  

RESULTS PRESENTATION

For the twelve months ended
31 March 2008

Lewis Group Ltd

company review
2008

AGENDA

1. Financial Highlights
2. The Year in Review
3. Debtor Analysis
4. Financial Overview
5. Outlook
6. Questions

1. Financial Highlights

R3596m	R930m	25.9%	717.0c	689.8c	323c
Up 8.2%	Up 8.2%	Maintained at 25.9%	Up 10.3%	Up 6.9%	Up 21.4%
Revenue	Operating Profit	Operating Margin	Earnings per Share	Headline Earnings per share	Dividends per share

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2. The Year in Review

	Group	Lewis	Best Electric	Lifestyle Living
▪ Revenue up	8.2%	7.8%	11.9%	9.1%
▪ Merchandise sales % contribution	100%	82%	11%	7%
▪ Merchandise sales up	4.5%	4.1%	7.4%	5.0%
▪ No. of stores – total	525	417	87	21
▪ No. of stores – opened this year	22	11	8	3

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The Year in Review (Cont'd)

- NCA Implementation
- Merchandise strategies
- Sales analysis – Furniture & Appliances
- Credit Sales - This year : 67% Last year : 69%
- Enhanced Re-serve programme
- Electronic Catalogue

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The Year in Review (Cont'd)

- Quality of Debtors Book
  - Doubtful Debts Provision %
  - Debtor Costs
- Extended terms to selected customers
- Consumer Credit Insurance
- Financial Services – JV Sanlam – Funeral benefits

3. Debtor Analysis

Debtor Costs

	FY08 Rm	FY07 Rm
Total Debtor costs	190	148
▪ **Bad debts written off**	172	138
▪ **Provision for Doubtful Debts**	18	10
Debtor costs as a % of net debtors	6.5%	5.8%
Credit Application decline rate	22.5%	20.1%

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Doubtful Debt Provision

	FY08 Rm	FY07 Rm
Net Debtors before DD Prov.	2939	2530
Doubtful Debt Provision	396	378
Doubtful Debt Provision %	13.5%	14.9%

Debtors Payment Analysis

			NUMBER OF CUSTOMERS		DOUBTFUL DEBT PROVISION	
			2008	2007	2008	2007
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period	**No.**	534,286	542,142	0%	0%
		%	75.1%	76.4%		
Slow payers	Customers who have paid between 70% and 65% of amounts due over the contract period	**No.**	51,759	47,959	17%	19%
		%	7.3%	6.8%		
Non performing customers	Customers who have paid between 65% and 55% of amounts due over the contract period	**No.**	47,130	44,463	42%	50%
		%	6.6%	6.3%		
Non performing customers	Customers who have paid 55% or less of amounts due over the contract period	**No.**	78,413	74,654	86%	100%
		%	11.0%	10.5%		
			711,588	**709,218**	**13.5%**	**14.9%**

Arrear instalments on slow paying and non performing accounts as a % of net Debtors	19.3%	19.0%

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Analysis of NCA Business

* With the introduction of the National Credit Act ("NCA"), Lewis offered selected customers extended terms.

			NUMBER OF CUSTOMERS	
			NCA 24 Months	**NCA Over 24 Months**
Satisfactory paid	Customers fully up to date including those who have paid 70% or more of amounts due over the contract period	**No.**	196,840	69,139
		%	88.0%	87.5%
Slow payers	Customers who have paid between 70% and 65% of amounts due over the contract period	**No.**	8,663	2,442
		%	3.9%	3.1%
Non performing customers	Customers who have paid between 65% and 55% of amounts due over the contract period	**No.**	7,560	2,930
		%	3.4%	3.7%
Non performing customers	Customers who have paid 55% or less of amounts due over the contract period	**No.**	10,736	4,508
		%	4.7%	5.7%
			223,799	**79,019**

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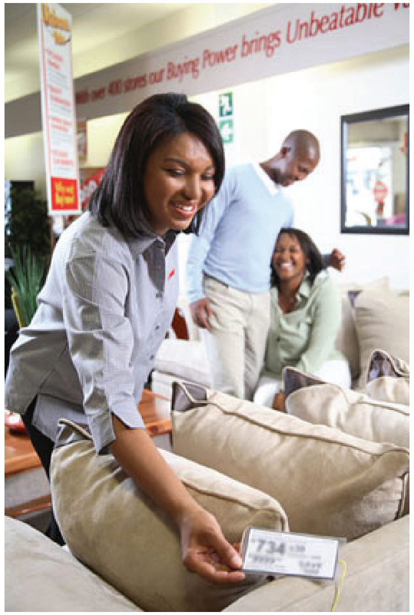
4. Financial Overview - Income Statement



4. Financial Overview - Income Statement

	FY08 Rm	FY07 Rm	%
Revenue	3 596	3 324	8.2%
Merchandise sales	1 890	1 809	4.5%
Gross profit %	32.7%	34.0%	
Operating profit	930	860	8.2%
Operating margin %	25.9%	25.9%	
Attributable earnings	642	598	7.4%
EPS (cents)	717	650	10.3%
Headline EPS (cents)	690	645	6.9%

Segmental Analysis

	Retail Rm	Risk Services Rm	Financial Services Rm	Total Rm
2008				
Revenue	2 141	564	891	3 596
Operating profit	307	175	448	930
Operating margin	14.4%	31.1%	50.2%	25.9%
2007				
Revenue	2 045	465	814	3 324
Operating profit	322	183	355	860
Operating margin	15.7%	39.5%	43.6%	25.9%

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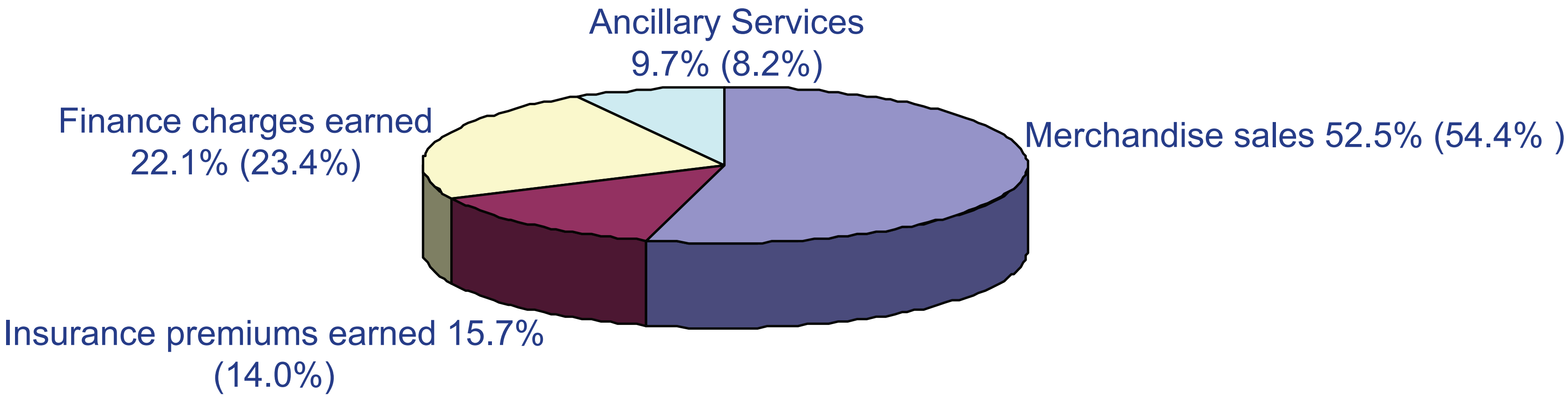
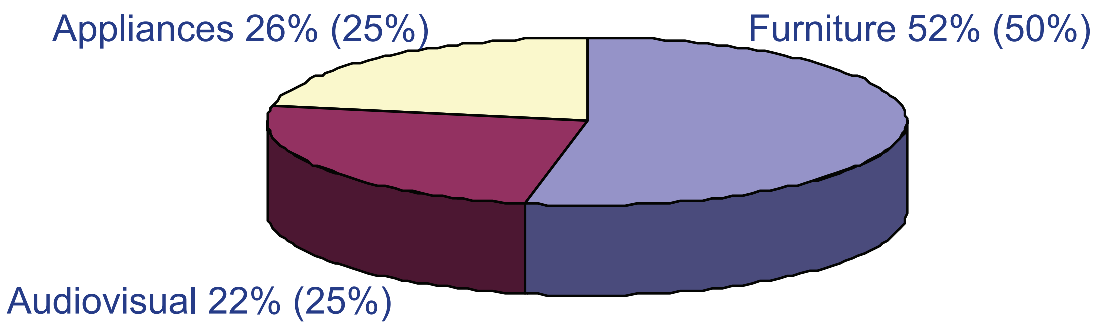
Analysis of Revenue Mix & Product Range

Revenue Mix



Product Range



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Reinsurance Revenue Recognition

- The Group defers insurance revenue over the period of the contract.
- Monarch reinsures 40% of premiums with an independent 3rd party reinsurer with real risk transfer.
- A premium reserve deposit of 40% of ceded premiums is retained by Monarch effectively deferring reinsurance revenue. At 31st March 2008 this reserve totalled R102 million.
- Insurance revenue is accounted for in terms of the company's contractual relationship with related parties.
- Over a two year contract, 55% of the gross insurance revenue is recognised in the first year.
- Accounting policies relating to insurance and reinsurance are consistent with prior reporting periods.

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Analysis of Costs

(Excluding Debtor costs)

	FY08 Rm	FY07 Rm	Change %
Employment costs	505	486	3.8%
Admin and IT	167	162	2.9%
Marketing	107	107	
Occupancy costs	135	117	15.8%
Transport/Travel	127	109	16.6%
Depreciation	41	39	5.1%
Other operating costs	122	102	19.4%
Total	1204	1122	7.3%
% of revenue	33.5%	33.8%	

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Balance Sheet Overview

	FY08 Rm	FY07 Rm
Property, plant and equipment	201	183
Investments	665	660
Tax and Deferred tax	30	103
Inventory	230	230
Net Debtors after Doubtful Debts	2615	2188
Cash	67	36
Total Assets	3808	3400
Shareholders’ equity and reserves	2730	2527
Retirement benefits	58	68
Tax and Deferred Tax	14	87
Creditors	303	288
Interest-bearing borrowings	703	430
	3808	3400

Capital Structure and Ratios

	FY08 Rm	FY07 Rm	
Gearing ratio	23.3%	15.6%	
Share buy back this year	162	214	
Final dividend (cents)	179	150	
Dividends declared this year (cents)	323	266	(+21.4%)
Dividend cover (x)	2.0	2.25	
ROE	24.4%	24.8%	
ROCE	21.4%	22.5%	

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5. Outlook

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Outlook

- **Trading conditions are expected to remain tough while external factors such as oil prices and food inflation affects the group's target market.**

- **Positive indicators:**

  - **There are no signs of increased unemployment**
  - **Infrastructural spend and job creation in evidence in certain sectors**

- **Expansion opportunities.**

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6. Questions

Thank you

Visit our website on: www.lewisgroup.co.za

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