9.0%	10.0%	N/A	N/A	N/A
Expected return on plan assets	9.5%	10.5%	N/A	N/A	N/A
Inflation rate	6.0%	7.0%	N/A	N/A	N/A
Future salary increases	7.0%	8.0%	N/A	N/A	N/A
Future pension increases	6.0%	7.0%	N/A	N/A	N/A

N/A: Comparative information not available.

Defined contribution plans

For defined contribution plans, the company pays contributions to the funds on a contractual basis. Once the contributions have been paid, the company has no further payment obligations.

Defined contribution plan costs	12.0	10.5	8.4	7.3	6.9

Post-retirement healthcare benefits

The Lewis 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 1 January 2004 by a qualified actuary in accordance with the requirements of AC 116.

Amounts recognised in income statement:					
Current service cost	0.8	1.0	1.0	0.9	0.8
Interest cost	3.1	3.1	2.7	2.3	2.0
Actuarial (gains)/losses	(0.9)	0.2	(0.2)	0.4	(0.2)
Income statement charge	3.0	4.3	3.5	3.6	2.6
Amounts recognised in balance sheet:					
Present value of unfunded obligations:					
Balance at the beginning of the year	29.5	26.1	22.6	19.0	16.4
Income statement	3.0	4.3	3.5	3.6	2.6
Less: Employer benefit payments	(1.5)	(0.9)	–	–	–
Post-retirement healthcare benefits liability	31.0	29.5	26.1	22.6	19.0

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
The main assumptions are as follows:					
Health care inflation rate	7.0%	9.0%	10.0%	10.0%	10.0%
Discount rate	9,0%	11.0%	12.0%	12.0%	12.0%
Average retirement age	63 years	63 years	65 years	65 years	65 years
12.2 **Employees costs**					
Salaries, wages and commissions	338.8	292.9	281.3	256.6	228.9
Other employment costs	29.0	25.4	20.0	19.2	16.9
	367.8	318.3	301.3	275.8	245.8
Average number of employees	5,607	5,674	5,811	5,633	5,250

	Fees R'000	Remuneration R'000	Retirement benefits R'000	Bonuses R'000	Expense allowances R'000	Other benefits R'000	Commission R'000	2004 Total R'000
12.3 **Directors' emoluments paid**								
Executive								
A J Smart	–	1,436.0	230.0	904.0	–	141.0	–	2,711.0
Other*	–	3,207.0	516.0	1,003.0	–	422.0	–	5,148.0
Non-executive								
D M Nurek	75.0	–	–	–	–	–	–	75.0
D A Tyler	–	–	–	–	–	–	–	–
	75.0	4,643.0	746.0	1,907.0	–	563.0	–	7,934.0

*The other directors were directors of Lewis Opco during the year but were not appointed to the board of Lewis Group Limited.

12.4 **Loans**

No loans have been made or security furnished to or for the benefit of any director or manager of the Lewis Group, except for a housing loan to Johan Enslin on 15 May 2002. The amount of the loan granted was R257,258. On 31 March 2004, R253,455 of the loan remains outstanding.

The loan is repayable over 20 years at R1,432 per month. Interest of 6% per annum is payable on the loan. It is secured by a second mortgage bond registered over Erf 4490 Durbanville.

13. Trade and other payables

	2004	2003	2002	2001	2000
Trade payables	76.8	55.7	89.7	70.8	73.0
Accruals and other payables	50.6	37.9	55.1	48.5	39.1
Amounts owing to fellow subsidiaries	63.3	51.6	79.5	58.7	40.5
Outstanding insurance claims	16.7	16.5	15.8	19.1	13.6
	207.4	161.7	240.1	197.1	166.2

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm

14. Short-term borrowings

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
FirstRand Limited					
• Call overnight at: 2003: 13.9%; 2002: 11.85%; 2001: 11.2%; 2000: 11.4% Borrowing facility up to R410 million – guaranteed by GUS plc	–	36.0	89.0	173.0	196.5
• Fixed borrowings at: 2002: 12.5%; 2001: 11.2% Borrowing facility up to R120 million – guaranteed by GUS plc	–	–	50.0	100.0	–
• Overdraft facility (linked to prime lending rate)	–	0.7	3.3	3.0	8.5
	–	36.7	142.3	276.0	205.0

FirstRand Limited have the right to call their respective loans on demand.

15. Revenue

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Merchandise sales	1,190.4	1,022.5	997.8	981.3	1040.2
Finance charges earned	602.1	562.7	539.6	539.7	548.8
Services rendered	149.6	128.7	135.5	117.9	104.8
Insurance premiums earned	332.6	324.0	322.9	297.5	189.1
	2,274.7	2,037.9	1,995.8	1,936.4	1,882.9

16. Cost of sales

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Merchandise cost of sales	790.7	691.9	658.3	654.3	657.0
Outward re-insurance premium	128.9	121.6	120.8	135.3	86.5
	919.6	813.5	779.1	789.6	743.5

17. Lease commitments

The Lewis Group leases the majority of its properties under operating leases. The lease agreements of certain of the Lewis Group's store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover.

At 31 March 2004 the future minimum property operating lease commitments are:

Due as follows:

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Within one year	67.1	62.6	61.8	62.5	57.4
Two to five years	104.0	144.9	165.9	81.1	73.6
In more than five years	0.9	9.0	12.3	12.8	12.5
	172.0	216.5	240.0	156.4	143.5

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
18. Operating profit					
Operating profit is stated after:					
18.1 **Credits to profit**					
Surplus on disposal of property, plant and equipment	3.1	3.8	0.3	0.4	1.7
Surplus on disposal of investments	–	–	–	–	0.3
18.2 **Charges to profit**					
Auditor's remuneration:					
• Audit fees: current year	0.6	0.5	0.4	0.4	0.3
• Audit fees: prior year – under/(over) provision	*	–	*	*	–
• Other services: current year	0.1	0.1	*	*	0.2
• Other services: prior year – under/(over) provision	*	*	*	*	*
Loss on disposal of investments	–	–	4.1	–	–
Management fee to ultimate holding company	1.1	1.1	1.1	1.1	1.0
Provision for outstanding claims	0.4	0.4	(3.3)	5.4	4.8
Operating lease charges – premises	67.1	61.8	62.6	57.4	50.4
Fees payable:					
• Management fee – insurance investments	1.1	1.0	5.3	0.8	0.5
• Outsourcing of IT function	24.6	26.8	31.6	31.2	26.0

19. Exceptional item

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Profit commission on re-insurance business	–	47.9	–	–	–
Tax effect	–	(14.4)	–	–	–
Net effect	–	33.5	–	–	–

The Lewis Group renegotiated its reinsurance arrangements with Global Guernsey, a fellow subsidiary, in the previous year and consequently a profit commission was earned on the re-insurance business written with Global Guernsey in prior years.

20. Investment income

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Interest – insurance business	32.2	33.6	37.7	26.2	13.7
Dividends from listed investments – insurance business	3.9	3.4	2.6	2.0	2.5
Realised profit on disposal of insurance investments	2.3	2.7	9.3	5.5	9.6
Impairment of available-for-sale investments	(1.4)	–	–	–	–
Unrealised fair value adjustments for available-for-sale investments	(2.1)	–	–	–	–
	34.9	39.7	49.6	33.7	25.8

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm

21. Finance costs

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
21.1 Interest payable					
Capitalised finance leases	1.4	1.9	1.6	2.4	3.5
Fellow subsidiary	136.2	160.4	135.6	136.5	153.5
Bank loans, overdrafts and other	14.6	5.4	22.5	22.0	9.0
Forward exchange contract losses	2.9	–	–	–	–
	155.1	167.7	159.7	160.9	166.0
21.2 Interest earned					
Bank	13.2	7.2	3.1	2.5	1.9
Other	0.2	3.9	9.4	*	*
	13.4	11.1	12.5	2.5	1.9
	141.7	156.6	147.2	158.4	164.1

22. Investment in associate

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Opening carrying amount	–	–	–	–	27.1
Share of results of associate	–	–	–	–	(14.5)
Share of tax of associate	–	–	–	–	7.4
Decrease in associate company receivable	–	–	–	–	(20.0)
Closing carrying amount	–	–	–	–	–

The only associate which is unlisted is the Lewis Stores Finance Company (Proprietary) Limited. Percentage interest held at 31 March 2000 is 48%. From 2001 the Lewis Group acquired full control after the business became dormant.

23. Tax

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
23.1 Tax charge					
South Africa	101.8	101.0	57.8	31.9	70.5
Foreign	9.7	7.2	13.4	21.5	15.5
Tax per income statement	111.5	108.2	71.2	53.4	86.0
Comprising:					
Normal taxation – current year	150.5	119.5	67.9	68.1	96.9
– prior year	8.1	–	(7.9)	0.4	0.3
Share of tax of associate	–	–	–	–	(7.4)
Deferred taxation	(47.1)	(11.3)	11.2	(15.1)	(3.8)
Tax per income statement	111.5	108.2	71.2	53.4	86.0
23.2 The rate of tax on profit is reconciled as follows:					
Profit before tax	398.8	360.3	263.5	173.3	289.3
Tax calculated at a tax rate of 30%	119.7	108.1	79.0	52.0	86.8
Effect of different tax rates in foreign countries	–	–	0.3	1.5	0.9
Disallowable expenditure	3.7	3.5	2.2	*	*
Prior years	(11.9)	–	(7.9)	0.4	0.3
Other	–	(3.4)	(2.4)	(0.5)	(2.0)
Tax per income statement	111.5	108.2	71.2	53.4	86.0
Effective tax rate	28.0%	30.0%	27.0%	30.8%	29.7%

24. Earnings per share

The calculation of earnings per share and headline earnings per share is based on net attributable profit and weighted average ordinary shares in issue of 100 000 000 (being the number of shares which will be in issue in Lewis on the Listing Date). No adjustments have been made to the income statement to reflect the raising of capital and the restructuring of the GUS Loans. The calculation of headline earnings per share is as follows:

	Net profit before tax R'm	Tax R'm	Net attributable profit R'm
2004			
Per income statement	398.8	(111.5)	287.3
Adjustments:			
Profit on disposal of fixed assets	(3.1)	0.9	(2.2)
Negative goodwill raised	(1.0)	–	(1.0)
Loss on disposal/impairment of available-for-sale assets	3.5	*	3.5
	398.2	(110.6)	287.6
2003			
Per income statement	360.3	(108.2)	252.1
Adjustments:			
Profit on disposal of fixed assets	(3.8)	1.2	(2.6)
Profit on disposal of available-for-sale assets	(1.6)	0.2	(1.4)
	354.9	(106.8)	248.1
2002			
Per income statement	263.5	(71.2)	192.3
Adjustments:			
Profit on disposal of fixed assets	(0.3)	0.1	(0.2)
Loss on disposal of investments other than gilts	5.4	(0.8)	4.6
	268.6	(71.9)	196.7
2001			
Per income statement	173.3	(53.4)	119.9
Adjustments:			
Profit on disposal of fixed assets	(0.4)	0.1	(0.3)
Profit on disposal of investments other than gilts	(2.9)	0.5	(2.4)
	170.0	(52.8)	117.2
2000			
Per income statement	289.4	(86.0)	203.3
Adjustments:			
Profit on disposal of fixed assets	(1.7)	0.5	(1.2)
Profit on disposal of investments other than gilts	(7.3)	1.0	(6.3)
	280.4	(84.5)	195.8

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm

25. Notes to the cash flow statement

25.1 Cash flow from trading

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Operating profit	505.6	429.3	361.1	298.0	442.1
Depreciation and amortisation	37.7	33.9	29.1	27.4	26.2
Profit on sale of property, plant and equipment	(3.1)	(3.8)	(0.3)	(0.4)	(1.7)
Loss/(profit) on sale of investment	–	–	4.2	–	(0.3)
Debtor impairment provision	(16.1)	(5.4)	20.0	12.0	52.5
Other provisions	9.5	(1.3)	(1.3)	12.3	15.6
Retirement benefits	2.3	7.6	3.4	3.6	2.6
	535.9	460.3	416.2	352.9	537.0

25.2 Working capital movement

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
(Increase)/decrease in inventories	(28.9)	12.9	(10.2)	15.0	(49.3)
(Increase)/decrease in trade and other receivables	(28.6)	(15.1)	(191.3)	(150.8)	(350.9)
Increase/(decrease) in trade and other payables	30.5	(77.3)	42.7	23.7	20.0
	(27.0)	(79.5)	(158.8)	(112.1)	(380.2)

25.3 Tax paid

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Amount (owing)/receivable at beginning of year	(23.0)	6.0	(2.9)	26.2	21.9
Amount charged to the income statement	(111.5)	(108.2)	(71.2)	(53.4)	(86.0)
Share of tax of associate	–	–	–	–	(7.4)
Adjustment for deferred tax	(47.1)	(11.3)	11.2	(15.1)	(3.8)
Amount owing/(receivable) at end of the year	82.4	23.0	(6.0)	2.9	(26.2)
	(99.2)	(90.5)	(68.9)	(39.4)	(101.5)

25.4 Acquisition of subsidiary company

Effective 7 October 2003 the Lewis Group acquired 100% of the equity in Lifestyle Living (Proprietary) Limited. The fair value of the assets and liabilities at the date Lifestyle became a subsidiary are as follows:

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Assets					
Property, plant and equipment	(1.4)	–	–	–	–
Trade and other receivables	(24.9)	–	–	–	–
Inventory	(8.8)	–	–	–	–
Liabilities					
Deferred tax	3.0	–	–	–	–
Trade and other payables	8.3	–	–	–	–
Bank overdraft	15.6	–	–	–	–
Net asset value acquired	(8.2)	–	–	–	–
Negative goodwill	5.2	–	–	–	–
Purchase price	(3.0)	–	–	–	–
Cash and cash equivalents on acquisition	(15.6)	–	–	–	–
Net cash outflow	(18.6)	–	–	–	–

		2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
25.5	**Cash and cash equivalents**					
	Cash on hand and deposits	358.8	20.5	45.6	18.1	15.7
	Overdrafts and short-term interest-bearing borrowings	–	(36.7)	(142.3)	(276.0)	(205.0)
	Cash and cash equivalents	358.8	(16.2)	(96.7)	(257.9)	(189.3)

26. Financial risk management

Executive management meets regularly to assess the Lewis Group's currency, credit and interest rate exposure and to decide on strategies for managing the risk. The manner in which the risks are to be managed on a daily basis and limits imposed on management in so doing are set out in a treasury policy which is reassessed and updated at these meetings. In the future the treasury policy is to be reviewed annually by the audit committee and compliance with the policy and the limits set out therein is to be reviewed by internal audit on a regular basis.

26.1 Credit risk management

Financial assets, which potentially subject the Lewis Group to concentration of credit risk, consist principally of cash at bank, investments and trade receivables. The Lewis Group's cash at bank and short-term deposits are placed with high credit quality financial institutions and South African investments are limited to a maximum of 5% in any one publicly quoted security. Trade receivables, comprise a large, widespread customer base which is subject to continual and ongoing credit evaluations to determine the level of impairment. The granting of credit is controlled by sophisticated and well-developed application and behavioral scoring models which are continually refined and updated. The Lewis Group does not consider there to be any significant concentrations of credit risk which have not been provided for.

26.2 Interest rate risk management

Interest rate risk on interest-bearing instruments (held-for-trading) are managed by an independent asset management company in terms of a regularly updated mandate. As part of the process of managing the Lewis Group's fixed and floating rate interest-bearing debt and cash and cash equivalents mix, the interest rate characteristics of new and the refinancing of existing loans are positioned according to the expected movements in interest rates.

The exposure to interest rate risk at 31 March 2004 excluding held-for-trading investments is summarised below:

	Term of investment	Average closing effective interest rate %	Floating or fixed	Carrying value R'm
2004				
Assets				
Net instalment sale receivables	Up to two years	23.0	Fixed	1,709.4
Liabilities				
Finance leases	Three years	8.0	Floating	14.9
GUS Group loan	No fixed terms of repayment	13.0	Floating	1,141.1
2003				
Assets				
Net instalment sale receivables	Up to two years	23.0	Fixed	1,822.7
Liabilities				
Overdrafts and short-term interest-bearing borrowings	Borrowing facility – renewable annually	13.9	Floating	36.7
Finance leases	Three to five years	11.0	Floating	21.2
GUS Group loan	No fixed terms of repayment	15.0	Floating	1,004.9
2002				
Assets				
Net instalment sale receivables	Up to two years	23.0	Fixed	1,809.6
Liabilities				
Overdrafts and short-term interest-bearing borrowings	Borrowing facility – renewable annually	11.9	Floating	142.3
Finance leases	Three to five years	15.0	Floating	14.2
GUS Group loan	No fixed terms of repayment	15.0	Floating	1,105.1
2001				
Assets				
Net instalment sale receivables	Up to two years	26.0	Fixed	1,611.3
Liabilities				
Overdrafts and short-term interest-bearing borrowings	Borrowing facility – renewable annually	11.2	Floating	276.0
Finance leases	Three to five years	14.5	Floating	19.2
GUS Group loan	No fixed terms of repayment	14.5	Floating	972.0
2000				
Assets				
Net instalment sale receivables	Up to two years	31.0	Fixed	1,481.2
Liabilities				
Overdrafts and short-term interest-bearing borrowings	Borrowing facility – renewable annually	10.8	Floating	205.0
Finance leases	Three to five years	14.5	Floating	19.6
GUS Group loan	No fixed terms of repayment	14.5	Floating	925.5

26.3 **Foreign exchange risk management**

During the year approximately 8% of the Lewis Group's purchases were in foreign denominated currencies. The Lewis Group enters into forward exchange contracts to manage foreign currency exposure. Below is a summary by major currency of the amounts payable under forward contracts.

	Term	Rate	Foreign currency FC'm	Rand equivalent R'm	Fair value R'm
2004					
US Dollar	Less than three months	Rates varying from R6.27 – R6.94	0.5	3.3	(0.1)
2003					
US Dollar	Less than three months	Rates varying from R8.11– R9.12	1.4	12.5	1.1
2002					
US Dollar	Less than three months	Rates varying from R11.49 – R11.73	0.5	5.7	(0.1)
2001					
US Dollar	Less than three months	Rates varying from R7.92 – R8.02	0.2	1.3	–
2000					
US Dollar	Less than three months	Rates varying from R6.35 – R6.58	0.5	2.9	–
Belgium Franc	Less than three months	Rate of R0.157	1.1	0.2	–

Apart from the Linked Policy Investment, uncovered exposure to foreign denominated currencies at year-end was R nil (2003: R nil). The underlying value of the Linked Policy Investment is determined in US Dollar and this foreign currency exposure is uncovered.

Net investment in foreign entities

The Lewis Group's currency exposure to net investments in foreign entities is limited to its net investment in Botswana of R82.4 million (2003: R88.6 million; 2002: R91.0 million; 2001: R45.8 million; 2000: R15.9 million), which includes its current loan account. The foreign currency exposure is managed by keeping the net investment at a minimum practical level by remitting cash flow to South Africa on a regular basis.

	2004 R'm	2003 R'm
26.4 **Liquidity risk**		
Total banking facilities	530.0	530.0
Less: Drawn portion of banking facility	–	(36.7)
Plus cash on hand	358.8	20.5
Available cash resources at end of year	888.8	513.8

26.5 **Embedded derivatives**

On a regular basis purchases made in Far Eastern countries are entered into in US Dollars. During the year the Lewis Group made a fair value gain of R60,002.

26.6 **Maturity profile of financial instruments**

The maturity profile of financial instruments at 31 March 2004 are as follows:

	Average closing rate of interest %	0–12 months	2–5 years	>5 years	Total
Assets					
Available-for-sale insurance investments	–	–	56.5	89.7	146.2
Held-for-trading insurance investments	–	208.0	–	–	208.0
Held-to-maturity insurance investments	7.97	88.7	–	–	88.7
Trade and other receivables **	–	1,751.7	–	–	1,751.7
Cash on hand and deposits	–	358.8	–	–	358.8
Liabilities					
Interest-bearing borrowings	11.5	(472.2)	(307.8)	(376.0)	(1,156.0)
Trade and other payables	–	(207.4)	–	–	(207.4)
		1,727.6	(251.3)	(286.3)	1,190.0

** Amounts due from instalment sale receivables after 1 year are reflected as current, as they form part of the normal operating cycle. The credit terms of instalment sale receivables range from 6–24 months.

On 31 March 2004 the carrying amounts of other receivables, bank balances and cash on hand, trade and other payables and overdraft and short-term interest-bearing borrowings approximate their fair values due to the short-term maturities of the assets and liabilities.

Included in "Cash on hand and deposits" are bank balances held in foreign currency (Pula) amounting to R28.3 million (2003: R19.4 million).

Included in "Available-for-sale investments" is a Linked Investment Policy with Sanlam Life Insurance Limited made by Monarch Insurance Company Limited, Lewis Group's insurance subsidiary. The underlying value of the policy is determined in US Dollars with reference to the original investment and a growth in a basket of international indices. The underlying indices are 65% foreign equity and 35% government bonds and the policy carries both a R65 million and US Dollars 7.4 million capital guarantee effective if the investment is held to 6 November 2007.

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm

27. Related party information

The company and its subsidiaries, in the ordinary course of business, enter into transactions with related parties. These transactions occur under terms no more favorable to those entered into with third parties in arm's length transactions.

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
27.1 Balances owing to related entities					
Controlling entity: amounts payable	2.7	1.6	0.5	0.5	0.5
Common-controlled entity:					
• Loan (refer note 10)	1,141.1	1,004.9	1,105.1	972.0	925.5
• Amounts payable	59.2	48.3	79.5	58.7	40.6
27.2 Amounts attributable to transactions with related entities					
Administration fees paid to: controlling entity	1.1	1.1	1.1	1.1	1.0
Interest paid to: common-controlled entity	136.2	160.4	135.6	136.5	153.5
Re-insurance premium paid to: common-controlled entity	128.9	121.6	120.8	135.3	86.5
(Proportional re-insurance of 40% of gross premiums written in respect of customer protection insurance.)					
Re-insurance commission received from: common-controlled entity	102.8	146.6	60.4	67.7	43.2
(Commission arising from the re-insurance business written.)					
Claims recoveries received: common-controlled entity	15.6	14.8	16.0	16.6	11.7
(In accordance with the proportional re-insurance arrangement.)					

27.3 **Dealings with directors**

Other than as set out in note 12.3, no other dealings with directors existed for the years under review.

28. Guarantees

	2004 R'm	2003 R'm	2002 R'm	2001 R'm	2000 R'm
Bank and other guarantees given by the Lewis Group to third parties	54.9	55.7	55.7	56.9	46.3

The directors are of the opinion that no loss will be incurred due to these guarantees provided.

29. Segmental reporting

29.1 By business unit

	2004			2003		
	Merchandise	Insurance	Group	Merchandise	Insurance	Group
Revenue	1,942.1	332.6	2,274.7	1,713.9	324.0	2,037.9
Operating profit	400.5	105.1	505.6	309.5	119.8	429.3
Operating assets	2,363.1	456.8	2,819.9	2,096.6	450.2	2,546.8
Operating liabilities	127.0	80.4	207.4	94.8	66.9	161.7
Capital expenditure	36.3	–	36.3	46.3	–	46.3
Depreciation	38.7	–	38.7	33.9	–	33.9
Amortisation	(1.0)	–	(1.0)	–	–	–
Impairment	1.4	–	1.4	–	–	–

	2002			2001		
	Merchandise	Insurance	Group	Merchandise	Insurance	Group
Revenue	1,672.9	322.9	1,995.8	1,638.9	297.5	1,936.4
Operating profit	288.6	72.5	361.1	179.8	118.2	298.0
Operating assets	2,119.1	441.2	2,560.3	1,871.7	422.1	2,293.8
Operating liabilities	136.3	103.8	240.1	112.4	84.7	197.1
Capital expenditure	37.8	–	37.8	34.6	–	34.6
Depreciation	29.1	–	29.1	27.4	–	27.4

	2000		
	Merchandise	Insurance	Group
Revenue	1,693.8	189.1	1,882.9
Operating profit	357.0	85.1	442.1
Operating assets	1,747.6	253.0	2,000.6
Operating liabilities	111.0	55.2	166.2
Capital expenditure	25.5	–	25.5
Depreciation	26.2	–	26.2

29.2 Geographical

	2004			2003		
	South Africa	Other	Group	South Africa	Other	Group
Revenue	2,026.6	248.1	2,274.7	1,802.9	235.0	2,037.9
Operating assets	2,574.9	245.0	2,819.9	2,295.7	251.1	2,546.8
Capital expenditure	33.9	2.4	36.3	42.5	3.7	46.2
Amortisation	(1.0)	–	(1.0)	–	–	–
Impairment	1.4	–	1.4	–	–	–

	2002			2001		
	South Africa	Other	Group	South Africa	Other	Group
Revenue	1,759.9	235.9	1,995.8	1,714.6	221.8	1,936.4
Operating assets	2,276.4	283.9	2,560.3	2,049.9	243.9	2,293.8
Capital expenditure	35.4	2.4	37.8	32.1	2.4	34.5

	2000		
	South Africa	Other	Group
Revenue	1,624.3	258.6	1,882.9
Operating assets	1,756.3	244.3	2,000.6
Capital expenditure	23.8	1.8	25.6

30. Material loans receivable

No material loans, other than in the ordinary course of business, were in existence for the financial year ended 31 March 2004.

31. Employee Share Incentive Schemes

No employee share incentive schemes were in existence for the financial year ended 31 March 2004.

32. Subsidiaries

Details of material subsidiaries of Lewis Opco are set out in paragraph 2 of Annexure 7 to this Prospectus.

33. Material changes

The GUS Loans were restructured post 31 March 2004. They were transferred to GUS plc on 1 April 2004. R376 million of the loan was capitalised on 5 July 2004 via the issue of one Lewis Opco share of 50 cents at a premium of R375 999 999.50. Outstanding interest of R294.6 million including interest of R29.5 million that accrued post 31 March 2004, was repaid on 5 July 2004 out of existing cash resources. The remaining R503.4 million, including interest accrued post 5 July 2004 of R3.4 million, was repaid on 26 July 2004. This repayment was funded from existing cash resources and a drawdown of R328 million from New Banking Facilities.

Independent reporting accountants' report on the historical financial information of Lewis

[25(1), 25(4), 29 and 30]

"6 September 2004

The Directors
Lewis Group Limited
PO Box 43
WOODSTOCK
7915

Gentlemen

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF LEWIS GROUP LIMITED ("LEWIS")

INTRODUCTION

GUS Holdings B.V., the holding company of Lewis Stores (Proprietary) Limited ("Lewis Opco") has resolved to sell all of the shares in Lewis Opco to Lewis, in exchange for shares in Lewis. The board of directors of Lewis has, in turn, resolved to apply for a listing ("the Proposed Listing") of the shares in Lewis on the JSE Securities Exchange South Africa ("the JSE"). Lewis will acquire the entire issued share capital of Lewis Opco prior to the date of the proposed listing.

At your request and for the purpose of the prospectus of Lewis to be dated on or about 14 September 2004 ("the Prospectus"), we present our report on the financial information of Lewis presented in the Report of historical financial information of Lewis, included as Annexure 1 to the Prospectus, in compliance with the Listings Requirements of the JSE ("the JSE Listings Requirements") and the Companies Act, No. 61 of 1973, as amended ("the Companies Act").

RESPONSIBILITY

The compilation, contents and presentation of the Prospectus and the Report of historical financial information are the responsibility of the directors of Lewis.

Our responsibility is to express an opinion on the financial information presented in the Report of historical financial information, included as Annexure 1 to the Prospectus.

SCOPE OF WORK

We conducted our work in accordance with statements of South African Auditing Standards. These standards require that we plan and perform our work to obtain reasonable assurance that the financial information is free of material misstatement. Our audit included:

- examining, on a test basis, evidence supporting the amounts and disclosures of the abovementioned financial information (including the evidence that was obtained by us relating to the audit of the financial statements underlying the financial information);
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall historical financial information presentation.

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

OPINION

In our opinion, the financial information of Lewis for the period ended 31 July 2004, as set out in Annexure 1 to the Prospectus, fairly presents, in all material respects, for the purposes of the Prospectus, the financial position of Lewis at that date and its cash flows for the period then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act and Section 8 of the JSE Listings Requirements.

Yours faithfully

PRICEWATERHOUSECOOPERS INC
CHARTERED ACCOUNTANTS (SA)
REGISTERED ACCOUNTANTS AND AUDITORS

CAPE TOWN"

Independent reporting accountants' report on the historical financial information of Lewis Opco and its subsidiaries [25(1), 25(3), 25(4) and 30]

"6 September 2004

The Directors
Lewis Group Limited
PO Box 43
WOODSTOCK
7915

Gentlemen

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF LEWIS STORES (PROPRIETARY) LIMITED ("LEWIS OPCO") AND ITS SUBSIDIARIES ("THE LEWIS GROUP")

INTRODUCTION

GUS Holdings B.V., the holding company of Lewis Opco has resolved to sell all of the shares in Lewis Opco to Lewis Group Limited ("Lewis") in exchange for shares in Lewis. The board of directors of Lewis has, in turn, resolved to apply for a listing ("the Proposed Listing") of the shares in Lewis on the JSE Securities Exchange South Africa ("the JSE"). Lewis will acquire the entire issued share capital of Lewis Opco prior to the date of the Proposed Listing.

At your request and for the purpose of the prospectus of Lewis to be dated on or about 14 September 2004 ("the Prospectus"), we present our report on the consolidated financial information of the Lewis Group presented in the Report of historical financial information of Lewis Opco and its subsidiaries, included as Annexure 2 to the Prospectus, in compliance with the Listings Requirements of the JSE ("the JSE Listings Requirements") and the Companies Act, No. 61 of 1973, as amended ("the Companies Act").

RESPONSIBILITY

The compilation, contents and presentation of the Prospectus and the Report of historical financial information are the responsibility of the directors of Lewis.

Our responsibility is to express an opinion on the financial information presented in the Report of historical financial information, included as Annexure 2 to the Prospectus.

SCOPE OF WORK

We conducted our work in accordance with Statements of South African Auditing Standards. These standards require that we plan and perform our work to obtain reasonable assurance that the financial information is free of material misstatement. Our audit included:

- examining, on a test basis, evidence supporting the amounts and disclosures of the abovementioned financial information (including the evidence that was obtained by us relating to the audit of the financial statements underlying the financial information);
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall historical financial information presentation.

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

OPINION

In our opinion, the consolidated financial information of the Lewis Group for the five financial years ended 31 March 2004, as set out in Annexure 2 to the Prospectus, fairly presents, in all material respects, for the purposes of the Prospectus, the consolidated financial position of the Lewis Group at the respective dates, and the results of its operations, changes in equity and cash flows for the years then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act and Section 8 of the JSE Listings Requirements.

Yours faithfully

PRICEWATERHOUSECOOPERS INC
CHARTERED ACCOUNTANTS (SA)
REGISTERED ACCOUNTANTS AND AUDITORS

CAPE TOWN"

Independent reporting accountants' report on the unaudited *pro forma* financial information of Lewis Opco and its subsidiaries

"6 September 2004

The Directors
Lewis Group Limited
PO Box 43
WOODSTOCK
7915

Gentlemen

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF LEWIS STORES (PROPRIETARY) LIMITED ("LEWIS OPCO") AND ITS SUBSIDIARIES ("THE LEWIS GROUP")

INTRODUCTION

The board of directors of Lewis Group Limited ("Lewis") has resolved to apply for a listing ("the Proposed Listing") of the shares of Lewis on the JSE Securities Exchange South Africa ("the JSE"). Lewis will acquire the entire issued share capital of Lewis Opco prior to the date of the Proposed Listing. Prior to the Proposed Listing, GUS plc ("GUS") has agreed to a repayment and capitalisation of loans owed to it by Lewis Opco ("the Loan Restructuring"). We report on the unaudited *pro forma* balance sheet, income statement and financial effects of the Lewis Group (collectively referred to as "the *Pro Forma* Financial Information"), set out in Part C of the prospectus of Lewis to be dated on or about 14 September 2004 ("the Prospectus"). The *Pro Forma* Financial Information has been prepared for illustrative purposes only to provide information on how the Loan Restructuring would have impacted on the consolidated financial results and position of the Lewis Group. Because of its nature, the *Pro Forma* Financial Information may not give a fair reflection of the Lewis Group's consolidated financial position after the Loan Restructuring, nor of the effect on future earnings.

At your request and for the purpose of the Prospectus we present our report on the *Pro Forma* Financial Information of the Lewis Group in compliance with the JSE Listings Requirements.

RESPONSIBILITIES

The directors of Lewis are solely responsible for the preparation of the *Pro Forma* Financial Information to which this reporting accountants' report relates, and for the financial statements and financial information from which it has been prepared.

It is our responsibility to express an opinion on the basis of preparation of the *Pro Forma* Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *Pro Forma* Financial Information beyond that owed to those to whom those reports were addressed at their dates of issue.

BASIS OF OPINION

Our work, which did not involve any independent examination of any of the underlying financial information, consisted primarily of agreeing the unadjusted financial information to the consolidated audited financial statements of the Lewis Group for the year ended 31 March 2004, considering the evidence supporting the adjustments to the *Pro Forma* Financial Information, recalculating the amounts based on the information obtained and discussing the *Pro Forma* Financial Information with the directors of Lewis.

Because the above procedures do not constitute either an audit or a review made in accordance with South African Auditing Standards, we do not express any assurance on the fair presentation of the *Pro Forma* Financial Information.

Had we performed additional procedures or had we performed an audit or review of the financial information in accordance with Statements of South African Auditing Standards, other matters might have come to our attention that would have been reported to you.

OPINION

In our opinion:

- the *Pro Forma* Financial Information has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of the Lewis Group; and
- the adjustments are appropriate for the purposes of the unaudited *pro forma* financial information in terms of the Loan Restructuring and in terms of section 8.30 of the JSE Listings Requirements.

Yours faithfully

PRICEWATERHOUSECOOPERS INC
CHARTERED ACCOUNTANTS (SA)
REGISTERED ACCOUNTANTS AND AUDITORS

CAPE TOWN”

Particulars and remuneration of the Directors and senior management of the Lewis Group

[2(c) and 16(b)]

1. External functions performed by Directors of Lewis

Set out below are functions performed by Directors of Lewis that are significant to the Lewis Group:

- D A Tyler is a board member of GUS plc and other companies in the GUS Group; and
- A J Smart is a board member of GUS plc and is also the Chairperson of GUS Canada Inc.

2. Occupations and/or functions performed by senior management

Set out below are the occupations and/or functions of the senior management of the Lewis Group and the directors of Lewis' subsidiaries:

Names and nationality	Business address	Occupation and/or function within the Lewis Group
Smart, Alan James South African	53A Victoria Road, Woodstock, 7925	• Group Chief Executive Officer • executive director of Lewis Opco • executive director of Monarch Insurance • executive director of Lifestyle Living • executive director of Lewis (Botswana) • executive director of Lewis (Lesotho) • executive director of Lewis (Namibia) • executive director of Lewis (Swaziland) • executive director of Lewis Management Services (Namibia) • executive director of Lewis Management Services (Botswana) • executive director of Kingtimm
Davies, Leslie Alan South African	53A Victoria Road, Woodstock, 7925	• Group Finance Executive • executive director of Lewis Opco • executive director of Monarch Insurance • executive director of Lewis (Botswana) • executive director of Lewis (Lesotho) • executive director of Lewis (Namibia) • executive director of Lewis (Swaziland) • executive director of Lifestyle Living • executive director of Lewis Management Services (Namibia) • executive director of Lewis Management Services (Botswana) • executive director of Kingtimm
Van Aardt, Kenneth Coenrad South African	53A Victoria Road, Woodstock, 7925	• Group Commercial Executive • executive director of Lewis Opco • executive director of Monarch Insurance
Heiberg, Christopher Derek South African	53A Victoria Road, Woodstock, 7925	• Group Marketing/Merchandise Executive • executive director of Lewis Opco
Lamprecht, Cornelius Ferdenand South African	53A Victoria Road, Woodstock, 7925	• Group Property and Development Executive • executive director of Lewis Opco

Names and nationality	Business address	Occupation and/or function within the Lewis Group
Irwin, Charles Patrick South African	53A Victoria Road, Woodstock, 7925	• Group IT Executive • executive director of Lewis Opco
Lyons, Richard Anthony Botswana	Plot 69, North Ring Road, Gaborone, Botswana	• executive director of Lewis Management Services (Botswana) • executive director of Lewis (Botswana)
Shaw, Robert Lindsay South African	Unit 7, Tulbagh Building, 360 Oak Avenue, Randburg	• Insurance Expert • non-executive director of Monarch Insurance
Sanger, Raymond Ian South African	53A Victoria Road, Woodstock, 7925	• Claims Assessor • non-executive director of Monarch Insurance
Young, John Charles South African	53A Victoria Road, Woodstock, 7925	• General Manager, Credit. Functional responsibilities include: operational credit collections and all credit related functions including credit staff management in the operational field; controlling the Group debtors' book inclusive of collections, repossession and write-off budgets; Company legal department
Horn, Jan South African	53A Victoria Road, Woodstock, 7925	• General Manager, Human Resources. Responsible for the human resources function
Solomon, Alan Frank South African	53A Victoria Road, Woodstock, 7925	• General Manager, Marketing. Responsibilities include advertising strategy and execution; competitive analysis
van Aswegen, Brett South African	53A Victoria Road, Woodstock, 7925	• General Manager, Customer Management. Functions include: credit risk management for new and existing customers; credit IT systems maintenance and development; fraud prevention, including new credit applications, staff fraud and insurance fraud; existing customer strategy management, including credit limits, risk and direct marketing; Group level debtors reporting and monitoring
Enslin, Johan South African	53A Victoria Road, Woodstock, 7925	• General Manager, Operations. Responsible for the "day-to-day" operational performance and management of the Lewis and the Best Electric operating divisions
Meerburg, Andrew James Dewijs South African	53A Victoria Road, Woodstock, 7925	• Company Secretary/Corporate Reporting
Loudon, Derek South African	53A Victoria Road, Woodstock, 7925	• General Manager, Merchandise. Responsibilities include: managing the full merchandise portfolio; setting and achieving merchandise strategic objectives through the full merchandise team; encompassing product range, gross profit and stock turns; overall managing of the "day-to-day" running of the department; and communication to all areas of the business in relation to merchandise
Timm, Neil South African	53A Victoria Road, Woodstock, 7925	• Chief Operations Executive, Lifestyle Living. Responsible for operational performance and management of Lifestyle Living • Senior Manager, Kingtimm
King, Ivan Joseph South African	53A Victoria Road, Woodstock, 7925	• Chief Merchandising Executive, Lifestyle Living • Senior Manager, Kingtimm

Note: Save for B van Aswegen, who is a member of the management committee of the Consumer Credit Association (CCA), no activities are performed by the management of the Lewis Group outside the Lewis Group that are significant to the Lewis Group.

3. Other directorships and partnerships held by the Directors and senior management of the Lewis Group during the previous five years

Name	Company	Status	
A J Smart	GUS Canada Inc.	current	
	GUS Ireland Holdings B.V.	current	
	GUS Overseas Holdings B.V.	current	
	GUS plc	current	
D M Nurek	Allan Gray Property Trust Management Limited	current	
	Aspen Pharmacare Holdings Limited	current	
	Business Connexion Group Limited	current	
	Distell Group Limited	current	
	Divaris Holdings (Proprietary) Limited	current	
	Fedsure International Limited	current	
	Fedsure General Limited	current	
	Foschini Limited	current	
	Investec Employee Benefits Holdings (Proprietary) Limited	current	
	Investec Employee Benefits Limited	current	
	Investec Property Group Limited	current	
	Lewis Group Limited	current	
	New Clicks Holdings Limited	current	
	Pick 'n Pay Insurance Co. Limited	current	
	Pick 'n Pay Stores Limited	current	
	Rowmoor Investments No. 270 (Proprietary) Limited	current	
	Springbok Supporters Club (Proprietary) Limited	current	
	(previously Experiential Factory (Proprietary) Limited)	current	
	Sun International Limited (formerly Kersaf Investments Limited)	current	
	TFS Investments Limited	current	
	Treble Entertainment (Proprietary) Limited	current	
	Trencor Limited	current	
	BOE Holdings Limited		resigned
	BOE Corporation Limited		resigned
	BOE Limited		resigned
	Comparex Holdings Limited		resigned
	LeisureNet Limited		resigned
	Lewis Stores (Proprietary) Limited		resigned
	Mobile Industries Limited		resigned
	Norwich Holdings South Africa Limited		resigned
	Norwich Life South Africa Limited		resigned
	Pick 'n Pay Holdings Limited		resigned
	Sonnenberg Hoffman Galombik Inc.		resigned
D A Tyler	Burberry Group plc	current	
	Chatsworth Investments Limited	current	
	Cliffrange plc	current	
	Experian Holdings Limited	current	
	Experian NA Holdings Limited	current	
	Experian 2003 Finance Limited	current	
	General Guarantee Corporation Limited	current	
	General Guarantee Finance Limited	current	
	G.G.C. Leasing Limited	current	
	GUS plc	current	
	GUS Catalogues Limited	current	
	GUS Finance Holdings Limited	current	
	GUS Financial Services Unlimited	current	
	GUS Holdings Limited	current	
	GUS Home Shopping Group Limited	current	
	GUS Overseas Retailing Limited	current	
	GUS Property Investments Limited	current	
	GUS US Holdings Limited	current	
	GUS US Limited	current	

Name	Company	Status	
	GUS 2000 Unlimited	current	
	GUS 2001 Limited	current	
	Stanhope Finance Limited	current	
	Argos Retail Group Limited		resigned
	BL Universal plc		resigned
	BLU Estates Limited		resigned
	BLU Holdings Limited		resigned
	BLU Investments Limited		resigned
	BLU Properties Limited		resigned
	BLU Property Management Limited		resigned
	Burberry Holdings Limited		resigned
	Burberry London Limited		resigned
	Burberry (UK) Limited		resigned
	Carecca Limited		resigned
	Cavendish-Woodhouse (Holdings) Limited		resigned
	Chatsworth Investments (1988) Limited		resigned
	Exchange Place Proprietors, Limited		resigned
	G.U.S (Money Purchase) Pension Trustees Limited		resigned
	GUS (UK) Holdings Limited		resigned
	Jungle Corporate Limited		resigned
	Jungle Online		resigned
	Jungle Technology Limited		resigned
	Jungle.com Holdings Limited		resigned
	Jungle.com Limited		resigned
	Morrisons Holdings Limited		resigned
	Priority Reserve Limited		resigned
	Suncom Properties Limited		resigned
	Thomas Burberry Holdings Limited		resigned
	Tyler Brothers (Eastern) Limited		resigned
H Saven	Boardroom Corporate Services (Proprietary) Limited	current	
	Herthco Nominees (Proprietary) Limited	current	
	Herthco Property Administrators (Proprietary) Limited	current	
	Mazars Incorporated	current	
	Moores Rowland Financial Services (Cape Town) (Proprietary) Limited	current	
	Truworths International Limited	current	
	Universal Secretaries (Proprietary) Limited	current	
B van der Ross	Afroteq (Proprietary) Limited	current	
	Bonatla Property Holdings Limited	current	
	First Rand Limited	current	
	Gauteng Economic Development Agency (Association incorporated under section 21)	current	
	Momentum Group Limited	current	
	Momentum Life Limited	current	
	Naspers Investments Limited	current	
	Naspers Limited	current	
	Pick ’n Pay Stores Limited	current	
	RMB Asset Management (Proprietary) Limited	current	
	Strategic Real Estate Management (Proprietary) Limited	current	
	30 Keerom Street Investments (Proprietary) Limited	current	
	Heenstede Investments (Proprietary) Limited		resigned
	Intersite Property Management Services (Proprietary) Limited		resigned
	Luck-At-It (Proprietary) Limited		resigned
	South African Rail Commuter Corporation Limited		resigned
	Van der Ross Projects (Proprietary) Limited		resigned
	Western Cape Property Co. Limited		resigned
K C van Aardt	Edcon Limited		resigned
	RJR Nabisco Food Company (Proprietary) Limited		resigned

Name	Company	Status
L A Davies	Kristie Homes (Proprietary) Limited	current
B van Aswegen	South African Fraud Protection Service (Association incorporated under section 21)	resigned
A J D Meerburg	Lundev (Proprietary) Limited	resigned
	Osprey Management Interests (Proprietary) Limited	resigned
	PSM Group (Proprietary) Limited	resigned
	PSM Marketing (Proprietary) Limited	resigned
	Pro Range (Proprietary) Limited	resigned
	Tuscon Roads 51 (Proprietary) Limited	resigned
	Twelve Southpark Lane (Proprietary) Limited	resigned

4. Contracts relating to Directors and managerial remuneration

The executive Directors and most of the senior management of the Lewis Group have concluded a standard employment agreement with the Lewis Group.

The material terms of the standard agreement are set out below:

- the agreement is for an indefinite period and is terminable on 12 months' notice from either Lewis Opco or the employee. Lewis Opco is given an election as to whether or not the employee should serve out the notice period without actively working for Lewis Opco;
- the standard agreement provides for a basic salary and incentive bonus scheme, leave, an obligation to join a retirement fund and medical aid scheme and certain other benefits;
- there is a standard entitlement to annual and sick leave. If the employee is absent for more than 130 days in any 360-day period then his employment can be terminated by Lewis Opco on six months' notice;
- a confidentiality clause prevents disclosure of confidential information during and after employment. "Confidential information" is broadly defined; and
- the employee is restrained for six months after the end of his employment with Lewis Opco from involvement in any activity that will cause him to disclose confidential information and/or trade secrets of Lewis Opco. The employee is also restrained from accepting an order for products and/or services in competition with the Lewis Group and from soliciting employees away from the Lewis Group.

The letters of appointment for A F Solomon, J Horn, A J D Meerburg, D Loudon and B van Aswegen are for an indefinite period and do not specify a notice period for termination, and accordingly, are terminable in accordance with the law, which requires four weeks notice. The letters of appointment provide for remuneration in a similar manner to the standard agreement but do not include a confidentiality and restraint undertaking.

The year in which the respective employment agreements were entered into are:

- A J Smart – 1997
- K C van Aardt – 2003
- L A Davies – 1997
- C D Heiberg – 1997
- C P Irwin – 2000
- C F Lamprecht – 1997
- J Enslin – 2002
- J C Young – 2002
- J Horn – 2001
- A F Solomon – 2002
- B van Aswegen – 1999
- A J D Meerburg – 2003
- D Loudon – 2000
- N A Timm – 2003
- I J King – 2003

The aggregate remuneration for all the directors of Lewis Opco for the financial year ended 31 March 2004 is set out in paragraph 19 headed "Appointment, qualification, remuneration and borrowing powers of Directors" on page 33 of the main body of this Prospectus. Set out below is a breakdown of the director's fees and remuneration of the Directors of Lewis and the aggregate directors' fees and remuneration of the other directors of Lewis Opco for the financial year ended 31 March 2004:

Name	Directors' fees (R)	Basic salary (R)	Bonuses and performance-related payments (R)	Other material benefits (R)	Contributions to pension schemes (R)	Medical aid contributions (R)	Total (R)
D M Nurek	75,000	Nil	Nil	Nil	Nil	Nil	75,000
A J Smart	Nil	1,436,000	1,436,000	114,048	229,760	27,372	3,243,180
D A Tyler	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Other Lewis Opco directors who are not directors of Lewis	Nil	3,207,080	2,656,000	268,046	516,536	153,367	6,801,029
TOTAL	75,000	4,643,080	4,092,000	382,094	746,296	180,739	10,119,209

Note:

The figures in this table differ from those in note 12.3 to the Report of historical financial information of Lewis Opco and its subsidiaries in Annexure 2 to this Prospectus on page 93 because note 12.3 reflects the bonuses actually paid to A J Smart and the other directors of Lewis Opco during the year ended 31 March 2004 relating to the 2003 financial year, whereas this table reflects the bonuses payable to them during the year ending 31 March 2005 for the 2004 financial year.

None of the Directors received any management, consulting or technical fees; expense allowances; nor any commission, gain or profit sharing arrangements.

A J Smart was also granted the following awards and options by GUS plc for the financial year ended 31 March 2004:

- for services rendered as a director of GUS plc, the deferred right to acquire 16,107 shares in GUS plc at no cost under GUS plc's performance share plan, the vesting of which awards is subject to performance conditions; and
- for services rendered as a director of Lewis Opco, options under GUS plc's executive share option schemes to acquire 16,107 shares in GUS plc at an exercise price of 675 pence per share, exercisable from 19 June 2006.

At the time of grant of these awards on 19 June 2003 the share price of the shares in GUS plc was £6.755.

The approved salary for A J Smart as Chief Executive Officer of Lewis for the financial year ending 31 March 2005 is as follows: basic salary – R1,536,000; pension fund contribution – R245,760; medical aid contribution – R20,720; the share options and awards set out in paragraph 53 headed "Lewis Employee Share Incentive Schemes as set out on page 56 of this Prospectus, and company car benefit at tax value – R114,048. His annual bonus for 2005 has not yet been determined.

Set out below are the approved fees for the non-executive directors of Lewis for the financial year ending 31 March 2005:

- D M Nurek: R225,000, comprising a basic fee of R200,000, and Audit Committee membership fees of R25,000;
- D A Tyler: R125,000, comprising a basic fee of R100,000, and Audit Committee membership fees of R25 000, which fees will be paid to GUS plc and not to D A Tyler;
- H Saven: R150,000, comprising a basic fee of R100,000, and Audit Committee Chairmanship fees of R50 000; and
- B van der Ross: R115,000, comprising a basic fee of R100,000, and Remuneration Committee membership fees of R15,000.

Additional members of the Remuneration Committee will each be paid an additional fee of R10,000 per annum.

5. Additional information

None of Lewis' directors or senior management referred to in this Prospectus:

- has been declared bankrupt or has entered into an individual voluntary compromise arrangement to surrender his or her estate;
- is or was a director with an executive function of any company at the time of, or within twelve months preceding, any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any compromise or arrangement with the company's creditors generally or with any class of its creditors;
- is or has been a partner in a partnership at a time of, or within twelve months preceding, any compulsory sequestration, administration or voluntary arrangement of such partnership;
- is or has been a partner in a partnership at the time of, or within twelve months preceding, a receivership of any assets of such partnership;
- has had any of his or her assets subject to receivership;
- is or has been publicly criticised by any statutory or regulatory authorities, including recognised professional bodies or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- is or has been convicted of any offence involving dishonesty.

D M Nurek was:

- appointed as a non-executive director of LeisureNet Limited on or about 23 August 2000 at the instance of major shareholders. He held this position for a period of approximately six weeks, resigning just prior to LeisureNet Limited being placed under provisional liquidation on 7 October 2000. The Liquidation Order was made final on 30 November 2000; and
- appointed as a non-executive director of Saambou Bank Limited at the instance of major shareholders. Saambou Bank Limited was placed into curatorship on Saturday, 9 February 2002.

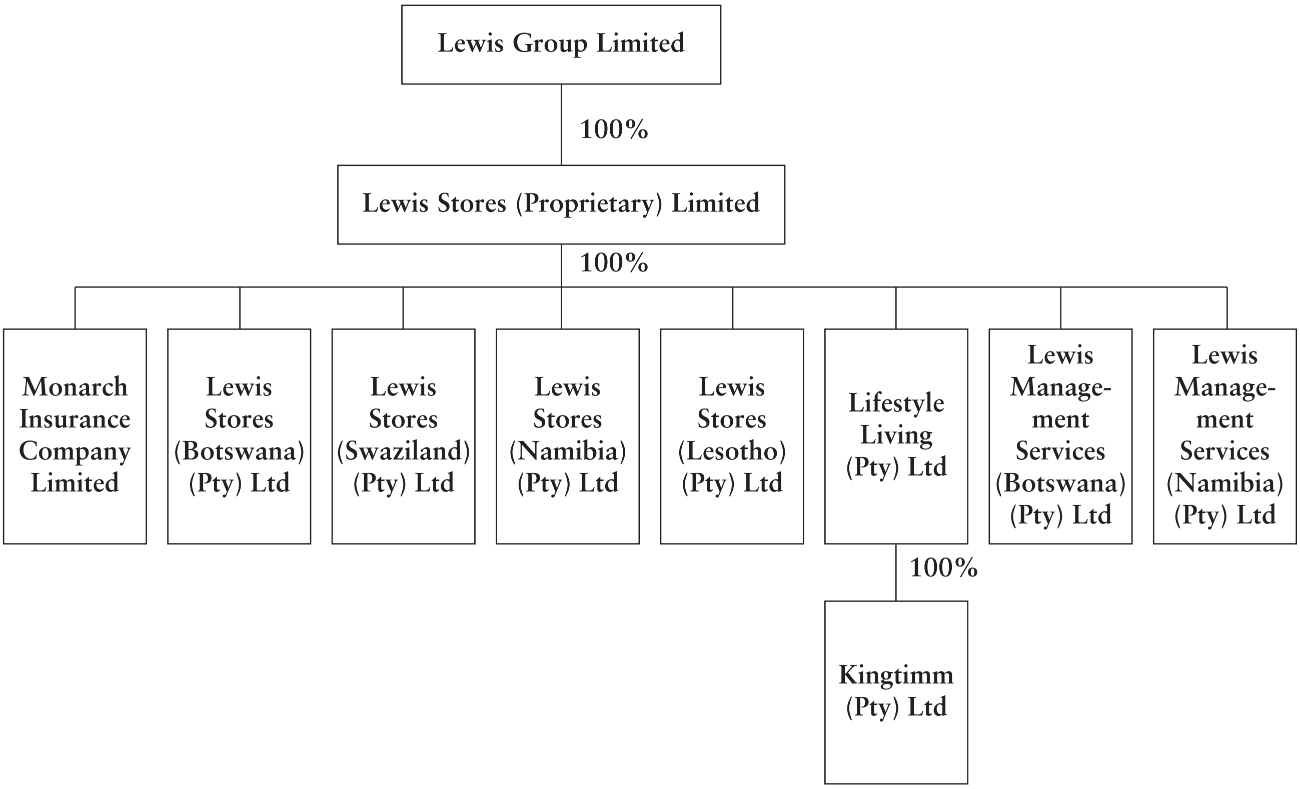
6. Fees in lieu of directors' fees

Except for the payment of D A Tyler's directors' fees to GUS plc, no fees are payable to any third party in lieu of directors' fees.

Details of subsidiary companies and their Directors

[2(e), 6(a)(i), 6(a)(ii), 6(b), 6(e)(i) and 6(f)]

1. Lewis Group on Listing Date



2. Operating subsidiaries

Name and registration number	Date and place of incorporation and length of time during which business has been carried out	Issued ordinary share capital	Main business	Date of becoming subsidiary
Lewis Stores (Proprietary) Limited (Registration number 1946/002338/07)	3 October 1946 South Africa 57 years	R900,001.50 divided into 1,800,003 ordinary shares of R0.50 each	Retail of furniture and appliances	Will become a subsidiary of Lewis prior to the Listing Date
Monarch Insurance Company Limited (Registration number 1994/003920/06)	10 June 1994 South Africa 10 years	R110,000 divided into 11,000,000 ordinary shares of R0.01 each	Short-term insurance in terms of the Insurance Act, 27 of 1943 (as amended)	10 June 1994
Lifestyle Living (Proprietary) Limited (Registration number 2002/022355/07)	10 September 2002 South Africa 2 years	R10 divided into 10 ordinary shares of R1.00 each	Retail of furniture and appliances	With effect from 7 October 2003, shares transferred on 4 December 2003
Lewis Stores (Botswana) (Proprietary) Limited (Registration number Co. 648)	10 June 1969 Botswana 35 years	100,000 Botswana Pula divided into 100,000 ordinary shares of P1.00 each	Retail of furniture and appliances	10 June 1969

Name and registration number	Date and place of incorporation and length of time during which business has been carried out	Issued ordinary share capital	Main business	Date of becoming subsidiary
Lewis Stores (Lesotho) (Proprietary) Limited (Registration number NO 79/54)	15 June 1979 Kingdom of Lesotho 25 years	100,000 Maluti divided into 99,998 ordinary shares of M1.00 each and 1 ordinary share of M2.00	Retail of furniture and appliances	15 June 1979
Lewis Stores (Namibia) (Proprietary) Limited (Registration number 70/3648)	24 March 1970 Namibia 34 years	N$100,000 (Namibian Dollars) divided into 100,000 ordinary shares of N$1.00 each	Retail of furniture and appliances	24 March 1970
Lewis Stores (Swaziland) (Proprietary) Limited (Registration number 19/1972)	9 February 1972 Swaziland 32 years	E100,000 (Swaziland Emalangeni) divided into 100,000 ordinary shares of E1.00 each	Retail of furniture and appliances	9 February 1972
Lewis Management Services (Botswana) (Proprietary) Limited (Registration number 2001/1426)	10 April 2001 Botswana 3 years	100 Botswana Pula divided into 100 ordinary shares of P1.00 each	Management and claims management services	9 October 2001
Lewis Management Services (Namibia) (Proprietary) Limited (Registration number 2000/247)	11 May 2000 Namibia 4 years	N$100 (Namibian Dollars) divided into 100 ordinary shares of N$1.00 each	Management and claims management services	9 October 2000
Kingtimm (Proprietary) Limited (Registration number 1995/000750/07)	31 January 1995 South Africa 9 years	R120,000 divided into 12,000,000 ordinary shares or R0.01 each	Furniture retail	14 April 2003 (in respect of Lifestyle Living): With effect from 7 October 2003 (in respect of Lewis).

All of the above subsidiaries are wholly-owned by the Lewis Group. Other than the shareholders, by amending the articles of association, no person holds any rights enabling them to vary the voting rights of the shares in these subsidiaries.

The respective contributions of Lewis Opco and its subsidiaries to the operating profit of the Lewis Group for the financial year ended 31 March 2004 are set out below:

Description	Lewis Opco R'000	Monarch Insurance R'000	Lewis (Botswana) R'000	Lewis (Lesotho) R'000	Lewis (Namibia) R'000	Lewis (Swaziland) R'000	Lifestyle Living R'000	Consolidation entries R'000	Lewis Group Result R'000
Operating profit	385,633	104,152	9,190	2,092	13,110	277	2,343	8,882	505,878
Net profit before tax	225,393	139,006	9,701	2,092	11,195	1,244	1,329	8,882	398,841
Net profit after tax	158,654	104,189	7,288	1,360	7,268	871	1,133	6,531	287,292

Lewis Management Services (Namibia) and Lewis Management Services (Botswana) did not contribute to the operating profit of the Lewis Group for the financial year ended 31 March 2004.

The dividends declared by Lewis Opco's subsidiaries during the five financial years ended 31 March 2004 are set out below:

Entity	2004 (R)	2003 (R)	2002 (R)	2001 (R)	2000 (R)
Trading company					
Monarch Insurance	110,000,000	65,000,000	70,000,000	30,000,000	45,000,000
Dormant companies					
Lewis Stores Finance Company (Pty) Ltd			32,587		
Lewis Stores Transkei (Pty) Ltd			8,359,800		
Lewis Stores Bophuthatswana (Pty) Ltd			18,737,491		
Lewis Stores Venda (Pty) Ltd			7,854,174		
Lewis Stores Butterworth (Pty) Ltd			136,916		
Lewis Stores Mount Frere (Pty) Ltd			72,770		
Lewis Stores Umzimkulu (Pty) Ltd			286,684		
M Lewis Estates Woodstock (Pty) Ltd			3,691,547		
M Lewis Estates Parow (Pty) Ltd			3,376,494		
M Lewis Estates Port Elizabeth (Pty) Ltd			2,134,956		
M Lewis Estates Kenilworth (Pty) Ltd			320,258		
M Lewis Queenstown (Pty) Ltd			2,350,000		
M Lewis Grahamstown (Pty) Ltd			1,380,182		
M Lewis Estates Randfontein (Pty) Ltd			1,200,464		
M Lewis Estates Vereeniging (Pty) Ltd			2,089,699		
Bevisa Holdings (Pty) Ltd			1,121,035		
Excelsior Meubels (Eiendoms) Beperk			3,383,486		
Price Fighters (Pty) Ltd			1,218,350		
New Western Furnishers (Pty) Ltd			1,067,095		
Brown Bros. & Taylor Limited			1,623,396		
Andberg (Pty) Ltd			4,567,073		
Burberry's of London SA Limited			1,550,391		
Dan Hands (Pty) Ltd			190,464		
Barons Furnishers (Pty) Ltd			236,402		
			66,981,714		
TOTAL	**110,000,000**	**65,000,000**	**136,981,714**	**30,000,000**	**45,000,000**

3. **Dormant subsidiaries**

Name and registration number	Date and place of incorporation	Issued ordinary share capital (R)	Date of becoming a subsidiary
Andberg (Proprietary) Limited (Registration number 1969/008871/07)	6 June 1969, South Africa	2	30 June 1982
Barons Furnishers (Proprietary) Limited (Registration number 1962/002138/07)	18 June 1962, South Africa	4	31 March 1982
Bevisa Holdings (Proprietary) Limited (Registration number 1954/000686/07)	24 March 1951, South Africa	20	14 January 1975
Brown Bros. & Taylor (Proprietary) Limited (Registration number 1936/007961/07)	24 April 1936, South Africa	24,000	6 May 1957
Burberry's of London (South Africa) (Proprietary) Limited (Registration number 1945/019034/07)	5 June 1945, South Africa	2,200	18 November 1946
Dan Hands (Proprietary) Limited (Registration number 1950/038562/07)	23 September 1950, South Africa	150	28 January 1972
Excelsior Meubels (Eiendoms) Beperk (Registration number 1952/002092/07)	2 August 1952, South Africa	20	15 February 1960
Hector Powe of London (South Africa) (Proprietary) Limited (Registration number 1952/003168/06)	29 December 1952, South Africa	14	18 February 1986
Lewis Stores (Bophuthatswana) (Proprietary) Limited (Registration number 82/0059)	5 April 1982, Bophuthatswana	1	5 April 1982
Lewis Stores (Butterworth) (Proprietary) Limited (Registration number 1988/060275/07)	14 November 1988, South Africa	4,000	14 November 1988
Lewis Stores (Mount Frere) (Proprietary) Limited (Registration number 1990/060084/07)	11 April 1990, South Africa	4,000	11 April 1990
Lewis Stores (Transkei) (Proprietary) Limited (Registration number 1978/060179/07)	10 October 1978, South Africa	1	10 October 1978
Lewis Stores (Umzimkulu) (Proprietary) Limited (Registration number 1990/060085/07)	11 April 1990, South Africa	4,000	11 April 1990
Lewis Stores (Venda) (Proprietary) Limited (Registration number 1987/080063/07)	27 October 1987, South Africa	1	27 October 1987
Lewis Stores Finance Company (Proprietary) Limited (Registration number 1990/005185/07)	30 August 1990, South Africa	100	30 August 1990
M Lewis Estates (Grahamstown) (Proprietary) Limited (Registration number 1952/001686/07)	18 June 1952, South Africa	4,000	28 April 1955
M Lewis Estates (Kenilworth) (Proprietary) Limited (Registration number 1946/022321/07)	5 July 1946, South Africa	2	30 August 1980
M Lewis Estates (Parow) (Proprietary) Limited (Registration number 1946/023957/07)	2 December 1946, South Africa	400	12 April 1947

Name and registration number	Date and place of incorporation	Issued ordinary share capital (R)	Date of becoming a subsidiary
M Lewis Estates (Port Elizabeth) (Proprietary) Limited (Registration number 1944/017798/07)	28 August 1944, South Africa	8,000	21 June 1948
M Lewis Estates (Queenstown) (Proprietary) Limited (Registration number 1948/032329/07)	13 December 1948, South Africa	2	1 March 1970
M Lewis Estates (Randfontein) (Proprietary) Limited (Registration number 1937/009930/07)	9 July 1937, South Africa	4	15 February 1960
M Lewis Estates (Vereeniging) (Proprietary) Limited (Registration number 1955/000802/07)	18 March 1955, South Africa	14	15 February 1960
M Lewis Estates (Woodstock) (Proprietary) Limited (Registration number 1946/023485/07)	16 October 1946, South Africa	400	12 April 1947
Montrose Insurance Brokers (Proprietary) Limited (Registration number 1994/004621/07)	1 July 1994, South Africa	1	1 July 1994
New Western Furnishers (Proprietary) Limited (Registration number 1962/002156/07)	19 June 1962, South Africa	3,000	1 June 1972
Pricefighters (Proprietary) Limited (Registration number 1954/003329/07)	11 December 1954, South Africa	200	1 November 1968

All of the above subsidiaries are wholly-owned by the Lewis Group.

No person, other than the shareholders, holds any rights to enable such a person to vary the voting rights held in any subsidiary.

4. Changes to share capital

On 5 July 2004, Lewis Opco issued one Lewis Opco share of R0.50 par value and a premium of R375,999,999.50 to GUS Holdings for a subscription consideration of R376 million. The reason for the premium was in order to capitalise the outstanding capital amount of R376 million owing in respect of the GUS Loans.

The only changes to the issued share capital of Lewis Opco's subsidiaries, that have taken place in the last five years, are the following purchases by such companies of their own shares:

Name	Date of repurchase	Number of shares repurchased	Repurchase value (R)	Par value of shares repurchased (R)	Premium of shares repurchased (R)
M Lewis Estates (Randfontein) (Proprietary) Limited	2 April 2002	5,000	10,000	2	0
M Lewis Estates (Kenilworth) (Proprietary) Limited	31 April 2002	33,272	66,544	2	0
M Lewis Estates (Queenstown) (Proprietary) Limited	3 April 2002	79,999	159,998	2	0
Lewis Stores (Transkei) (Proprietary) Limited	4 April 2002	99,999	99,999	1	0
Lewis Stores (Bophuthatswana) (Proprietary) Limited	4 April 2002	99,999	99,999	1	0
Lewis Stores (Venda) (Proprietary) Limited	4 April 2002	99,999	99,999	1	0
Dan Hands (Proprietary) Limited	2 April 2002	4,000	8,000	2	0

Save as set out above, there have been no changes to the authorised or issued share capital of the subsidiary companies of Lewis Opco or its subsidiaries in the last five years.

5. Directors and managers of operating subsidiaries

The directors and managers of Lewis Opco and its operating subsidiaries are set out in the table below:

Company	Directors and senior management
Lewis Opco	**Directors:** A J Smart; K C van Aardt; L A Davies; C D Heiberg; C P Irwin and C F Lamprecht **Senior management:** Same as detailed for Lewis Group
Monarch Insurance	**Directors:** A J Smart, L A Davies, R Shaw, R I Sanger and K C van Aardt
Lewis (Botswana)	**Directors:** A J Smart, L A Davies and R A Lyons
Lewis Management Services (Botswana)	**Directors:** A J Smart, L A Davies and R A Lyons
Lewis (Lesotho)	**Directors:** A J Smart and L A Davies
Lewis (Namibia)	**Directors:** A J Smart and L A Davies
Lewis Management Services (Namibia)	**Directors:** A J Smart and L A Davies
Lewis (Swaziland)	**Directors:** A J Smart and L A Davies
Lifestyle Living	**Directors:** A J Smart and L A Davies **Senior management:** N A Timm and I J King
Kingtimm	**Directors:** A J Smart and L A Davies **Senior management:** N A Timm and I J King

Further details of all the directors and managers of Lewis Opco and its operating subsidiaries are set out in Annexure 6 to this Prospectus.

Other directorships and partnerships held by directors of the operating subsidiaries of Lewis Opco during the previous five years, not already set out in Annexure 6 to this Prospectus, are set out below:

Robert Lindsay Shaw – director of Monarch Insurance

Directorships	Status
Anslow Management Consultants (Pty) Ltd	current
Bantry Oval 21 (Pty) Ltd	current
Bay Manor Communications (Pty) Ltd	current
Captain Investments (Pty) Ltd	current
Conpret Investments (Pty) Ltd	current
Constantia Insurance Company Ltd	current
Constantia Life and Health Assurance Company Ltd	current
CICL Intermediate Holdings (Pty) Ltd	current
CICL Investment Holdings (Pty) Ltd	current
Datawrite Publishing Ltd	current
Dexdata Overseas Ltd	current
D&O Liability Underwriting Managers (Pty) Ltd	current
34 Ebury Avenue Investments (Pty) Ltd	current
Emerald Island Investments (Pty) Ltd	current
Etron Holdings (Pty) Ltd	current
Etron Management Services (Pty) Ltd	current
Etron Manufacturing (Pty) Ltd	current
Etron Properties (Pty) Ltd	current
Etron Wireless Technologies (Pty) Ltd	current
Event Makers (Pty) Ltd	current
Expectra 658 (Pty) Ltd	current

Directorships	Status
Freshfields Property Investment Holdings (Pty) Ltd	current
Furnguard Insurance Company Ltd	current
Home 633 Investments (Pty) Ltd	current
Issue Software Holdings (Pty) Ltd	current
Messianic Good News (Section 21 company)	current
Monarch Insurance Company Ltd	current
Motor Liability Acceptances (Pty) Ltd	current
MTR Underwriting Agency (Pty) Ltd	current
Oakwood Underwriting Managers (Pty) Ltd	current
Prefsure (Botswana) Ltd	current
Prefsure (Lesotho) Ltd	current
Premium Select (Pty) Ltd	current
Pine Forest Nursery School (Pty) Ltd	current
Pro-Vision International (Section 21 company)	current
Quest Insurance Rating Services (Pty) Ltd	current
Relyant Life Assurance Company Ltd	current
Relyant Insurance Company Ltd	current
Section 7 Tulbagh (Pty) Ltd	current
Section 8 Tulbagh (Pty) Ltd	current
SGI Guarantee Acceptances (Pty) Ltd	current
Stellenberg 1 Investments (Pty) Ltd	current
Stellenberg Three Investments (Pty) Ltd	current
Shavian Investment Holdings (Pty) Ltd	current
Shavian Management Consultants (Pty) Ltd	current
TGI Investment Holdings Ltd	current
The Elmwood Media Group (Pty) Ltd	current
The Peoples' Industrial Advice Centre (Pty) Ltd	current
The Oakwood Financial Services Group (Pty) Ltd	current
Transqua Administrative Services (Pty) Ltd	current
Truck and General Insurance Company Ltd	current

6. Extracts of articles of association of operating subsidiaries

Set out below are extracts from the articles of association of Lewis Opco and its operating subsidiaries, which are substantially the same for all such companies (unless specified otherwise). In regard to the subsidiaries incorporated outside South Africa these extracts are from the articles of association as have been recently approved by the shareholder(s) and lodged for registration in the respective jurisdictions. They will, however, only become effective when and if they are registered. The articles may be altered by special resolution.

Appointment and qualification of directors

"52. *Subject to the provisions of the Companies Act:*

52.1 *unless otherwise determined by a general meeting:*

52.1.1 *for as long as the Company is (directly or indirectly) a wholly-owned subsidiary of a listed holding company, the number of directors shall not be less than two; or*

52.1.2 *should the Company not be a wholly-owned subsidiary of a listed holding company, the number of directors shall be not less than three;*

52.2 *for so long as the Company is a (direct or indirect) subsidiary of a listed holding company, then at least one of its directors shall be the representative of its immediate holding company;*

52.3 *the first directors may be appointed by the subscriber to the Memorandum; and*

52.4 *unless otherwise determined by a general meeting, the number of directors shall be not more than nine.*

53. *A general meeting, or the directors, shall have power at any time and from time to time to appoint any person as a director either to fill a casual vacancy in the number of directors or as an additional director; provided that the total number of directors shall not exceed at any time the maximum number fixed by Article 52 and provided, further, that any appointment so made by the directors shall be subject to confirmation at the immediately succeeding annual general meeting of the Company, but shall not be taken into account in determining the directors who are to retire by rotation at the annual general meeting.*

54. *The continuing directors may act notwithstanding any vacancy in their number, but for so long as their number is reduced below the minimum number of directors required to act as such for the time being, the continuing director(s) may act only to:*

54.1 *increase the number of directors to the required minimum, provided that any appointment so made by the continuing director(s) shall be subject to confirmation at the immediately succeeding annual general meeting of the Company; or*

54.2 *summon a general meeting for that purpose,*

provided that if there is no director able or willing to act then any member may convene a general meeting for that purpose.

55. *Until otherwise determined by a general meeting, neither a director nor an alternate director shall be obliged to hold any qualification shares."*

Remuneration of directors

"56.1 *The remuneration of the directors in their capacity as directors shall from time to time be determined by the members in general meeting.*

56.2 *The remuneration payable to directors shall be deemed to accrue from "day-to-day".*

56.3 *The directors may be paid the travelling subsistence and other expenses properly incurred by them in and about the performance of their duties as directors, including attending and travelling to and from meetings of directors or any committee of directors or general meetings of the Company and such other expenses properly incurred by them in and about the business of the Company which are authorised or approved by the directors.*

56.4 *The members in general meeting, may pay any director who serves on any committee or who devotes special attention to the business of the Company, or otherwise performs services which in the opinion of the members are outside the scope of the ordinary duties of a director, such extra remuneration by way of salary, commission, percentage of profits or by any or all of these modes or otherwise as they may determine."*

Borrowing powers

"62. *Subject to Article 63, the directors may:*

62.1 *raise or borrow such sums of money without limitation for the purposes of the Company as they think fit; and*

62.2 *secure the payment or repayment of any sums of money borrowed or raised in terms of the preceding Article or the payment of any debt, liability or obligation whatsoever of the Company or of a third party, in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the execution of bonds or the issue of debentures or debenture stock of the Company charged upon all or any part of the property and rights of the Company, both present and future.*

63. *For so long as the Company has a listed holding company, Article 62 is subject to the proviso that the total amount owing by the Company in respect of monies so raised, borrowed or secured shall not exceed the amount authorised by its listed holding company."*

The wording of the articles of Lewis (Lesotho), Lewis (Swaziland) and Lewis (Botswana) and Lewis Management Services (Botswana), differ slightly, but are substantially the same in respect of the qualification of directors.

As the articles of the abovementioned subsidiaries do, however, differ in relation to the remuneration of directors and borrowing powers, the relevant sections of such articles are set out below:

Qualification, appointment and remuneration of directors

Lewis (Lesotho)

"68. *There shall be not less than two Directors of the Company; and the Company may from time to time in general meeting increase or reduce the number of Directors and may by Ordinary Resolution remove any Director from his appointment. Any vacancy or vacancies howsoever created may be filled by the appointment of another Director or other Directors by the board of Directors and shall be confirmed by the shareholders of the Company at the next annual general meeting.*

It shall not be necessary for a person to hold a share of the Company in order to qualify as a Director, and a Director may be employed in any other capacity in the Company or as a director or employee of a controlled subsidiary company and in this event, the appointment and remuneration in respect of such other office must be determined by the members in general meeting.

69. *The remuneration of the Directors shall from time to time be determined by the Company in general meeting.*

70. *If any Director be called upon to perform extra services or to make any special exertions in going or residing abroad, or otherwise, for any of the purposes of the Company, the Company may remunerate that Director either by a fixed sum or by a percentage of profits or otherwise as may be determined, and such remuneration may be either in additional to, or in substitution for, the remuneration determined under Article 69."*

Lewis (Swaziland)

"65. *There shall be not less than two and no more than seven Directors of the Company; and the Company may from time to time in general meeting increase or reduce the number of Directors and may by Ordinary Resolution remove any Director from his appointment. Any vacancy or vacancies howsoever created may be filled by the appointment of another Director or other Directors by the shareholders of the Company.*

66. *The remuneration of the Directors shall from time to time be determined by the Company in general meeting. If any Director be called upon to perform extra services or to make any special exertions in going or residing abroad, or otherwise, for any of the purposes of the Company, the Company may remunerate that Director either in addition to, or in substitution for his share in the remuneration determined in general meeting. Furthermore, any Director may be employed in any other capacity in the Company or as a Director or employee of a controlled or a subsidiary company and in such event, their remuneration in respect of such other office must be determined by a disinterested quorum.*

67. *No person shall be required to hold any share to qualify him for the office of a Director."*

Lewis (Botswana) and Lewis Management Services (Botswana)

"59. *The minimum number of Directors shall be two (2) and the maximum number of Directors shall be nine (9). The first Directors shall be appointed by the subscribers. At least one of the Directors of the Company shall be resident in the Republic of Botswana.*

60. *A Director shall not be required to hold a share qualification.*

61. *Subject to the provisions of Article 59 the Company by Ordinary Resolution in General Meeting may from time to time increase or reduce the number of Directors and alter their qualifications. Whenever such increase is made the shareholders at the said Meeting, or failing them, the Directors, may fill up the new seats so created.*

62. *Where any person is employed under a contract with the Company, which contract has as a condition thereof that the person shall be a Director of the Board, the period for which that person shall be a Director and shall hold office as such shall be determined by the terms and conditions of his contract with the Company.*

63. *The remuneration of Directors shall be such sums as may from time to time be approved by the Company in General Meeting. Directors shall also be paid such travel, hotel and other expenses as may be properly and necessarily incurred by them in and about the execution of their duties as Directors, including any such expenses incurred in connection with the attendance at meetings of Directors or committees thereof and at General Meetings.*

64. *A quorum of disinterested Directors may award special remuneration out of the funds of the Company to any non-executive Director undertaking any work additional to that usually required of any non-executive director of a company similar to the Company, and shall approve any visit abroad by any Director on business of the Company and the expenses shall be met by the Company."*

Borrowing powers

Lewis (Lesotho)

"74. The Directors may in their discretion, from time to time, raise or borrow or secure from the Members, other persons, Banks, Corporations or any other Financial Institutions, any sum or sums of money for the purposes of the Company without limitation, provided that the total amount owing by the Company in respect of monies raised, borrowed or secured shall not exceed the amount authorised by its listed holding company. The Directors may raise or secure the repayment of such monies in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the execution of the Mortgage Bond, Notarial Bonds, the issue of Debentures of Debenture Stock of the Company charged upon all or any part of the property and rights of the Company, both present and future, including its uncalled capital."

Lewis (Swaziland)

"43. The Directors may, in their discretion, from time to time, raise or borrow from the members or other persons any sum or sums of money for the purposes of the Company in any amount they see fit, provided that the total amount owing by the Company in respect of monies so raised or borrowed shall not exceed the amount authorised by its listed holding company.

44. The Directors may raise or secure the repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the execution of mortgage bonds and the issue of debentures or debenture stock of the Company charged upon all or any part of the Property and rights of the Company, both present and future, including its uncalled capital, provided that the total amount owing by the Company in respect of monies so raised or secured shall not exceed the amount authorised by its listed holding company."

Lewis (Botswana) and Lewis Management Services (Botswana)

"71. The Directors may raise or borrow or secure the payment of any sum of money for the purposes of the Company's business, such sum or sums of money as they deem fit, provided that the total amount owing by the Company in respect of monies so raised, borrowed or secured shall not exceed the amount authorised by its holding company. The Directors may secure the repayment of or raise any such sum or sums as aforesaid by mortgage or charge upon the whole or any part of the property and assets of the Company, present and future, or by the issue, at such price as they may think fit, or debentures, or not so charged or in such other way as the Directors may think expedient."

Details of principal immovable properties leased or owned [6(c)]

Lewis does not own or lease any immovable property. Details of principal immovable property leased and owned by Lewis Opco and its subsidiaries are as follows:

Properties leased

	Lessor	Lessee	Property name	Location/Area	Expiry date
1.	Acornhoek Plaza (Proprietary) Limited	Lewis Opco	Acornhoek	Shop 38, Acornhoek Plaza, Farm Greenvalley, 213KU, Lebowa, 1360 500m^2	31/10/2009
2.	Desmanel Investments CC*	Lewis Opco	Alberton	2 Saambou Building, corner Clinton and Penzance Streets, New Redruth, Alberton, 1449 565m^2	31/05/2008
3.	SA Municipal Workers Union*	Lewis Opco	Athlone	21 Aden Avenue, Athlone, 7764 907m^2	30/09/2006
4.	Aaron Scheiner Investments CC	Kingtimm	Bellville	157 Voortrekker Road, Bellville, 7530 400m^2	30/09/2006
5.	Pro Sano Medical Scheme	Lewis Opco	Bellville	Olivetti House, 7 Blanckenberg Street, Bellville, 7530 446m^2	30/06/2006
6.	Aubrey Berman Trust*	Lewis Opco	Bellville	corner Bridge and Proton Crescent, Bellville Triangle, Cape Town, 7530 1,340m^2	30/06/2006
7.	Anstey Bellville Interest CC*	Lewis Opco	Bellville Voortrekker Road	143B Voortrekker Road, Bellville, 7530 671m^2	31/12/2006
8.	Benbou Konstruksie (Proprietary) Limited	Lewis Opco	Benoni	49 Princess Avenue, Benoni, 1501 822m^2	28/02/2007
9.	The Bemath Property Trust	Lewis Opco	Boksburg	300B Commissioner Street, Boksburg, 1459 558m^2	30/04/2006
10.	Sirapa Investment Trust*	Lewis Opco	Brits	Shop 5, Railway Street, Brits, 0250 558m^2	31/01/2007
11.	Universal Property (Proprietary) Limited*	Lewis Opco	Burgersfort	Main Road, Burgersfort, 1150 407m^2	30/11/2005
12.	W.P. Makeleni Properties (Proprietary) Limited	Lewis Opco	Butterworth	corner Blythe and Sauer Streets, Butterworth, Transkei, 4960 607m^2	30/09/2009
13.	Hyprop Investments Limited and Ellerine Bros (Proprietary) Limited	Lifestyle Living	Canal Walk	Shop 563, Canal Walk Shopping Centre, Century Boulevard, Century City, Milnerton, 7441 475m^2	30/10/2008
14.	Paramount Property Fund Limited	Lifestyle Living	Cape Town	Boston House, 7 Waterkant Street, Cape Town, 8001 328m^2	30/06/2006
15.	Artmed Investments (Proprietary) Limited	Lewis Opco	Carletonville	24 Flint Street, Carletonville, 2499 850m^2	31/08/2008

	Lessor	Lessee	Property name	Location/Area	Expiry date
16.	Martan Dale Trust	Lewis Opco	Ceres	69 Voortrekker Street, Ceres, 6835 600m^2	31/01/2008
17.	Ryckloff Beleggings (Proprietary) Limited	Lewis Opco	Empangeni	Shop 140, Sanlam Centre, Maxwell Street, Empangeni, 3880 500m^2	30/04/2006
18.	Mc Carthy Retail Limited	Lewis Opco	Evander	Van Gend and Lisbon Streets, Evander, 2280 557m^2	31/06/2009
19.	Mazel Property Investments Trust Holdings (Proprietary) Limited	Lewis (Botswana)	Gaborone	Broadhurst Mall, Broadhurst, Gaborone, Botswana 918m^2	31/05/2009
20.	Equity Investment Company (Proprietary) Limited	Lewis (Botswana)	Gaborone	Mias Building, The Mall, Gaborone, Botswana 332m^2	31/01/2007
21.	J Haskins & Sons (Proprietary) Limited	Lewis Opco	Gaborone	Haile Selassi Road, Gaborone, Botswana, 1,200m^2	30/11/2004
22.	Bram Investments (Proprietary) Limited	Lewis Opco	Gaborone	Plot 6, Mmaraka Road, Gaborone, Botswana 560m^2	30/11/2008
23.	André Faurie Trust	Lewis Opco	George	Shop 14, 98 York Street, George, 6530 395m^2	31/08/2006
24.	The Board of Trustees of the Diocese of George*	Lewis Opco	George	86 Hibernia Street, George, 6530 558m^2	31/03/2007
25.	The Andre Fourie Trust	Lifestyle Living	George	Ground Floor, Shop 2, Nedbank Centre, 101 York Street, George, 6529 255m^2	30/06/2006
26.	Norwich Life South Africa Limited represented by Fedsure Properties (Proprietary) Limited	Lewis Opco	Hammanskraal	Shops 34 and 35, Kopanong Shopping Centre, Douglas Rens Road, Hammanskraal, 0400 457m^2	30/04/2005
27.	Heidelberg Investments (Proprietary) Limited*	Lewis Opco	Heidelberg	Swart Street, Heidelberg, 2403 500m^2	31/05/2006
28.	Jane Furse Plaza (Proprietary) Limited	Lewis Opco	Jane Furse	Main Road, Jane Furse, 1085 500m^2	30/04/2006
29.	CGH Property 25 (Proprietary) Limited	Lewis Opco	Kempton Park	8 Central Avenue, Kempton Park, 1619 550m^2	31/01/2008
30.	Citizens Corporation (Proprietary) Limited	Lewis Opco	Kimberley Jones Street	8/10 Jones Street, Kimberley, 8301 640m^2	30/06/2006
31.	Sacyni Property Trust*	Lewis Opco	King William's Town	46 Cathcart Street, King William's Town, 5601 557m^2	30/04/2007
32.	Absa Bank Limited	Lewis Opco	King William's Town	No. 2 C.N.A Building, Cathcart Street, King William's Town, 5601 570m^2	30/06/2007
33.	Melhaven Properties CC*	Lewis Opco	Knysna	Main Street, Knysna, 6570 564m^2	30/09/2007
34.	Caveat Trust (Proprietary) Limited	Lewis Opco	Kuilsriver	Kuilsriver Shop Centre, 66 van Riebeeck Road, Kuilsriver, 7580 547m^2	31/10/2005

	Lessor	Lessee	Property name	Location/Area	Expiry date
35.	Kwagga Plaza (Proprietary) Limited	Lewis Opco	Kwaggafontein	Shop 34 Kwagga Plaza, Kwaggafontein, 0548 500m^2	31/10/2009
36	Friedjan Consolidated Properties (Proprietary) Limited	Lewis Opco	Louis Trichardt	18 Trichardt Street, Louis Trichardt, 0920 522m^2	31/03/2008
37.	Public Investment Commissioners	Lewis Opco	Mabopane	Shop No. 72, Central City Shopping Centre, Mabopane, 0910 559m^2	31/03/2006
38.	Public Investment Commissioners	Lewis Opco	Mabopane	Shop No. 75, Central City Shopping Centre, 0910 528m^2	31/03/2006
39.	Estate Late K C Rowe	Lewis Opco	Mafikeng	13 Main Street, Mafikeng, 2745 464m^2	30/06/2007
40.	Dayrush Properties CC	Lewis Opco	Mafikeng	27 Carrington Street, Mafikeng, 2745 504m^2	31/10/2007
41.	President Street Properties (Proprietary) Limited*	Lewis Opco	Manzini	Plot 125, Ngwane Street, Manzini, Swaziland, 9999 855m^2	31/07/2006
42.	Saysons (Proprietary) Limited	Lewis Opco	Manzini	Shop 4, Manzini Centre, 14 Nkoseluhlaza Street, Manzini, Swaziland, 9999 562m^2	31/10/2004
43.	Fourie Beleggings BK*	Lewis Opco	Mariental	Sieboom Straat, Mariental, 9000 680m^2	31/03/2006
44.	Lesotho Postal Services	Lewis Opco	Maseru	Shop 2, Postal Services Centre, Phase 2, Kingsway, Maseru 496m^2	30/04/2009
45.	Tradorette Wholesalers Lesotho (Proprietary) Limited	Lewis Opco	Maseru	Shop 1 Metcash Centre, Kingsway Road, Maseru, Lesotho 411m^2	30/11/2007
46.	Maun Motors (Proprietary) Limited	Lewis (Botswana)	Maun	Erf 711/712 Tsheko Road, Maun 460m^2	31/08/2005
47.	Mitchell's Plain Taxi & Hawkers Association Limited	Lewis Opco	Mitchell's Plain	Shops F12 and F13, Station Plaza Shopping, 7th Avenue, Town Centre, Mitchell's Plain, 7785 375m^2	30/04/2006
48.	Lake Dwellings (Proprietary) Limited	Kingtimm	Mitchell's Plain	1st Floor, Truworths Building, Town Centre, Mitchell's Plain, 7785 554m^2	31/01/2007
49.	Wedelin Investments 1 (Proprietary) Limited	Lifestyle Living	Mitchell's Plain – Promenade	Shop 93, The Promenade Shopping Centre, corner AZ Berman Drive and Morgenster Road, Mitchell's Plain, 7785 466m^2	30/11/2008
50.	Micol Investments	Kingtimm	Ottery	9 Basil Crescent, Hyde Park, Ottery, 7800 1,829m^2	31/05/2006
51.	Gilglen Investments (Proprietary) Limited	Lifestyle Living	Paarl	Shop Unit No. 2, corner Lady Grey and Main Streets, Paarl, 7646 335m^2	30/06/2005
52.	Belcolger (Proprietary) Limited	Lewis Opco	Pietermaritzburg	441 Church Street, Pietermaritzburg, 3201 744m^2	31/08/2009

	Lessor	Lessee	Property name	Location/Area	Expiry date
53.	Lennox Investments (Proprietary) Limited	Lewis Opco	Pietermaritzburg	419 Church Street, Pietermaritzburg, 3201 639m^2	31/12/2006
54.	AgBren (Proprietary) Limited*	Lewis Opco	Pietersburg	18A Jorissen Street, Pietersburg, 0699 604m^2	31/10/2007
55.	Hillmax Limited	Lewis Opco	Pinetown	Shop No. 1, NBS Centre, 39 Hill Street, Pinetown, 3610 461m^2	28/02/2007
56.	Joint Municipal Pension Fund, Johannesburg Municipal Pension Fund, Municipal Employees Pension Fund & Resilient Properties	Lifestyle Living	Port Elizabeth	Shop M3a, The Bridge Shopping Centre, Greenacres, Port Elizabeth, 6045 588m^2	30/11/2007
57.	Zig Zag Properties (Proprietary) Limited	Lewis Opco	Port Elizabeth (Main Street)	156 Govan Mbeki Avenue. Port Elizabeth, 6000 1,072m^2	31/12/2008
58.	Goldwyn Estates (Proprietary) Limited	Lewis Opco	Pretoria Kruger Street	300 Paul Kruger Street, Pretoria, 0002 1,140m^2	31/01/2007
59.	Permosa (Proprietary) Limited*	Lewis Opco	Pretoria North	527 Gerrit Maritz Street, Pretoria North, 0182 650m^2	31/05/2005
60.	Momentum Property Investments (Proprietary) Limited	Lewis Opco	Pretoria Pretorius Street	179 Pretorius Street, Pretoria, 0002 912m^2	31/12/2006
61.	Agros (Proprietary) Limited	Lewis Opco	Pretoria Prinsloo Street	116 Prinsloo Street, Pretoria, 0002 451m^2	30/09/2006
62.	Natal Joint Municipal Pension Fund	Lewis Opco	Richards Bay	Checkers Shopping Centre, Bullion Boulevard, Richards Bay, 3900 426m^2	30/09/2005
63.	Paniprop (Proprietary) Limited*	Lewis Opco	Sasolburg	Shop 8, Sasolburg Mall, Sasolburg, 9570 442m^2	31/10/2008
64.	Graceful Investments (Proprietary) Limited	Lewis Opco	Sasolburg	Fichardt Street, Sasolburg, 9570 887m^2	31/07/2007
65.	Estee Investments (Venda) (Proprietary) Limited	Lewis Opco	Sibasa	30–33 Shoprite Checkers Centre, Sibasa, Venda, 0970 588m^2	31/03/2009
66.	Rietava Investments (Proprietary) Limited	Lewis Opco	Somerset West	99 Main Road, Somerset West, 7130 650m^2	30/09/2006
67.	Catwalk Investments 227 (Proprietary) Limited	Kingtimm	Somerset West	Somerset Value Mart, Portion 80 (a portion of portion 65) of farm 794 situate in the City of Cape Town, 8001 280m^2	30/06/2005
68.	Daantjie Scholtz Trust	Lewis Opco	Springbok	32 Voortrekker Road, Springbok, 8240 860m^2	30/11/2006
69.	D Winer Family Trust*	Lewis Opco	Springs	37 Third Street, Springs, 1559 1,071m^2	30/11/2006

	Lessor	Lessee	Property name	Location/Area	Expiry date
70.	Barry Tauorog Family Trust	Lewis Opco	Springs	52 Third Street, Springs, 1559 696m^2	31/05/2005
71.	Cova Da Iria Trust	Lewis Opco	Stellenbosch	corner Bird and du Toit Streets, Stellenbosch, 7600 365m^2	31/03/2006
72.	The Public Investment Commissioners	Lewis Opco	Temba	Shop 45, Temba City Shopping Centre, Site 4436, Kadube, District of Moretele 623m^2	30/04/2006
73.	E Abubaker*	Lewis Opco	Teyateyaneng	Mofolo Street, Teyateyaneng, Teyateya, Lesotho, 0200 400m^2	31/03/2009
74.	Eastern Cape Development Corporation Limited	Lewis Opco	Umtata	69 York Road, Umtata, 5100 522m^2	31/05/2007
75.	Edelwer Investments (Proprietary) Limited	Lewis Opco	Upington	40 Scott Street, Upington, 8800 724m^2	31/07/2006
76.	Propgro–Verdale Trust	Lewis Opco	Vereeniging	15 Voortrekker Road, Vereeniging, 1939 754m^2	31/12/2006
77.	Rosh Merriman Properties	Lewis Opco	Vereeniging	1 Merriman Avenue, corner Merriman and Railway Streets, Vereeniging, 1939 623m^2	31/12/2006
78.	Hoogstraat Trust	Lewis Opco	Vryheid	140 High Street, Vryheid, 3102 375m^2	31/07/2007
79.	Von Wenzel Properties CC	Lewis Opco	Walvis Bay	124, 9th Street, Walvis Bay, 9190 500m^2	31/03/2007
80.	H H Enke*	Lewis Opco	Windhoek	57 Banhof Street, Windhoek, 9000 1,020m^2	28/02/2007
81.	South West Property Company (Proprietary) Limited	Lewis Opco	Windhoek	81 Independence Avenue, Windhoek, Namibia, 9000 831m^2	30/05/2007
82.	Parfree Investments CC	Lewis Opco	Wynberg Best Electric	107 Main Road, Wynberg, 7800 160m^2	31/08/2004
83.	Withinshaw Properties (Proprietary) Limited	Lewis Opco	Wynberg Withinshaw	Wynberg Centre, corner Main and Piers Road, Wynberg, 7800 346m^2	30/06/2005

Note: All leases indicated with an asterisk (*) contain a right of first refusal to purchase the property in favour of the Lessee.

The aggregate rental payable by the Lewis Group for all properties leased by the Lewis Group for the financial year ended 31 March 2004 was R67,132,942.

Properties owned

Owner	Description	Location	Area (m^2)
Lewis Opco	Erf 355, Beaufort West (title deed T3135/1984)	146 Donkin Street, Beaufort West, 6970	1,464
Lewis Opco	Erf 10934, Bellville (title deed T11877/1978)	17 Durban Road, Bellville, 7430	714
Lewis Opco	Erf 7196, Bloemfontein (title deed T6407/2001)	107 St Andrew Street, Bloemfontein, 9301	2,233
Lewis Opco	Erf 1113, Burgersdorp (title deed T4350/1974)	corner Jotham Joubert Street and 5th Avenue, Burgersdorp, 5520	1,773
Lewis Opco	Remainder of Erf 11068 and 11190, Cape Town (Woodstock) (title deed T14873/2001)	53A Victoria Road, Woodstock, Cape Town, 7925	4,348
Lewis Opco	Erf 158753, Cape Town (Woodstock) (title deed T19822/2004)	53A Victoria Road, Woodstock, Cape Town, 7925	1,428
Lewis Opco	Remainder of Erf 11191, Cape Town (Woodstock) (title deed T52319/1999)	53A Victoria Road, Woodstock, Cape Town, 7925	1,113
Lewis Opco	Erf 12952 and Erf 12953, Cape Town (Woodstock) (title deed T19963/1946)	124 Victoria Road, Woodstock, Cape Town, 7925	1,222
Lewis Opco	Remainder Ext. Erf 898, Remainder Ext. Erf 900 and Remainder Ext. Erf 901, Cradock (title deed T26699/1969)	24 Frere Street, Cradock, 5880	2,347
Lewis Opco	Erf 869, Despatch (title deed T33019/1979)	29A Main Street, Despatch, 6220	859
Lewis Opco	Lot 760, Dundee Township (title deed T9735/1964)	43 Victoria Road, Dundee, 3000	1,399
Lewis Opco	Lot 636, Dundee Township (title deed T21243/1973)	King Edward Road, Dundee, 3000	1,493
Lewis Opco	Erf 10989, Durban (title deed T17503/1968)	491 West Street, Durban, 4001	5,96
Lewis Opco	Erf 14906 and Erf 14914, East London (title deed T433/1969)	146 Oxford Street, East London, 5201	1,683
Lewis Opco	Erf 14566, Erf 14567, East London (title deed T2478/1968)	146 Oxford Street, East London, 5201	416
Lewis Opco	Portion 2, Erf 49, Ermelo (title deed T42600/1968)	80 Joubert Street, Ermelo, 2350	694
Lewis Opco	Erf 1464, Ermelo Extension No. 9 (title deed T3118/1975)	82 de Bruin Street, Ermelo, 2350	1,657
Lewis Opco	Remainder of Erf 3903 and Erf 3904, Grahamstown (title deed T15467/2001)	34 High Street, Grahamstown, 6139	685
Lewis Opco	Sub B2 of Sub A of Lot 366, Greytown (title deed T773/1970)	129 Pine Street, Greytown, 3250	840
Lewis Opco	Erf 830, Johannesburg Township (title deed T14252/2001)	45 Pritchard Street, Johannesburg, 2001	497
Lewis Opco	Erf 10342, Kimberly (title deed T298/1984)	47 du Toitspan Road, Kimberley, 8301	1,395

Owner	Description	Location	Area (m^2)
Lewis Opco	Erf 1021, King William's Town (title deed T1118/1966)	Cambridge and Ayliff Streets, King William's Town, 5601	1,022
Lewis Opco	Erf 1240, Kinross (title deed T22615/1980)	19 Ella Road, Kinross, 2270	1,077
Lewis Opco	Erf 1748, Klerksdorp Township (title deed T28734/2001)	78 Anderson Street, Klerksdorp, 2571	991
Lewis Opco	Erven 120, 121 and 122, Koffiefontein (title deed T3965/1977)	35 Groot Trek Street, Koffiefontein, 9986	1,785
Lewis Opco	Erf 652, Kokstad (title deed T38821/1975)	78 St John's Street, Kokstad, 4700	3,778
Lewis Opco	Erf 362, Kokstad (title deed T15925/1980)	91 Main Road, Kokstad, 4700	863
Lewis Opco	Erf 642, Kuruman (title deed T180/1973)	21 Kalahari Street, Kuruman, 8460	1,297
Lewis Opco	Erf 43, Ladybrand (title deed T1955/1965)	18 Voortrekker Street, Ladybrand, 9745	8,868
Lewis Opco	Remainder of Erf 467, Malmesbury (title deed T17436/2001)	11 Piet Retief Street, Malmesbury, 7300	484
Lewis Opco	Erf 1096, Montagu (title deed T6107/1981)	23 Bath Street, Montagu, 6720	535
Lewis Opco	Erf 21 and portion of Erf 1122, Moorreesburg (title deed T31892/1975)	20 Constantia Road, Moorreesburg, 7310	1,437
Lewis Opco	Erf 3431, Mossel Bay (title deed T34834/1970)	81 Marsh Street, Mossel Bay, 6500	454
Lewis Opco	Erf 1098, Nababeep, Namakwaland (title deed T45136/2002)	45 Long Street, Nababeep, 8265	256
Lewis Opco	Erf 700, Nelspruit (title deed T30137/1984)	5 Voortrekker Street, Nelspruit, 1201	1,249
Lewis Opco	Lot 525, Newcastle Township (title deed T4126/1964)	69 Scott Street, Newcastle, 2940	1,365
Lewis Opco	Erf 119, Odendaalsrus (title deed T6455/1968)	corner Waterkant and Wessels Streets, Odendaalsrus, 9480	1,487
Lewis Opco	Erf 1701 and Erf 1717, North End, Port Elizabeth (title deed T15039/2001)	576/580 Govan Mbeki Street, Port Elizabeth, 6056	595
Lewis Opco	Remainder of Erf 9326, Parow (title deed T13996/2001)	Lewis Stores Building, 184 Voortrekker Road, Parow, 7500	1,343
Lewis Opco	Erf 2512, Pietermaritzburg (title deed T11045/1973)	128 Church Street, Pietermaritzburg, 3201	758
Lewis Opco	Remainder of Erf 482, Piketberg (title deed T33978/1975)	63 Long Street, Piketberg, 7320	1,003
Lewis Opco	Portion 10 of Erf 126, Potchefstroom (title deed T31129/1963)	184 Kerk Street, Potchefstroom, 2531	1,150
Lewis Opco	Erf 273, Prieska (title deed T19022/022/1968)	33 Stewart Street, Prieska, 8940	892
Lewis Opco	Erf 3294, Queenstown (title deed T37264/1997)	29 Tafelberg Road, Queenstown, 5319	1,292
Lewis Opco	Erf 2640, Queenstown (title deed T14875/2001)	75 Cathcart Street, Queenstown, 5319	2,453

Owner	Description	Location	Area (m^2)
Lewis Opco	Erf 79, West Porges (title deed T13940/2001)	35 Main Road, Randfontein, 1759	397
Lewis Opco	Erf 4784, Secunda (title deed T16576/1982)	Shopping Centre, Extension 2, Secunda, 2302	568
Lewis Opco	Portion A of Erf 61 and Remainder Ext. of Erf 61, Senekal (title deed T548/1971)	16 Zuider Street, Senekal, 9600	496
Lewis Opco	Portion "a" of Portion 1 of Lot A of Erf 94, Standerton (title deed T3579/1966)	21 Kerk Street, Standerton, 2430	1,823
Lewis Opco	Remainder of Erf 112, Springbok (title deed T18753/1972)	17 and 19 Jurie Kotze Street, Springbok, 8240	2,506
Lewis Opco	Erf 181, Touws River (title deed T29056/1968)	19 East Street, Touws River, 6880	670
Lewis Opco	Erf 43, Tzaneen (title deed T19365/1979)	5 Morgan Street, Tzaneen, 0850	496
Lewis Opco	Erf 2596, Uitenhage (title deed T17436/2001)	40/42 Market Street, Uitenhage, 6229	362
Lewis Opco	Erf 2597, Uitenhage (title deed T21592/1976)	40/42 Market Street, Uitenhage, 6229	368
Lewis Opco	Erf 833, Umtata (title deed T14329/1969)	15 Cumberland Road, Umtata, 5100	1,239
Lewis Opco	Erf 379, Umtata (title deed T20214/1974)	15 Nelson Mandela Drive, Umtata, 5100	643
Lewis Opco	Erf 1665, Upington (title deed T357/1971)	10 Bain Street, Upington, 8800	1,031
Lewis Opco	Portion 3 of Erf 435, Vereeniging (title deed T30540/2001)	12C Market Street, Vereeniging, 1939	991
Lewis Opco	Erf 346 and Remainder of Erf 345, Victoria West (title deed T9696/1964)	60 Church Street, Victoria West, 7070	931
Lewis Opco	Erf 914, Township of Virginia (title deed T1731/1960)	11 Government Avenue, Virginia, 9430	624
Lewis Opco	Erf 2138, Vredenburg (title deed T13693/1975)	2 Bloemhof Street, Vredenburg, 7380	927
Lewis Opco	Remainder Ext. of Erf 166 and Remainder Ext. of Erf 167, Vryburg (title deed T169/1970)	87 Market Street, Vryburg, 8601	3,634
Lewis Opco	Erf 1078, Vryburg (title deed T500/1977)	42 Warren Street, Vryburg, 8601	1,110
Lewis Opco	Erf 98, Welkom (title deed T6406/2001)	Bevisa Building, 43A Mooi Street, Welkom, 9549	770
Lewis Opco	Portion "A" of Erf 48, Wepener (title deed T6259/1976)	48 de Beer Street, Wepener, 9944	3,194
Lewis Opco	Remainder of Erf 1041 and Erf 1036, Worcester (title deed T14874/2001)	47 Stockenstroom Street, Worcester, 6850	845

Material acquisitions [12 and 17(b)]

Save for the acquisition of Lewis Opco by Lewis pursuant to the Restructuring described in paragraph **50** headed "Shares issued otherwise than for cash" on page 55 of this Prospectus, no material acquisitions (as contemplated by the Listings Requirements) have been made by the Lewis Group within the three years preceding the date of this Prospectus, nor are there any proposed material acquisitions of any securities in or business undertakings of any other company or business enterprise or any immovable property or other property in the nature of a fixed asset ("Property"). There is a general intention to expand the Lewis, Lifestyle Living and Best Electric store chains. However, as at the date of this Prospectus, neither Lewis nor its subsidiaries proposes to acquire, nor has any option to acquire, any Property which would constitute a material acquisition. Notwithstanding the aforegoing, while the Directors of Lewis do not regard the acquisition of Lifestyle Living as being material (as contemplated in the Listings Requirements) in relation to the Lewis Group, because the Lewis Group intends to expand the Lifestyle Living stores, the salient provisions of such acquisition are set out below.

Lifestyle Living acquisition

Prior to Lewis Opco's acquisition of Lifestyle Living, it was directly controlled by Neil Alan Timm ("Timm"), of 33 Punt Street, Elfindale, Diep River, Cape Town and Ivan Joseph King ("King"), of 73 Pringle Road, Milnerton, Cape Town (collectively, the "Vendors"), each of whom held 50% of the issued share capital of Lifestyle Living.

Lewis Opco acquired 100% of the issued share capital of Lifestyle Living (the "Lifestyle Living shares") with effect from 7 October 2003 (the "Effective Date") in terms of a sale of shares agreement concluded between Lewis Opco, the Vendors and Lifestyle Living, dated 7 November 2003 (the "Agreement"). The Lifestyle Living shares were transferred to Lewis Opco on 4 December 2003.

The consideration for the Lifestyle Living shares was R3 million, which consideration was paid to the Vendors jointly in cash. In addition, Lewis Opco assumed responsibility for liabilities amounting to R24 million in respect of Lifestyle Living's overdraft facility. No part of the consideration was allocated to goodwill.

No part of the proceeds of the sale of Lewis shares in terms of the Offer is to be applied, directly or indirectly, to this acquisition.

Lifestyle Living acquired the business of Lifestyle Living from Protea Furnishers SA (Proprietary) Limited 8th Floor, Profurn House, 66 de Korte Street, Braamfontein, Johannesburg in April 2003. The purchase consideration paid by the Vendors to Protea Furnishers SA (Proprietary) Limited for the business of Lifestyle Living was R25 million. No amount was paid for goodwill.

The Vendors have provided standard warranties common to agreements of this nature. However, the Vendors have not guaranteed the book debts of Lifestyle Living in terms of the Agreement. The Vendors have concluded employment contracts with Lewis Opco in terms of which they will continue to manage Lifestyle Living.

No Director or promoter had any beneficial interest, direct or indirect, in the acquisition of the Lifestyle Living shares by Lewis Opco or in the acquisition of the business of Lifestyle Living from Protea Furnishers SA (Proprietary) Limited.

Salient features of the Lewis Employee Share Incentive Schemes [10]

Five employee incentive schemes ("the Schemes") will be operated by the Lewis Employee Share Incentive Trust for the benefit of employees (including executives and directors holding salaried employment or office) of Lewis and/or its subsidiaries from time to time ("Employees"). The Lewis Employee Share Incentive Trust shall at all times have a minimum of two trustees, who may not be executive directors of Lewis. No Trustee is eligible for participation under the Schemes.

The aggregate number of Lewis shares (whether issued or unissued) which may be utilised for the Schemes at any time shall not exceed a number equal to 10% of the issued share capital of Lewis. At the time of Listing 10% of the aggregate number of Lewis shares in the issued share capital of Lewis shall be 10,000,000. As and when required to meet its obligations under any awards granted under the Lewis Executive IPO Restricted Share Scheme or awards or options granted prior to the Listing under the Lewis All Employee Share Scheme or the Lewis Executive Share Option Scheme, as the case may be, GUS Holdings will, at no consideration, make shares available to the Lewis Employee Share Incentive Trust for this purpose, limited to 4% of the issued share capital of Lewis as at the time of Listing. The maximum number of Lewis shares which may be acquired by any employee under the Schemes shall not exceed 3% of the issued share capital of Lewis from time to time.

The five schemes shall be the following:

- the Lewis Executive IPO Restricted Share Scheme;
- the Lewis All Employee Share Scheme;
- the Lewis Executive Share Option Scheme;
- the Lewis Co-Investment Scheme; and
- the Lewis Executive Performance Share Scheme.

The purpose of the Schemes is to align the interests of Employees with the interests of Lewis and to provide them with an incentive to further advance the interests of Lewis in the future.

The salient terms of each of the Schemes are set out hereunder:

The Lewis Executive IPO Restricted Share Scheme

The participants under this Scheme are limited to members of the senior management of Lewis as at the date of the Listing ("the Executives"), selected by the Remuneration Committee of Lewis ("the Committee"). The purpose of this Scheme is, in addition to the general purpose of the Schemes as stated above, to reward Executives for their contribution in taking Lewis to the Listing.

Prior to the Listing, the Board may grant rights to acquire Lewis shares ("the Award") for no consideration, subject to certain conditions, namely performance targets set by the Committee (if any) and continued employment ("the Conditions"). There will be only one allocation of Awards under this Scheme, which shall take place prior to the Listing, and such Awards shall lapse if the Listing does not take place on or prior to 31 December 2004.

After the Listing, the details of the Award, the number of Lewis shares subject to the Award ("the Award Shares"), the vesting and delivery thereof and the conditions attaching thereto will be set out in a written notice to the relevant Executive ("the Award Notice"). In the absence of anything to the contrary and subject to the Conditions, the Award shall vest as to:

- one-third of the Award Shares on the third anniversary of the date of the Award Notice;
- one-third of the Award Shares on the fourth anniversary of the date of the Award Notice; and
- the balance of the Award Shares on the fifth anniversary of the date of the Award Notice.

Delivery of the Award Shares shall take place in accordance with the Award Notice, but only after vesting.
The Awards which have not yet vested shall lapse on:

- failure to fulfil the Conditions;
- the date on which the Executive ceases (whether lawfully or unlawfully) to be an executive, subject to an accelerated vesting pursuant to termination of employment in certain circumstances;

- the date on which a resolution is passed, or an order is made by a competent court, for the compulsory winding-up of Lewis; or
- the date on which the Executive becomes insolvent.

Pending vesting and delivery, risk in and benefit of the Award Shares shall not pass to the Executive and the Executive shall not be entitled to any dividends declared in respect of those Award Shares or to exercise or dispose of any voting rights attached to the Award Shares.

The Lewis All Employee Share Scheme

The participants under this Scheme may be any employee at the date of the Listing and thereafter. The purpose of this Scheme is, in addition to the general purpose of the Schemes as stated above, to reward employees at the date of the Listing for their contribution in taking Lewis to the Listing. Any Awards granted prior to the Listing shall lapse if the Listing does not take place on or prior to 31 December 2004.

The terms of this Scheme will be substantially the same as the Lewis Executive IPO Restricted Share Scheme, save that:

- the vesting of the Award Share will not be subject to any performance targets;
- in the absence of anything to the contrary and subject to any conditions stipulated in the Award Notice, the Award shall vest as to:
  - one-third of the Award Shares on the second anniversary of the date of the Award Notice;
  - one-third of the Award Shares on the third anniversary of the date of the Award Notice; and
  - the balance of the Award Shares on the fourth anniversary of the date of the Award Notice.

The Lewis Executive Share Option Scheme

The participants under this Scheme are limited to executive directors of Lewis, as well as senior members of the management of the Group, selected by the Committee ("the Executives").

In terms of this Scheme, Executives will be offered options to acquire Lewis shares ("the Option"). The price at which scheme shares will be sold to an Executive shall be:

- in respect of any Option granted prior to the Listing, the price per Lewis share at which the Offer Shares are sold pursuant to the Listing (provided that such Options shall lapse if the Listing does not take place prior to 31 December 2004); and
- in respect of any other Options, the average closing price of the Lewis shares over the last three trading days on which Lewis shares were traded on the JSE immediately preceding the date on which an offer of an Option is made.

The details of the Options, the exercise thereof, as well as payment for and delivery of the shares in respect of which Options have been exercised, will be set out in a written notice to the Executives ("the offer notice") after the Listing. Three alternatives are envisaged:

- the offer of the Option may be accepted within ten days of the date of the offer notice, and exercised within 20 days of such offer notice. Payment for and delivery of the Lewis shares in respect of which the Options were so exercised would be delayed, in that the Executive would only be entitled to take delivery of and make payment for up to one-third of the shares after the third anniversary of the offer notice, two-thirds of the shares after the fourth anniversary thereof, and the balance after the fifth anniversary of the date of the offer notice but before the tenth anniversary of such offer notice;
- the offer of the Option may be accepted within ten days of the date of the offer notice and exercised within the following time periods:
  - on or after the third anniversary of the date of the offer notice ("the Offer Date"), up to one-third of the Lewis shares to which the Option relates ("the Option Shares");
  - on or after the fourth anniversary of the Offer Date, up to two-thirds of the Option Shares; and
  - on or after the fifth anniversary but before the tenth anniversary of the Offer Date, the balance of the Option Shares.

    Payment for and delivery of the shares in respect of which the Options were so exercised would take place on the exercise date of the Option;

- the offer of the Option may be accepted within ten days of the date of the offer notice and exercised within 30 days thereafter. Payment for and delivery of the shares in respect of which the Options were so exercised would take place on the exercise date of the Option. Any shares acquired pursuant to the exercise of the Option may only be sold, ceded, transferred, pledged, encumbered or otherwise alienated as to:
  - one-third of such shares on or after the third anniversary of the date of the offer notice ("the Offer Date");
  - up to two-thirds of such shares on or after the fourth anniversary of the Offer Date; and
  - the balance after the fifth anniversary of the Offer Date,

  unless otherwise authorised by the terms of the Scheme or with the prior written consent of the Trustees.

If an Option is not exercised within the period stipulated in the offer notice, such Option shall lapse. The exercise of an Option may be made subject to conditions stipulated in the offer notice.

Pending delivery and payment, risk in and benefit of the shares shall not pass to the Executive and the Executive shall not be entitled to any dividends declared in respect of those shares or to exercise or dispose of any voting rights attached to those shares.

The Trustees may provide funding to an Executive in respect of the purchase price of the shares. In the event that funding is so provided:

- the rate of interest applicable to such funding will be determined by the Trustees;
- pending repayment of the funding, the shares acquired under this Scheme will be pledged as security for such repayment;
- until the funding is settled in full, dividends will be applied towards payment of interest and capital; and
- until the funds are settled in full, the capital and interest would be repayable by the Executive on or before the anniversary of the Offer Date.

The Lewis Co-Investment Scheme

The participants under this Scheme are limited to executive directors of Lewis as well as any senior member of management of the Lewis Group, selected by the Committee, but excluding any such executive who is within two years of normal retirement age in accordance with the rules of the pension/provident/retirement fund or policy of Lewis or the relevant employer company in the Lewis Group, as the case may be ("the Executives").

In terms of this Scheme, the Trustees will, upon recommendation of the Committee, grant to the Executives an opportunity to invest their annual bonuses paid in terms of the bonus scheme applicable from time to time in shares ("the Invested Shares") for a period of three years ("the Deferred Period"), at the end of which the Executives shall have an option to acquire, for no consideration, matching shares ("the Matching Shares"), determined in accordance with a specified formula ("the Matching Share Option").

The details of the amount which may be invested in the Invested Shares, the formula for determining the number of Matching Shares and the final date by which the Matching Share Option must be exercised shall be set out in a written notice to the Executives.

Pending exercise of the Matching Share Option, risk in and benefit of the Matching Shares shall not pass to the Executive and the Executive shall not be entitled to any dividends declared in respect of those shares or to exercise or dispose of any voting rights attached to those shares.

The Invested Shares will be acquired by the Executive by application of the Executive's annual bonus (or part thereof, as the case may be) in discharge of the purchase price of such Invested Shares. All risk and benefit of the Invested Shares shall pass to the Executive on the date of acquisition thereof, although, during the Deferred Period, the Invested Shares shall be held by the Lewis Employee Share Incentive Trust for the benefit of the particular Executive. All voting and dividend rights in respect of such Invested Shares shall vest in the Executive on the date of acquisition thereof. The Trust shall receive any dividends on behalf of the Executive and exercise the voting rights on instructions from the Executive. An Executive may give the Trustees written instructions to sell, transfer or otherwise dispose of any of his Invested Shares at any time during the Deferred Period. The Invested Shares are owned by the Executives, without restriction, and do not fall within the 10% of the issued share capital of Lewis which may be utilised for purposes of the Schemes, as contemplated in the second paragraph of this Annexure 10.

A Matching Share Option shall lapse on the earliest to occur of the events set forth hereunder:

- if all the corresponding Invested Shares are sold or otherwise disposed of before the third anniversary of the date of grant of the Matching Share Option, unless:

  - the Matching Share Option is exercisable pursuant to the provisions applicable on the termination of the relevant Executive's employment or certain provisions pertaining to events affecting the share capital of Lewis or changes in control of Lewis; or
  - the Committee in its sole discretion otherwise determines;
- the final exercise date, generally the fifth anniversary of the date of grant of the Matching Share Option;
- the date on which a resolution is passed or an order is made by a competent court for the compulsory winding up of Lewis; or
- the date on which the Executive becomes insolvent or does or omits to do anything as a result of which he is deprived of the legal or beneficial ownership of the Matching Share Option.

The Lewis Executive Performance Share Scheme

The participants under this Scheme are limited to executive directors of Lewis as well as senior members of the management of the Lewis Group selected by the Committee ("the Executives").

The terms of this Scheme will be substantially the same as the Lewis Executive IPO Restricted Share Scheme, save that:

- the Awards will only be granted after the Listing;
- the vesting of Awards will be subject to the achievement of certain performance targets; and
- the Awards will, subject to the performance targets and further conditions (if any), vest in full on the third anniversary of the date of the Award Notice.

General

It shall be competent for the Board and the Trustees to amend any of the provisions of any of the Schemes by agreement, subject to approval by the shareholders of Lewis (where required) and the JSE (where required), provided that:

- no such amendment shall affect the vested rights of any participant unless it is approved, *mutatis mutandis*, in accordance with the requirements of Lewis' articles of association relating to the variation of rights attaching to difference classes of shares, as if the respective shares of the participants concerned were each shares of a different class; and
- no such amendment affecting any of the matters listed below shall be competent unless such amendment is sanctioned by Lewis in a general meeting:
  - the category of persons eligible for participation under a Scheme;
  - the calculation of the total number of shares which may be acquired for the purpose of or by any Employee or Executive pursuant to a Scheme;
  - the manner of determining the Offer Price (if applicable);
  - the amount (if any) payable on exercise of an option, the period within which the Offer Price must be paid, or any loan in respect thereof must be repaid, the terms of such loan, the procedure to be adopted on termination of the employment or the retirement of any participant; and
  - the voting, dividend, transfer and other rights, including those arising on liquidation of Lewis, attaching to the options and the shares acquired pursuant thereto (if any).

Notwithstanding the above, if it becomes necessary or desirable by reason of the enactment of any new legislation at any time after approval of a Scheme to amend the form or provisions of such Scheme so as to achieve the objectives embodied in the Scheme document in the best manner having regard to such new legislation and without prejudice to the participants concerned, while still preserving the substance of the provisions of such Scheme, then the Board and the Trustees may amend the Scheme document accordingly.

Each Scheme contains provisions regulating the rights of participants under the particular Scheme upon:

- termination of employment; and/or
- the occurrence of events affecting the share capital of Lewis or resulting in a change of control of Lewis, which generally provide for an acceleration of the rights of the participants or an adjustment of such rights on a reasonable basis confirmed by the auditor of Lewis.

Any shares acquired by any participant under any of the Schemes shall rank *pari passu* with the other issued Lewis shares and will be listed on the JSE.

Details of material borrowings and material loans [9(a)]

1. Material borrowings of Lewis and its subsidiaries at the Last Practicable Date:

Lender	Nature of finance[1]	Origination	Amount outstanding (R'm)[2]	Interest rate	Security	Repayment terms	How repayment is intended to be funded
ABSA	Term loan – one year	To repay GUS Loans	150.4 (300.0)[3]	9.14% (3-month JIBAR plus 1.5% margin NACQ)	Cession of Lewis Opco's claims (reversionary) and suretyships from subsidiaries[4]*	Repayment quarterly no later than 24 July 2005	Operating cash flow
Standard Bank	General short-term banking facility (overdraft)	To repay GUS Loans and provide working capital	150.4 (150.0)[3]	9.15% (prime rate of interest or as otherwise determined by the bank)	Cession of Lewis Opco's debtors' book and suretyships from subsidiaries[4]*	On demand	Operating cash flow
Standard Bank	Term loan – three years	To repay GUS Loans	0 (100.0)[3]	3-month JIBAR plus a margin of 1.679% NACA	Cession of Lewis Opco's debtors' book and suretyships from subsidiaries[4]*	15 July 2007	Operating cash flow
FirstRand	Overdraft (working capital)	To repay GUS Loans and provide working capital	0 (100.0)[3]	9.14% (prime rate of interest or as set out in a transaction annexure)	Cession of Lewis Opco's debtors' book and suretyships from subsidiaries[4]*	On demand (by no later than 31 March 2007)	Operating cash flow
FirstRand	Long-term facility	To repay GUS Loans and provide working capital	65.2 (250.0)[3]	Prime rate of interest or as set out in a transaction annexure	Cession of Lewis Opco's debtors' book and suretyship from subsidiaries[4]*	31 March 2007	Operating cash flow

Notes:

(1) Lewis had drawn down only in respect of short-term facilities at the Last Practicable Date.

(2) Amounts shown exclude interest.

(3) The amount in brackets denotes the maximum principal amount available to Lewis Opco in accordance with the related loan facility agreement.

(4) As security for the obligations and/or indebtedness of Lewis Opco under these loan facility agreements:

- each of Lewis (Botswana), Lewis (Lesotho), Lewis (Namibia) and Lewis (Swaziland) has granted a general and unlimited suretyship in favour of each of the lenders;
- Lewis Opco has ceded its debtors' book (i.e. all of its right, title and interest in and to its debtors) to the lenders; and
- Lewis Opco has ceded to FirstRand its credit balances, in respect of cash held at FirstRand, to a maximum amount of R250 million.

2. Material inter-company balances at the Last Practicable Date

Details of inter-company balances at the Last Practicable Date before elimination are as follows:

Company	Long-term loans receivable R'm	Long-term loans payable R'm	Short-term receivables R'm	Short-terms payables R'm
Lewis Opco	4.7	–	–	14.7
Lewis (Botswana)	–	21.0	–	–
Lewis (Namibia)	–	–	11.9	–
Lewis (Lesotho)	9.3	–	2.5	–
Lewis (Swaziland)	7.0	–	5.8	–
Lifestyle Living	–	–	–	19.8
Monarch Insurance	–	–	13.1	–
Lewis Management Services (Namibia)	–	–	0.6	–
Lewis Management Services (Botswana)	–	–	0.6	–

Resolutions, authorisations and approvals in regard to creation and issue of Lewis shares and related resolutions

Extracts of the relevant resolutions of the board and shareholders by virtue of which the Lewis shares have and will be issued are set out below:

- Special Resolution of the shareholders of Lewis for share split, adopted 1 June 2004:

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

- Special Resolution of the shareholders of Lewis increasing share capital, adopted 15 July 2004:

  "*With effect from the date of adoption of this special resolution no. 1, the authorised share capital of Lewis be and is hereby increased from R1 000,00 (one thousand Rand) divided into 100 000 (one hundred thousand) ordinary shares of R0,01 (one cent) each, to R1 500 000,00 (one million five hundred thousand Rand) divided into 150 000 000 (one hundred and fifty million) ordinary shares of R0,01 (one cent) each, by the creation of an additional R1 499 000,00 (one million four hundred and ninety nine thousand Rand) divided into 149 900 000 ordinary shares of R0,01 (one cent) each. All ordinary shares rank pari passu.*"

- Ordinary Resolution of the shareholders of Lewis placing the authorised shares under the control of the Directors, adopted on 15 July 2004:

  "*All the unissued authorised shares in Lewis, be and are hereby placed under the control of the directors and that the directors are hereby authorised to issue such shares under such terms and conditions as they in their discretion deem fit, subject to the provisions of the Companies Act, No. 61 of 1973 (as amended) and should Lewis be listed on the JSE Securities Exchange South Africa in the future, then from the date of such listing, this general authority shall also be subject to the JSE Securities Exchange South Africa's Listing Requirements, until the next annual general meeting.*"

- Resolution of the Directors authorising the Restructuring, adopted on 11 August 2004:

  "*The Company:*

  1.1 enters into a disposal agreement with GUS Holdings BV, substantially in the format of the draft disposal agreement attached hereto ("the Agreement"); and

  1.2 subject to the suspensive conditions of the Agreement being fulfilled, acquires all of the shares in the issued share capital of Lewis Stores (Proprietary) Limited from GUS Holdings BV in consideration for the issue and allotment of 99 999 000 (ninety nine million nine hundred and ninety nine thousand) ordinary shares in the authorised share capital of the Company, on the terms and conditions of the Agreement."

- Special Resolution of the shareholders of Lewis authorising the acquisition of Lewis shares, adopted at Lewis annual general meeting on 8 September 2004:

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

  Should the shares of the Company be listed on the JSE, the Company or any of its subsidiaries shall only be authorised to repurchase Company shares provided that the following requirements of the Listings Requirements of the JSE Securities Exchange South Africa as presently constituted and which may be amended from time to time, are met:

  - any such acquisition of shares shall be effected through the order book operated by the JSE trading system or other manner approved by the JSE;
  - this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;

- a paid press announcement will be published as soon as the Company and/or its subsidiaries has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares of the class of shares repurchased in issue at the time of granting of this general authority, and each time the Company acquires a further 3% (three percent) of such shares thereafter, which announcement shall contain full details of such acquisitions;
- acquisitions by the Company and its subsidiaries of shares in the capital of the Company may not, in the aggregate, exceed in any one financial year 20% (twenty percent) or 10% (ten percent) where such acquisitions relate to the acquisition by a subsidiary) of the Company's issued share capital of the class of the repurchased shares from the date of the grant of this general authority;
- in determining the price at which the Company's shares are acquired by the Company or its subsidiaries in terms of this general authority, the maximum premium at which such shares may be acquired may not be greater than 10% (ten percent) above the weighted average of the market price at which such shares are traded on the JSE for the 5 (five) business days immediately preceding the date the repurchase transaction is effected;
- in the case of a derivative (as contemplated in the Listings Requirements of the JSE) the price of the derivative shall be subject to the limits set out in section 5.84(a) of the Listings Requirements of the JSE;
- at any point in time, the Company or its subsidiary may only appoint one agent to effect any repurchase(s) on its behalf;
- the Company may only undertake a repurchase of securities if, after such repurchase, it still complies with paragraphs 3.37 to 3.41 of the Listings Requirements of the JSE Securities Exchange South Africa concerning shareholder spread requirements; and
- the Company or its subsidiary may not repurchase securities during a prohibited period as defined in paragraph 3.67 of the Listings Requirements of the JSE Securities Exchange South Africa.

The Directors of the Company made the following statement in regard to this special resolution:

(a) it is their intention to utilise the general authority to acquire shares in the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company;

(b) in determining the method by which the Company intends to acquire its shares, the maximum number of shares to be acquired and the date on which such acquisition will take place, the directors of the Company will only make the acquisition if at the time of the acquisition they are of the opinion that:
   - the Company and its subsidiaries would, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of repurchase;
   - the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with South African Statements of Generally Accepted Accounting Practice and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, would, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 (twelve) months after the date of repurchase;
   - the issued share capital and reserves of the Company and its subsidiaries would, after the repurchase, be adequate for the ordinary business purposes of the Company or any acquiring subsidiary for the next 12 (twelve) months after the date of repurchase; and
   - the working capital available to the Company and its subsidiaries would, after the repurchase, be adequate for ordinary business purposes for the next 12 (twelve) months;

(c) if and for so long as the shares in the Company are listed on the JSE, they will not make any repurchase until such time as the Company's sponsors have provided the JSE with a letter in relation to the working capital statement set out above; and

(d) if and for so long as the shares in the Company are listed on the JSE, they will notify the shareholders of the terms of the repurchase of the Company's shares by publishing an announcement in the press in accordance with the Listings Requirements of the JSE should the Company or its subsidiaries cumulatively repurchase more than 3% (three percent) of any class of the Company's issued share capital.

- Ordinary Resolution of the shareholders of Lewis placing the authorised shares under the control of the Directors, adopted at the annual general meeting of the shareholders of Lewis held on 8 September 2004:

  "*All the unissued authorised shares in Lewis, be and are hereby placed under the control of the directors and that the directors are hereby authorised until the next annual general meeting of the Company to allot and issue such shares under such terms and conditions as they in their discretion deem fit, subject to the provisions of the Companies Act, No. 61 of 1973 (as amended) and, if and for so long as, the shares in Lewis are listed on the JSE Securities Exchange South Africa ("JSE"), subject also to the Listings Requirements of the JSE.*"

- Ordinary Resolution of the shareholders of Lewis placing the authorised shares under the control of the Directors, adopted at the annual general meeting of the shareholder of Lewis on 8 September 2004:

  "*Resolved that, subject to not less than 75% (seventy-five percent) of the votes cast by those shareholders of the Company present in person or represented by proxy to vote at this annual general meeting voting in favour of this ordinary resolution, the directors of the Company be and are hereby authorised by way of a general authority to issue all or any of the authorised but unissued shares in the capital of the Company for cash, as and when they in their discretion deem fit, subject to the Companies Act, No. 61 of 1973, as amended and the articles of association of the Company and if and for so long as, the shares in Lewis are listed on the JSE Securities Exchange South Africa ("JSE"), subject also to the Listings Requirements of the JSE's Listing Requirements.*"

  Should the shares of the Company be listed on the JSE Securities Exchange South Africa, the general authority to issue shares for cash shall be subject to the following limitations of the Listings Requirements of the JSE Securities Exchange South Africa as presently constituted and which may be amended from time to time:

  - the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  - that this general authority is valid until the Company's next annual general meeting provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this ordinary resolution;
  - that a paid press announcement be published giving full details, including the expected effect on the net asset value and earnings per share, at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue;
  - that issues in the aggregate in any 1 (one) financial year may not exceed 15% (fifteen percent) of the number of shares in the Company's issued share capital of the class of shares issued before such issue taking into account the dilution effect of convertible securities and options in accordance with the Listings Requirements of the JSE Securities Exchange South Africa;
  - that in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and
  - that any such issue will only be made to "public shareholders" as defined by the Listings Requirements of the JSE and not to related parties."

- Ordinary Resolution of the shareholders of Lewis forming the Lewis Employee Incentive Scheme Trust, adopted at the annual general meeting of the shareholder of Lewis on 8 September 2004:

  "Resolved that the Company forms the Lewis Employee Incentive Scheme Trust, to administer its various share incentive schemes."

- Ordinary Resolution of the shareholders of Lewis adopting certain incentive schemes, adopted at the annual general meeting of the shareholder of Lewis on 8 September 2004:

  "Resolved that the Company adopts the following incentive schemes:

  (i) The Lewis Executive IPO Restricted Share Scheme;

  (ii) The Lewis All Employee Share Scheme;

  (iii) The Lewis Executive Share Option Scheme;

  (iv) The Lewis Co-Investment Scheme;

  (v) The Lewis Executive Performance Share Scheme,

  the salient terms of which are attached hereto as Annexure A" [Annexure A was substantially the same as Annexure 10 to this Prospectus.]

- Ordinary Resolution of the shareholders of Lewis to recommend allocation of shares and options and to issue shares, adopted at the annual general meeting of the shareholder of Lewis on 8 September 2004:

  "Resolved that the directors be and are hereby authorised to:

  - *recommend the allocation of shares and options by the trustees of the Lewis Employee Incentive Scheme Trust to certain employees; and*
  - *issue shares in the Company pursuant to the incentive schemes set out in ordinary resolution 10 above, up to a maximum of 10 000 000 shares, which, at the time of the proposed Listing of the Company constitutes 10% of the aggregate number of shares in the issued share capital of the Company and to apply for the listing of such shares on the JSE."*

- Ordinary Resolution of the shareholders of Lewis authorising the granting of certain options and awards adopted at the annual general meeting of the shareholder of Lewis on 8 September 2004:

  "Resolved that the following awards and options be granted:

  - *A J Smart be granted options for shares in the Company to the value of R6,144,000 under the Lewis Executive Share Option Scheme at an option price equal to the price at which the Company's shares are/will be offered for sale to the public in terms of the prospectus relating thereto ("Offer Price") and awards to the value of R6,144,000 under the Lewis IPO Restricted Share Scheme for no consideration; and*
  - *the senior management of the Company (excluding Smart) be granted options to the value of R12,645,905 under the Lewis Executive Share Option Scheme at the Offer Price and awards to the value of R14,103,857 under the Lewis IPO Restricted Share Scheme,*

  all of the abovementioned values are based on the Offer Price and, accordingly, the number of shares awarded or being the subject matter of the option under the aforementioned schemes is the stated value in each case divided by the Offer Price for one share in the Company.

- *Other employees of the Lewis Group also be granted, in aggregate:*

  (i) options to the value of R3,997,400 at the Offer Price under the Lewis Executive Share Option Scheme;

  (ii) awards for no consideration to the value of R18,176,101 under the Lewis Executive IPO Restricted Scheme; and

  (iii) awards for no consideration to the value of R34,543,000 under the Lewis All Employee Share Scheme.

- *The number of shares in the Company which are the subject matter of the above awards or options is dependant on the Offer Price as described above. The total value of the allocations are as follows:*

  (i) the Lewis Executive Share Option Scheme – R22,787,305;

  (ii) the Lewis Executive IPO Restricted Scheme – R38,423,958; and

  (iii) the Lewis All Employee Share Scheme – R34,543,000."

Extracts from articles of association of Lewis [2(b), 2(c) and 8(c)]

Set out below are extracts from the articles of association of Lewis:

1. Appointment and qualification of Directors

"64. Subject to the provisions of the Companies Act unless otherwise determined by a general meeting, the number of directors shall be not less than four nor more than twenty.

65. A general meeting or the directors shall have the power, from time to time, to appoint anyone as a director, either to fill a vacancy in the directors or as an additional director, provided that the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with these Articles and any director so appointed shall hold office only until the next annual general meeting at which he/she shall be eligible for re-election, but shall not be taken into account in determining the directors who are to retire by rotation at that annual general meeting.

67. Unless otherwise determined by a general meeting, neither a director nor an alternate director shall be obliged to hold any qualification shares.

82. A director shall cease to hold office as such if he/she:

82.1 is prohibited from being or is removed as or is disqualified from acting as a director in terms of the Companies Act;
82.2 gives notice to the Company of his/her resignation as a director with effect from the date of, or such later date as is provided for in, such notice;
82.3 is 70 or more years of age, provided that any existing director that turns 70 years of age shall only be required to resign at the conclusion of the next annual general meeting in accordance with Article 91;
82.4 absents himself/herself from meetings of directors for six consecutive months without special leave of absence from the other directors who resolve that his/her office shall be vacated, provided that this provision shall not apply to a director who is represented by an alternate who does not so absent himself/herself;
82.5 is given notice, signed by members holding in the aggregate more than 50% of the total voting rights on a poll of all members then entitled to vote on a poll at a general meeting, of the termination of his/her appointment."

2. Borrowing powers of Directors

"77. The directors may exercise all the powers of the Company to borrow money and to mortgage or encumber its undertaking or property and to issue debentures, debenture stock and other securities (with special privileges as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise if sanctioned by a general meeting), whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

78. For the purposes of the provisions of Article 77, the borrowing powers of the directors shall be unlimited."

3. Remuneration of Directors

"68. The remuneration for directors for their services as directors shall be determined from time to time by the members of the Company in general meeting, provided that where the directors appoint a director to fill a vacancy or an additional director in terms of Article 65, then a disinterested quorum of the directors may determine the remuneration of such appointed director for his/her services as a director during the period from the date of his/her appointment until the next annual general meeting. For the purposes of clarity it is recorded that the remuneration referred to in this Article 68 is for services rendered in the capacity as director of the Company (ordinarily directors fees) and is to be distinguished from any remuneration in respect of the employment of a director in any other capacity which is governed by Article 70.

69. The directors shall be paid all travelling, subsistence, and other expenses properly and necessarily incurred by them in the execution of their duties in or about the business of the Company, and in attending meetings of directors or of committees thereof; and if any director is required to perform extra services or to go reside abroad or otherwise shall be specifically occupied about the Company's business, he/she shall be entitled to receive such remuneration as is determined by a disinterested quorum of directors, which may be either in addition to or in substitution for any other remuneration.

70. A director may be employed in any other capacity in the Company or as a director or employee of a company controlled by, or itself a subsidiary of, the Company and in this event, the terms and conditions of such employment or appointment and the remuneration (to be distinguished from the remuneration referred to in Article 68) in respect of such employment or other office must be determined by a disinterested quorum of directors; provided that the appointment of the director as a director of the Company shall be subject to the rotation of directors in terms of Article 90. The termination of the director's appointment as a director of the Company shall not affect his/her employment or other office. Nothing in this Article shall prohibit the terms of a director's employment requiring him/her to resign from the office of director upon termination of his/her employment or conversely providing for the termination of his/her employment upon him/her ceasing to hold the office of director, subject to the law."

"89. Subject to and in accordance with Article 70, a disinterested quorum of directors may appoint from time to time one or more of the directors as executive director(s) or as managing director(s) of the Company."

4. Term of office of Directors and retirement by rotation

"90. Notwithstanding any provisions to the contrary in these Articles but subject to Article 91, the directors shall retire from office in the following manner:

90.1 at the conclusion of each annual general meeting of the Company, one third of the directors or, if their number is not a multiple of 3 (three), then the number nearest to but not less than one third of the directors shall retire from office notwithstanding that the director has been appointed as a managing director, or as an employee of the Company in any other capacity;

90.2 the directors who retire in terms of 90 shall be those who have been longest in office since their last election, provided that:

90.2.1 if more than one of them were elected directors on the same day, those to retire shall be determined by lot unless those directors agree otherwise between themselves;

90.2.2 if at any annual general meeting any director will have held office for 3 (three) years since his/her last election, he/she shall also retire at the conclusion of such annual general meeting;

90.3 any director appointed as such after the conclusion of the Company's preceding annual general meeting shall retire from office at the conclusion of the annual general meeting held immediately after his/her appointment;

90.4 a retiring director shall be eligible for re-election, and, if re-elected, shall be deemed not to have vacated his/her office;

90.5 the annual general meeting at which a director retires may elect another person to fill the vacated office, and if it is not so filled, the retiring director shall, if he/she has offered himself/herself for re-election, be deemed to have been re-elected unless the annual general meeting expressly resolves not to fill such vacated office or not to re-elect such retiring director; and

90.6 no person other than a retiring director shall be eligible for election as a director at any annual general meeting unless the directors recommend otherwise, or unless not less than 7 (seven) nor more than 28 (twenty eight) days before the date appointed for the annual general meeting, a member who is entitled to attend and vote at such annual general meeting shall have lodged written notice proposing such person as a director, together with the consent of that person to be elected as a director.

91. Notwithstanding the aforegoing, a director shall retire at the conclusion of the first annual general meeting after he/she turns 70 years of age and shall not be eligible for re-election."

5. Directors' interests

"79. Subject to compliance with the provisions of the Companies Act, a director shall not be liable (in the absence of any agreement to the contrary) to account to the Company for any profit or other benefit arising out of any contract entered into by the Company in which he/she is directly or indirectly interested; provided that the director's interest in the contract has been disclosed and the contract has been approved in accordance with these Articles.

80. *Subject to the Listings Requirements and the Companies Act, any contract or arrangement (or proposed contract or arrangement) with the company in which a director is interested or otherwise conflicted may be approved by a disinterested quorum of directors after full disclosure of the relevant director's interest in the contract.*

81. *Subject to the Listings Requirements, where a director is interested in a contract or arrangement, he/she:*

    81.1 *may not be counted in a quorum for the purpose of a meeting of directors to consider any matter; and*

    81.2 *shall not be entitled to vote in regard to any matter relating to that contract or arrangement."*

6. Dividends

"92. A general meeting or the directors may declare dividends to any one or more classes of members from time to time, and with the sanction of a general meeting any dividend declared may be paid or satisfied either wholly or in part by the distribution of such specific assets in such manner as the directors may determine; provided that no greater dividend shall be declared by a general meeting than is recommended by the directors.

93. *Subject to Articles 94 to 98, dividends must be payable to members recorded in the register at a date subsequent to the date of declaration of the dividend or date of approval by a general meeting of a final dividend proposed by the directors whichever is the later.*

94. *Any dividend so declared may be paid and satisfied, either wholly or in part, by the distribution of specific assets, and in particular of the paid up shares or debentures of this or any other company, or in cash or in any one or more of such ways as the directors may at the time of declaring the dividend determine and direct, and where any difficulty arises in regard to the distribution they may settle the same as they think expedient, and in particular, may reasonably fix the value for distribution of such specific assets or any part thereof, and may determine that cash payments shall be made to any members upon the basis of the value so fixed in order to adjust the rights of all parties and may vest any such assets in trustees upon such trusts for the persons entitled to the dividend as may seem expedient to them.*

95. *The Company may, at the risk of the member, transmit (including, without limitation, by cheque) any dividend or other amount payable in respect of a share by ordinary post to the address of the holder thereof recorded in the register or such other address as the holder thereof may previously have given to the Company in writing, and shall not be responsible for any loss or damage suffered arising out of or in connection with such transmission.*

96. *Any dividend or distribution in terms of section 90 of the Companies Act payable on or in respect of a share:*

    96.1 *which is unclaimed, may be retained by the Company and may be invested or used as the directors may deem fit for the benefit of the Company until claimed by the member concerned and the Company shall not be required to account for any moneys earned on such money;*

    96.2 *which is retained and unclaimed for 3 (three) years after the payment date of the dividend or moneys in question, shall revert to the Company and may be dealt with by the directors as they deem fit, and in any such case may not be claimed by the member concerned;*

    96.3 *shall not bear interest against the Company;*

    and the Company shall, for the purpose of facilitating its winding up or deregistration, be entitled where authorised by special resolution to delegate to any bank, registered as such in accordance with the laws of the Republic of South Africa, the liability for payment of any such dividend or other money, payment of which has not been forfeited in terms of the aforegoing. Provided that any unclaimed monies arising from a capitalisation or rights issue shall not be forfeited and shall, in the event of the Company being wound up or deregistered, be paid into the Guardians Fund.

97. *Any monies, other than dividends and distributions in terms of section 90 of the Companies Act, due to members shall be held in trust indefinitely until lawfully claimed by the members concerned or until the Company is finally wound up.*

98. *Should the amount of any dividend or other distribution payable to any single member be R10 (ten Rand) or less, then the dividend concerned shall not be paid to the member, but shall be donated by the Company to one or more charities determined by the directors. No member shall have any claim against the Company in respect of any dividend or other distribution donated to a charity in terms of this Article."*

7. Capitalisation

"100. Subject to the provisions of the Companies Act, the directors or a general meeting, on recommendation of the directors, may resolve to capitalise the whole or any part of:

100.1 any amount available for distribution as a dividend and not required for the payment or provision of dividends on preference shares;

100.2 any amount standing to the credit of any of the Company's reserve accounts (including its share premium account or capital redemption fund),

by setting such amount free for distribution in the same proportion amongst the members who would have been entitled thereto if it had been distributed by way of a dividend (subject to the rights of any members to whom shares have been issued on special conditions) on condition that the amount in question is not paid to the members in question but is applied in paying up in full for unissued shares of the Company.

101. Whenever a resolution relating to a capitalisation shall have been passed by a general meeting, the directors shall:

101.1 be obliged to give effect to any such resolution;

101.2 be entitled to authorise any person on behalf of all the members concerned to, where the resolution of the general meeting so provides, enter into an agreement with the Company providing for the allotment to them, credited as fully paid, of any shares to which they may be entitled in respect of such capitalisation, and any such agreement shall be effective and binding on all those members."

8. Winding up

"102. If the Company is wound up (whether voluntarily or compulsorily):

102.1 the assets remaining after payment of the debts and liabilities of the Company and the costs of winding up shall be distributed amongst the members in proportion to the numbers of shares respectively held by each of them, subject to the rights of any members to whom shares have been issued on special conditions and subject to the liability, if any, of members for unpaid capital or premium;

102.2 the liquidator, with the authority of a special resolution, may divide amongst the members in specie or kind the whole or any part of the assets and whether or not those assets consist of property of one kind or different kinds; and

102.3 if, despite diligent enquiry, the liquidator cannot locate any member, he/she shall tender to deposit in the Guardians Fund that member's share in the winding up (undertaking for that purpose to realise any assets included therein). If any such tender is refused by the Master of the High Court, the liquidator shall distribute such share amongst the remaining members in proportion to the number of shares held by them, subject to the rights of any member to whom shares have been issued on special conditions."

9. Indemnity

"103. Every director, alternate director, manager, secretary and other officer of the Company except for its auditor shall be indemnified out of the Company's funds against all liability incurred by him as a director, alternate director, manager, secretary or other officer (excluding the auditor of the Company) in defending any proceedings (whether civil or criminal) in which judgement is given in his/her favour or in which he/she is acquitted or in connection with any matter in which relief is granted to him by the Court in terms of the Companies Act."

Material contracts [16]

1. Material contracts that have been entered into by the Lewis Group during the two years preceding the date of this Prospectus, other than in the ordinary course of the business carried on by the Lewis Group, are the following:

   1.1 the agreement relating to the Restructuring;

   1.2 the general banking facility agreement concluded between Lewis Opco and ABSA, dated 29 June 2004 (as described in Annexure 11 to this Prospectus); the cession of book debts executed by Lewis Opco in favour of ABSA, dated 29 June 2004; and the suretyships executed by each of Lewis (Botswana), Lewis (Lesotho), Lewis (Namibia) and Lewis (Swaziland) on 24 June 2004 in favour of ABSA, in terms whereof such subsidiaries each bound themselves as surety and co-principal debtor for the obligations of Lewis Opco to ABSA;

   1.3 the credit facility agreements concluded between Lewis Opco and FirstRand, acting through its Rand Merchant Bank, FNB Corporate and Wesbank divisions, dated 24 June 2004 (as described in Annexure 11 to this Prospectus); the cession of book debts executed by Lewis Opco in favour of FirstRand, dated 24 June 2004; the cession and pledge of credit balances (to a maximum amount of R250 million) executed by Lewis Opco in favour of FirstRand, dated 24 June 2004; and the suretyships executed by each of Lewis (Botswana), Lewis (Lesotho), Lewis (Namibia) and Lewis (Swaziland) on 24 June 2004 in favour of FirstRand, in terms whereof such subsidiaries each bound themselves as surety and co-principal debtor for the obligations of Lewis Opco to FirstRand;

   1.4 the banking facility agreements concluded between Lewis Opco and Standard Bank, dated 24 June 2004 (as described in Annexure 11 to this Prospectus); the cession of book debts executed by Lewis Opco in favour of Standard Bank, dated 24 June 2004; and the suretyships executed by Lewis (Botswana), Lewis (Lesotho), Lewis (Namibia) and Lewis (Swaziland) on 24 June 2004 in favour of Standard Bank, in terms whereof such subsidiaries each bound themselves as surety and co-principal debtor for the obligations of Lewis Opco to Standard Bank; and

   1.5 the security sharing agreement concluded between FirstRand, Standard Bank, ABSA ("the Banks") and Lewis Opco, dated 29 June 2004 in terms of which the Banks have agreed, *inter alia,* on the manner in which the proceeds arising from the realisation of any of the security granted to any of the Banks by Lewis Opco and/or Lewis (Botswana), Lewis (Lesotho), Lewis (Namibia) and Lewis (Swaziland), referred to in paragraphs 1.2, 1.3 and 1.4 above, is to be shared between them.

2. While the Directors of Lewis do not regard the acquisition of Lifestyle Living or its business as being a material acquisition (as contemplated in the Listings Requirements) in relation to the Lewis Group, because the agreements relating to such acquisitions were entered into other than in the ordinary course of the business carried on by Lewis Opco, the following related agreements are included in this annexure:

   2.1 the deed of cession of book debts executed by Lifestyle Living on 26 March 2003, in terms of which Lifestyle Living ceded to Standard Bank, as a continuing covering security for all indebtedness of Lifestyle Living to Standard Bank, all of its rights in and to all book debts and other debts due and to become due to Lifestyle Living from time to time. Standard Bank released Lifestyle Living from this deed of cession on 7 April 2004;

   2.2 the suretyship and cession of claims executed by Lewis Opco in favour of Standard Bank on 31 March 2003, in terms whereof Lewis Opco bound itself as surety and co-principal debtor for the due and proper fulfilment of any present and future indebtedness of Lifestyle Living to Standard Bank and ceded, as continuing covering security, all claims which Lewis Opco may have against Lifestyle Living. Standard Bank released Lewis Opco from this suretyship and cession on 7 April 2004;

   2.3 the memorandum of agreement concluded between Protea Furnishers (Proprietary) Limited ("Profurn"), Neil Alan Timm ("Timm"), Ian Joseph King ("King") and Lifestyle Living on 14 April 2003, in terms of which Lifestyle Living acquired the retail furniture and appliance business, then conducted by Profurn under the name and style of "Freedom Furnishers", "Barnetts Furnishers" or "Lifestyle Living", from Profurn as a going concern;

2.4 the memorandum of agreement concluded between Profurn and Lifestyle Living on 14 April 2003, in terms of which Lifestyle Living acquired the entire issued share capital of and shareholder's loan account claims against Kingtimm from Profurn;

2.5 the memorandum of agreement concluded between Full House Retail Limited and Lifestyle Living on 25 April 2003, in terms of which Lifestyle Living sold to Full House Retail Limited, as a going concern, the businesses it was conducting from premises it held in Atlantis, Eerste River and Worcester; and

2.6 the agreement of sale concluded between Lewis Opco, Lifestyle Living, Timm and King on 7 November 2003, in terms of which Lewis Opco acquired all of the issued shares in the share capital of Lifestyle Living with effect from 7 October 2003.

3. Set out below are all material Lewis Group inter-company financial and other transactions:

3.1 the agreement concluded between Lewis Opco and Lifestyle Living on 1 September 2004, for the provision of certain back-office services by Lewis Opco to Lifestyle Living;

3.2 the agreement concluded between Lewis Opco and Lewis (Swaziland) in August 1990, for the provision of certain back-office services by Lewis Opco to Lewis (Swaziland);

3.3 the agreement concluded between Lewis Opco and Lewis (Lesotho) in August 1990, for the provision of certain back-office services by Lewis Opco to Lewis (Lesotho);

3.4 the agreement concluded between Lewis Opco and Lewis (Namibia) in August 1990, for the provision of certain back-office services by Lewis Opco to Lewis (Namibia);

3.5 the agreement concluded between Lewis Opco and Lewis (Botswana) in August 1990, for the provision of certain back-office services by Lewis Opco to Lewis (Botswana);

3.6 the insurance agent agreement concluded between Monarch Insurance and Lewis Opco, dated 23 May 2001, in terms of which Monarch Insurance appointed Lewis Opco to issue insurance policies on its behalf in respect of the business of customer protection insurance, as marketed by Lewis Opco on behalf of Monarch Insurance;

3.7 the policy administration agreement concluded between Monarch Insurance and Lewis Opco, dated 23 May 2001, in terms of which Monarch Insurance appointed Lewis Opco to collect premiums and to provide other related administrative services on its behalf in respect of the business of customer protection insurance, as marketed by Lewis Opco on behalf of Monarch Insurance; and

3.8 the claims administration agreement concluded between Monarch Insurance and Lewis Opco, dated 23 May 2001, in terms of which Monarch Insurance appointed Lewis Opco to process and settle claims on its behalf in respect of the business of customer protection insurance, as marketed by Lewis Opco on behalf of Monarch Insurance.

4. In addition to the material contracts above, all other contracts containing obligations or settlements that are material to Lewis, Lewis Opco or its subsidiaries, being a contract entered into other than in the ordinary course of business, as at the date of this Prospectus, are set out below:

4.1 the memorandum of agreement concluded between JustEnough Software Corporation (Proprietary) Limited ("JustEnough") and Lewis Opco, dated 30 October 2003, relating to the provision of JustEnough Software to Lewis Opco and in terms of which Lewis Opco pays an annual licence fee of R88,472;

4.2 the memorandum of agreement concluded between Experian Scorex (Proprietary) Limited ("Experian") and Lewis Opco, dated 18 December 1997, in terms of which Experian has been appointed by Lewis Opco to provide various services relating to the credit application system provided by it to Lewis Opco and in terms of which Lewis Opco pays an annual licence fee of R1,370,725;

4.3 the product licence agreement concluded between Lewis Opco and Q Data DynamiQue (Proprietary) Limited, a wholly-owned subsidiary of Business Connexion (Proprietary) Limited, ("Q Data") in April 1999, in respect of which Lewis Opco pays an annual licence fee which, for the period 1 October 2003 to 30 September 2004, was R303,159 and a monthly fee of R6,000, being in respect of support services;

4.4 the service agreement concluded between Lewis Opco and Q Data in April 1999, in terms of which Lewis Opco pays an annual fee of R266,000;

4.5 the licence agreement concluded between Lewis Opco and Millsoft (Proprietary) Limited ("Millsoft") in March 1998, in respect of which Lewis Opco pays an annual licence fee of R300,000;

4.6 the re-insurance agreement concluded between Monarch Insurance and Constantia Insurance Company, dated 13 August 2004, in terms of which Constantia Insurance Company reinsures 40%, of Monarch Insurance's risk;

4.7 the agreement concluded between Monarch Insurance and Sanlam Investment Management (whose registered address is 55 Willie van Schoor Avenue, Bellville, 7535 (Private Bag X8, Tyger Valley, 7536) in March 2001, in terms of which Monarch Insurance appointed Sanlam Investment Management as its portfolio manager to administer various investments, as determined by statute, supporting its insurance business, on its behalf. Sanlam Investment Management's fee for such administrative services differs for South African investments and foreign investments. For South African investments the fee, based on the aggregate investments under management from time to time, is as follows:

- 0 – R50 million, a fee of 0.48% per annum of the aggregate investments; and
- in excess of R50 million, a fee of 0.24% of the aggregate investments.

For foreign investments the fee is deducted from the net asset value of the applicable Gensec offshore fund, in which the assets are invested from time to time as follows:

- Gensec Global Bond Fund – 0.85% of the net asset value;
- Gensec Enhanced Global Equity Fund – 0.85% of the net asset value;
- Gensec Enhanced Global Equity Fund – 0.50% of the net asset value; and
- Gensec Global Balanced Fund – 0.85% of the net asset value;

4.8 the claims management agreement concluded between Mutual & Federal Insurance Company of Botswana Limited ("M & F Botswana") and Lewis Management Services (Botswana) in March 2001, in terms of which Lewis Management Services (Botswana) was appointed as the claims manager on behalf of M & F Botswana;

4.9 the insurance agent agreement concluded between M & F Botswana and LMS Botswana in March 2001, in terms of which Lewis Management Services (Botswana) was appointed as the insurance agent on behalf of M & F Botswana;

4.10 the claims management agreement concluded between Mutual & Federal Insurance Company of Namibia Limited ("M & F Namibia") and Lewis Management Services (Namibia) in October 2000, in terms of which Lewis Management Services (Namibia) was appointed as the claims manager on behalf of M & F Namibia;

4.11 the insurance agent agreement concluded between M & F Namibia and Lewis Management Services (Namibia) in August 2000, in terms of which Lewis Management Services (Namibia) was appointed as the insurance agent on behalf of M & F Namibia;

4.12 the claims management agreement concluded between Swaziland Royal Insurance Corporation ("SRIC") and Lewis (Swaziland) in August 2001, in terms of which Lewis (Swaziland) was appointed as the claims manager on behalf of SRIC;

4.13 the insurance agent agreement concluded between SRIC and Lewis (Swaziland) in August 2001, in terms of which Lewis (Swaziland) was appointed as the insurance agent on behalf of SRIC;

4.14 the insurance policy agreement concluded by Alliance Insurance Company Limited on 5 November 2001, in terms of which Alliance Insurance Company Limited provides the customers of Lewis (Lesotho) with customer protection insurance;

4.15 the consultancy agreement concluded between Lewis Opco and Shavian Management Consultants (Proprietary) Limited ("Shavian") in July 1993, appointing Shavian as a consultant to advise Monarch Insurance on insurance related matters, which agreement has been orally extended, and in terms of which Lewis Opco pays a monthly fee of R15,000;

4.16 the lease agreements as set out in Annexure 8 to this Prospectus; and

4.17 the loan agreements as set out in Annexure 11 to this Prospectus.

5. Set out below is a brief summary of existing or proposed contracts relating to royalties, secretarial and technical fees payable by Lewis and/or its subsidiaries:

5.1 the copyright music licence agreement concluded between Lewis Opco and the Southern African Music Rights Organisation Limited in December 1993, in terms of which Lewis Opco is entitled to perform or permit to be performed certain musical works in its stores by means of mechanical and electrical devices. Lewis Opco pays an annual royalty fee, on or before 6 May of each year, which fee for the year ending 6 May 2005, was R243,421;

5.2 the copyright music licence agreement concluded between Lewis Opco and the Namibian Society of Composers and Authors of Music in December 1996, in terms of which Lewis Opco is entitled to perform or permit to be performed certain musical works in its stores. Lewis Opco pays an annual licence fee, which fee for the year 2004 was R4,018;

5.3 the service level agreement, concluded between Lewis Opco and Universal Computer Systems Limited on 31 October 2003, relating to the provision of information technology services by Universal Computer Systems Limited to Lewis Opco, in terms of which Lewis Opco pays a monthly fee of R217,402; and

5.4 the agreements referred to in paragraphs 4.1 to 4.5 and 4.15.

Definitions, glossary and interpretation

In this Prospectus, unless otherwise stated or the context clearly indicates otherwise, the words in the first column have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words importing one gender include the other genders and references to a person include juristic persons and associations of persons and *vice versa*:

"Active customers"	customers of the Lewis Group that currently owe money to the Lewis Group arising out of the purchase of goods, granting of credit and/or loans;
"ABSA"	ABSA Bank Limited, incorporated in South Africa under registration number 1986/004794/06;
"Best Electric stores"	the stores operated by the Lewis Group under the 'Best Electric' brand name;
"Board" or "Directors"	the board of directors of Lewis;
"Bookrunner"	UBS South Africa (Proprietary) Limited, incorporated in South Africa under registration number 1995/011140/07;
"Botswana"	the Republic of Botswana;
"business day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"Cazenove"	Cazenove South Africa (Proprietary) Limited, incorporated in South Africa under registration number 1998/011736/07;
"Certificated Shares"	shares that have not been Dematerialised, title to which is represented by physical documents of title;
"credit", "credit basis", "credit sales" and "credit management"	shall for the sake of convenience only, unless the context clearly indicates the contrary, include Furniture Loans;
"Closing Date"	the closing date of the Offer, expected to be 30 September 2004, but may be amended by way of an announcement in the press and on SENS;
"Common Monetary Area"	collectively, South Africa, Namibia, Lesotho and Swaziland;
"Company"	Lewis, as defined below;
"Companies Act"	the South African Companies Act, 1973 (Act 61 of 1973), as amended;
"Constantia Insurance Company"	Constantia Insurance Company Limited, incorporated in South Africa under registration number 1952/001514/06;
"CSDP"	a Central Securities Depository Participant in terms of the Custody and Administration of Securities Act;
"Custody and Administration of Securities Act"	the South African Custody and Administration of Securities Act, 1992 (Act 85 of 1992), as amended;
"Dematerialise"	the process whereby physical share certificates are replaced with electronic records evidencing ownership of shares for the purpose of STRATE, as contemplated in the Custody and Administration of Securities Act;
"Dematerialised Shares"	Lewis shares that are Dematerialised, being 'uncertificated securities' as defined in section 91A of the Companies Act;
"Designated Groups"	a designated group, as defined in the Employment Equity Act, 1998 (Act 55 of 1998), as amended, being people of African, Coloured or Indian descent, women and people with disabilities;
"dividend cover"	the ratio obtained by expressing after-tax earnings per share as a function of dividends paid per share;

"Edcon"	Edgars Consolidated Stores Limited, incorporated in South Africa under registration number 1946/022751/06;
"Exchange Control Regulations"	the Exchange Control Regulations, as amended, promulgated in terms of Section 9 of the South African Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
"Experian"	Experian Scorex (Proprietary) Limited, incorporated in South Africa under registration number 1992/005248/07, a wholly-owned subsidiary of GUS plc;
"FirstRand"	FirstRand Bank Limited, incorporated in South Africa under registration number 1969/004763/06;
"Furniture Loans"	the Lewis Group's practice of granting term loans to customers in order for them to purchase merchandise from the Lewis Group, pursuant to Lewis Opco's registration as a micro-lender with the Micro Finance Regulatory Council;
"Global Guernsey"	Global (Guernsey) Limited, incorporated in Guernsey under registration number 4624, a wholly-owned subsidiary of GUS plc;
"GUS Holdings" or the "Offeror"	GUS Holdings BV, incorporated in Eindhoven, the Netherlands under registration number 30147911, a wholly-owned subsidiary of GUS plc;
"GUS Group"	GUS plc and its subsidiary companies;
"GUS International Holdings"	GUS International Holdings BV incorporated in Eindhoven, the Netherlands, under registration number 30147911, a wholly-owned subsidiary of GUS plc;
"GUS Ireland"	GUS Ireland Holdings BV incorporated in Eindhoven, the Netherlands, under registration number 30147914, a wholly-owned subsidiary of GUS plc;
"GUS Loans"	the claims the GUS Group had against Lewis Opco in respect of interest and capital on two loans of R500 million and R376 million, respectively, made in accordance with the provisions of two loan agreements between Lewis Opco and GUS International Holdings BV (incorporated in the Netherlands), dated 12 October 1998 and 13 October 1998, respectively;
"GUS Overseas"	GUS Overseas Investments BV, incorporated in Eindhoven, the Netherlands, under registration number 30147914, a wholly-owned subsidiary of GUS plc;
"GUS plc"	GUS plc, incorporated in England and Wales under registration number 00146575, the shares of which are listed on the London Stock Exchange plc;
"Investec Bank"	Investec Bank Limited, incorporated in South Africa under registration number 1969/004763/06;
"Investec Securities private clients"	the private clients of Investec Securities;
"Investec Securities"	Investec Securities Limited, incorporated in South Africa under registration number 1972/008905/06;
"IT"	information technology;
"JSE"	the JSE Securities Exchange South Africa;
"Kingtimm"	Kingtimm (Proprietary) Limited (formerly Freedom Furnishers (Proprietary) Limited), incorporated in South Africa under registration number 1995/000750, a wholly-owned subsidiary of Lifestyle Living;
"Last Practicable Date"	the last practicable date before finalisation of this Prospectus, being 31 July 2004;
"Lesotho"	the Kingdom of Lesotho;
"Lewis"	Lewis Group Limited (formerly Rowmoor Investments 505 (Proprietary) Limited), incorporated in South Africa under registration number 2004/009817/06;

"Lewis (Botswana)"	Lewis Stores (Botswana) (Proprietary) Limited (formerly Barons Furnishers (Botswana) (Proprietary) Limited), incorporated in Botswana under registration number CO 648, a wholly-owned subsidiary of Lewis Opco;
"Lewis Club"	the Lewis Group's customer loyalty program described in paragraph 6 headed "Marketing and advetising" under the sub-heading "The Lewis Club" on page 20 of this Prospectus;
"Lewis Employee Share Incentive Schemes"	collectively, the following Lewis employee share incentive schemes: the Lewis Executive IPO Restricted Share Scheme, the Lewis All Employee Share Scheme, the Lewis Executive Share Option Scheme, the Lewis Co-Investment Scheme and the Lewis Executive Performance Share Scheme, as described more fully in Annexure 10 to this Prospectus;
"Lewis Employee Share Incentive Trust"	the trust established or to be established to administer the Lewis Employee Share Incentive Schemes;
"Lewis Group"	prior to the implementation of the Restructuring, Lewis Opco and its subsidiaries, as set out in Annexure 7 to this Prospectus and, after the implementation of the Restructuring, Lewis and its subsidiaries;
"Lewis (Lesotho)"	Lewis Stores (Lesotho) (Proprietary) Limited, incorporated in Lesotho under registration number 79/54, a wholly-owned subsidiary of Lewis Opco;
"Lewis Management Services (Botswana)"	Lewis Management Services (Botswana) (Proprietary) Limited, incorporated in Botswana under registration number 2001/1426, a wholly-owned subsidiary of Lewis Opco;
"Lewis Management Services (Namibia)"	Lewis Stores Management Services (Namibia) (Proprietary) Limited, incorporated in Namibia under registration number 2000/247, a wholly-owned subsidiary of Lewis Opco;
"Lewis (Namibia)"	Lewis Stores (Namibia) (Proprietary) Limited (formerly Alwarvo (S.W.A) (Proprietary) Limited), incorporated in Namibia under registration number 70/3648, a wholly-owned subsidiary of Lewis Opco;
"Lewis Opco"	Lewis Stores (Proprietary) Limited, incorporated in South Africa under registration number 1946/002338/07, a wholly-owned subsidiary of Lewis;
"Lewis Opco shares"	ordinary shares with a par value of 50 cents each in the issued share capital of Lewis Opco;
"Lewis shares"	ordinary shares with a par value of one cent each in the issued share capital of Lewis;
"Lewis stores"	the stores operated by the Lewis Group under the 'Lewis' brand name;
"Lewis (Swaziland)"	Lewis Stores (Swaziland) (Proprietary) Limited (formerly Dan Hands (Swaziland) (Proprietary) Limited), incorporated in Swaziland under registration number 19/19728, a wholly-owned subsidiary of Lewis Opco;
"Lifestyle Living"	Lifestyle Living (Proprietary) Limited (formerly Rowmoor Investments No. 403 (Proprietary) Limited), incorporated in South Africa under registration number 2002/022355/07, a wholly-owned subsidiary of Lewis Opco;
"Lifestyle Living stores"	the stores operated by Lifestyle Living under the 'Lifestyle Living' brand name;
"Listing"	the proposed listing of the Lewis shares on the JSE;
"Listing Date"	the date the Listing takes place, which is expected to be on 4 October 2004;
"Listings Requirements"	the Listings Requirements of the JSE;
"LSM"	Living Standard Measure, a research tool developed by the South African Advertising Research Foundation to measure the population's wealth and standard of living by segmenting consumers into ten groups according to specified living standards criteria. Consumers within LSM Customer Category 1 have the lowest living standard and those within LSM Customer Category 10, the highest;

"Monarch Insurance"	Monarch Insurance Company Limited, incorporated in South Africa under registration number 1994/003920/06, a wholly-owned subsidiary of Lewis Opco;
"Namibia"	the Republic of Namibia;
"New Banking Facilities"	Lewis Opco's loan facility agreements entered into with FirstRand, ABSA and Standard Bank, dated 24 June 2004, 29 June 2004 and 24 June 2004, respectively, described in paragraph 26 headed "Material changes" on page 44 and in Annexures 11 and 14 to this Prospectus;
"non-resident"	a non-resident of the Common Monetary Area;
"Offeror"	see "GUS Holdings" above;
"Offer"	the offer by the Offeror to sell the Offer Shares, at the Offer Price, to the Offerees pursuant to this Prospectus;
"Offerees"	the institutional investors in South Africa, the Investec Securities' private clients and the Selected Foreign Institutions to whom the Offer is made, as set out in Part G of the Prospectus headed "Particulars of the Offer" under the paragraph 55 headed "The Offer" on page 57 of this Prospectus;
"Offer Price"	the price at which the Lewis shares are offered for sale pursuant to this Prospectus, to be determined in accordance with the provisions of the paragraph 57 headed "Offer Price" beginning on page 57 of this Prospectus and specified in the Underwriting Agreement;
"Offer Shares"	the Lewis shares offered for sale by the Offeror pursuant to this Prospectus to be specified in the Underwriting Agreement, the number of which shall not exceed 39,999,999;
"Potential Underwriters"	the proposed underwriters of the Offer, being the Bookrunner, Investec Bank and Cazenove;
"Prospectus"	this entire document and all annexures to it;
"PwC"	PricewaterhouseCoopers Inc., Chartered Accountants (SA), registered accountants and auditors incorporated in South Africa under registration number 1998/012055/21, being the auditors and accountants of Lewis;
"Rand" or "R"	South African Rands;
"Registrar"	the Registrar of Companies;
"Re-serve Scheme"	the Lewis Group's 'Re-serve Scheme' described in paragraph 6 headed "Marketing and advertising" under the sub-heading "Re-serve Scheme" beginning on page 19 of this Prospectus;
"Restructuring"	the interposition of Lewis as a holding company of Lewis Opco in terms of the written disposal agreement between Lewis and GUS Holdings, dated 11 August 2004, in terms of which GUS Holdings agrees to dispose of and transfer the entire issued share capital of Lewis Opco to Lewis in consideration for the issue of 99 999 000 Lewis shares, as soon as possible after the announcement of the Offer Price but no later than one business day prior to the Settlement Date, the implementation of which agreement is a condition to the Offer;
"Sanlam Investment Management"	Sanlam Investment Management (Proprietary) Limited (formerly Gensec Asset Management (Proprietary) Limited), incorporated in South Africa under registration number 1967/011973/07;
"SARS"	the South African Revenue Services;
"SENS"	Securities Exchange News Service of the JSE;
"Selected Foreign Institutions"	selected institutional investors in jurisdictions outside of South Africa to whom the Offer will specifically be addressed;

"Settled customers"	customers of the Lewis Group that have settled all amounts owing by them to the Lewis Group arising out of the purchase of goods, the granting of credit and/or Furniture Loans;
"Settlement Date"	the date of implementation of the Offer when the acquired Offer Shares will be transferred to applicants against payment of the Offer Price in accordance with paragraph 62 headed "Payment and delivery of Offer Shares" on page 59 of this Prospectus, expected to be Monday, 4 October 2004.
"South Africa"	the Republic of South Africa;
"South African Exchange Control"	the Exchange Control Department of the South African Reserve Bank;
"Southern Africa"	South Africa, Lesotho, Namibia, Botswana and Swaziland;
"Sponsor"	the Bookrunner;
"Standard Bank"	The Standard Bank of South Africa Limited, incorporated in South Africa under registration number 1962/000738/06;
"STRATE"	STRATE, the electronic settlement system used by the JSE and administered by the central security depository, STRATE Limited;
"Swaziland"	the Kingdom of Swaziland;
"Transact"	the automated credit application processing system supplied by Experian;
"Underwriters"	the Bookrunner, Investec and Cazenove;
"Underwriters Option"	the option granted to the Underwriters to acquire Lewis shares from the Offeror as defined on page 61 in paragraph 67 headed "Underwriting" beginning on page 60 of this Prospectus;
"Underwriting Agreement"	the agreement which is intended to be entered into between GUS plc, GUS Holdings, Lewis and the Potential Underwriters which, if concluded, will provide that the Potential Underwriters will, subject to certain conditions, underwrite the Offer;
"United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
"UST"	uncertificated securities tax; and
"£"	United Kingdom Pounds.

NUMBERS

In this Prospectus generally the Anglo Saxon convention of numerals has been followed and not the South African convention. Accordingly, unless the context clearly indicates otherwise, the Anglo Saxon convention applies and thousands are indicated by "," (e.g. 2,000 is two thousand) and decimal points by "." (e.g. 0.4 is four tenths), for example:

- 1,200,000 means one million, two hundred thousand;
- 1,200 million means one billion two hundred million;
- 1.201 million means one million two hundred and one thousand; and
- 2,000.32 means two thousand and thirty two hundredths.

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