Lewis Group Ltd

LEWIS GROUP LIMITED INTEGRATED ANNUAL REPORT 2011

scope, boundaries and approval of integrated report

Lewis Group is pleased to present its first Integrated Report to stakeholders for the 2011 financial year in accordance with the King Report on Governance for South Africa 2009 ("King III").

The Integrated Report covers the activities and performance of Lewis Group ("the group") which includes Lewis Stores (Proprietary) Limited, the main operating company of the group, and all its subsidiaries for the period 1 April 2010 to 31 March 2011. The companies operate in South Africa, Namibia, Botswana, Swaziland and Lesotho.

The reporting complies with International Financial Reporting Standards ("IFRS") for the annual financial statements and references to audited figures, as well as the principles and requirements of King III and the guidelines provided by the Integrated Reporting Committee.

EXTERNAL ASSURANCE

In addition to assurance provided by management and the group's Internal Audit department, assurance has been provided by the external auditor, PricewaterhouseCoopers, on the annual financial statements. External assurance of the other elements of the Integrated Report has been limited to the group's broad-based black economic empowerment scorecard which has been verified by AQRate, an accredited BEE verification agency.

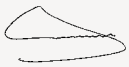
REPORT CONTENT

The Integrated Report has been prepared to enable stakeholders to make an informed assessment of the group's ability to create and sustain value. The structure of the report has changed from previous years to highlight how the business is managed. This includes disclosure for the first time regarding the strategic objectives of the group, as well as the inclusion of financial and non-financial targets.

The Integrated Report is available on the group's website, **www.lewisgroup.co.za**

APPROVAL OF INTEGRATED REPORT

The board acknowledges its responsibility to ensure the integrity of the Integrated Report. The directors have collectively assessed the content and believe the Integrated Report addresses all material issues and presents fairly the integrated performance of the group. The Integrated Report has been prepared in line with best practice in terms of the recommendations of the King III Code. The board has authorised the release of the Integrated Annual Report for 2011.



D M Nurek
Independent Non-executive Chairman

J Enslin
Chief Executive Officer

Cape Town
23 May 2011

Lewis Group is a leading retailer of household furniture, electrical appliances and home electronics sold on credit through the Lewis, Best Home and Electric and My Home brands.

financial highlights

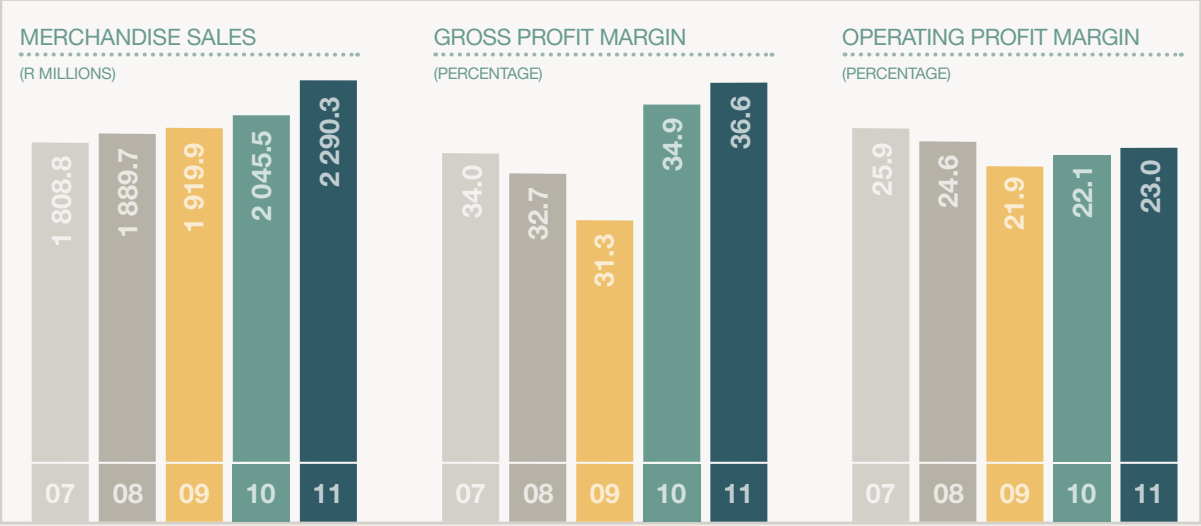
MERCHANDISE SALES UP
12%

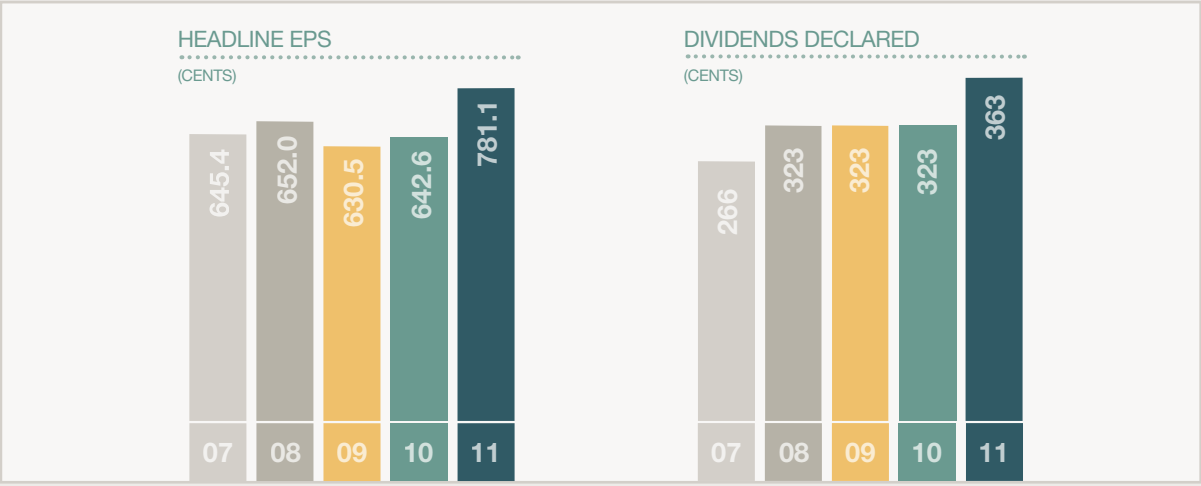
GROSS PROFIT MARGIN IMPROVED FROM 34.9% TO
36.3%

OPERATING PROFIT MARGIN
23%

HEADLINE EARNINGS PER SHARE UP
21.6%

FINAL DIVIDEND 15.6% UP TO
207 cents





mission and values

our mission

lewis seeks to improve the quality of life for all our stakeholders and positively impacting on their lives in many significant ways.

as such we seek to be:
a trusted collection of brands
a learning organisation
an integral part of the community
an established, well-run business

our values

our values are echoed in the lewis group pledge, which presents a code of behaviour that we stand by, having invested much time and focus in bringing it "to life" throughout the business.

our pledge

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

group profile

Lewis Group is a leading credit retailer of household furniture, electrical appliances and home electronics and has been listed on the JSE Limited since 2004 where it is classified under the General Retailers sector.

Through the Lewis, Best Home and Electric, and the newly established My Home brands, the group has a branch network of 582 stores. This includes stores across all major metropolitan areas as well as a strong presence in rural South Africa, with 51 stores in the neighbouring southern African countries of Botswana, Lesotho, Namibia and Swaziland.

Lewis is the country's largest furniture chain and one of the most recognisable brands in furniture retailing.

Monarch Insurance, the group's financial services subsidiary, provides short-term insurance cover to customers purchasing merchandise on credit.

Focused primarily on the expanding middle to lower income market in the living standards measurement ("LSM") 4 to 7 categories, the group has a credit customer base of close to 700 000. Customers are predominantly from black communities, with 55% being female.

My Home was launched in July 2010 to target more aspirational and affluent customers in the LSM 7 and 8 groups. The Lifestyle Living brand was closed during the year and 13 stores rebranded My Home.

Lewis Group is committed to service excellence and offering quality merchandise. High levels of repeat sales are an indication of service satisfaction, trust and customer loyalty, with the group achieving consistently high ratings in independent customer service surveys. As part of the commitment to customers the group ensures that shoppers are served by staff from their own communities, with stores being located close to where Lewis customers work, shop, live and commute.

a history of consistent growth

Lewis Group's history dates back 77 years to the time when entrepreneur Meyer Lewis acquired a business not far from the site of the group's present head office in Woodstock, Cape Town. The following key dates, landmarks and milestones plot the growth of the group which today has a market capitalisation in excess of R7 billion.

1930s

1934: Meyer Lewis buys Woodstock Auction Mart in Cape Town.
1936: The name changes to M Lewis and Company and new furniture is introduced into its range of products.

1940s

1946: Lists on JSE on 30 October as Lewis Stores Limited to raise capital for expanding the business.
1947: The UK-based retailer, GUS plc enters the South African retail market and acquires a controlling interest in Lewis Stores Limited, which subsequently delisted.

1950s

1950: Expansion programme commences and runs over next seven years.
1957: The group has 55 stores trading under Barons Furnishers, Excelsior Meubels, Lewis and Universal Stores, a credit clothing chain.

1960s 1970s

1969 – 1972: Branches open in Botswana, Namibia and Swaziland.
1972: A furniture chain of about 50 stores is acquired from Edgars and the chain is rebranded as Dan Hands. Universal Stores is sold to Edgars as part of the transaction.
1973: Store base reaches 227.

1980s 1990s

1980 – 1990: The group grows by 100 stores, including expanding to Lesotho.
1994: Monarch Insurance, the financial services business, is established.
1997: 130 Dan Hands stores are rebranded Lewis, establishing Lewis as the largest furniture brand in South Africa.
1998: Best Electric chain launched to sell branded electrical merchandise.
Credit application scoring introduced as part of the credit assessment process.

2000s

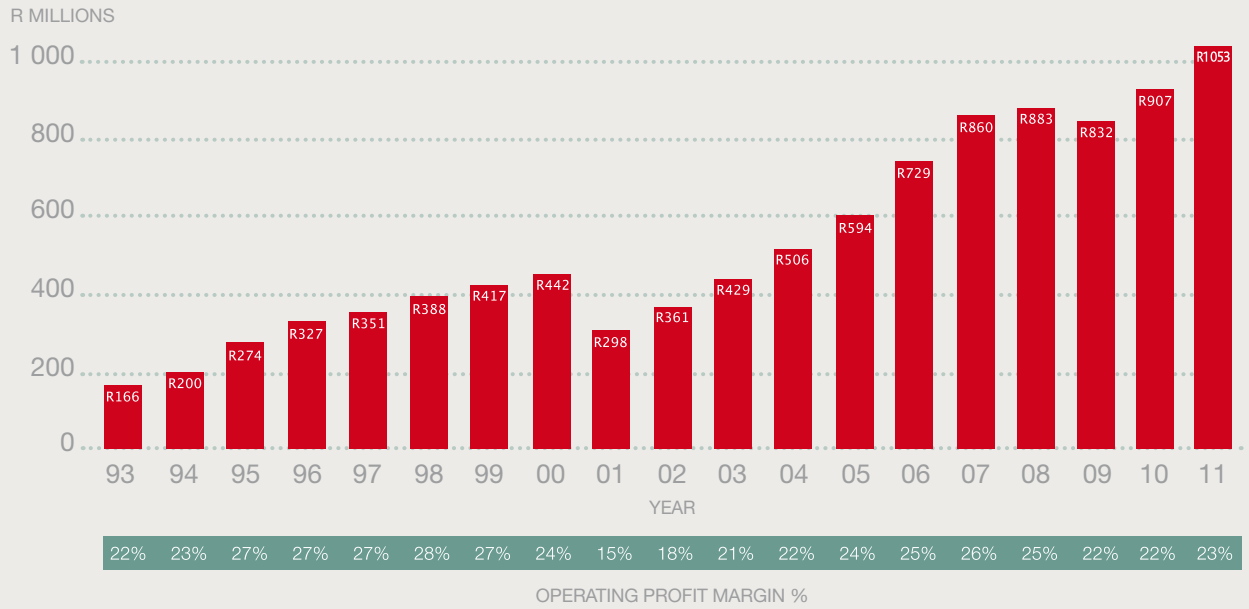
2003: The group acquires Lifestyle Living, a chain of 18 stores serving a higher income market.
2004: The Lewis Group lists on the JSE with a market capitalisation of R2.8 billion. GUS plc sells 46% of its holding to facilitate the listing.
2005: GUS plc sells its controlling interest of 54% shareholding in the group.
2007: 500th store opens.
2008: Best Electric expands product range to include furniture lines and is rebranded Best Home and Electric.

2010s

2010: My Home launched to target aspirational, higher income credit customers.
Lifestyle Living chain is closed and most of the stores converted to My Home.
2011: Store base reaches 582.
Exceeds R1 billion in operating profit.

OPERATING PROFIT – HISTORY

SOLID PERFORMANCE OVER THE PAST 19 YEARS – COMPOUND ANNUAL GROWTH OF 10.8%



investment case

Lewis Group's clearly defined strategy, proven business model and focus on a growing segment of the South African consumer market makes the group an increasingly attractive prospect for investors seeking equity exposure to the domestic retail sector.

STRONG STRATEGIC FOCUS

- Focused on core business of furniture retailing
- Primary focus on LSM 4 – 7 groups
- Operating in a growing target market which has the focus of fiscal stimulus

Group Profile page 3
Trading Brands page 8

SUSTAINED FINANCIAL PERFORMANCE

- Historically high operating margins – target of 26% for 2013
- 10.8% p.a. compound growth in operating profit since 1993
- Low cost structure and internal culture of cost consciousness

Chief Financial Officer's Report page 28
Five-year Review page 54

ROBUST BUSINESS MODEL

- Integrated credit and marketing strategies
- Centralised credit approval and granting process
- Decentralised cash collection process
- Differentiated and exclusive merchandise ranges

Business Model page 7
Trading Brands page 8
Credit page 32

CUSTOMER LOYALTY AND STORE PRESENCE

- 55% of sales from existing customers through re-serve programme
- 582 stores across all major metropolitan and rural areas
- Stores conveniently located for needs of target customers
- Targeting to expand store base to 700 by 2014

Business Model page 7
Geographic Footprint page 9

INDUSTRY-LEADING CREDIT MANAGEMENT

- Credit offered across all brands to facilitate sales growth
- Advanced application and behavioural risk scorecards
- High proportion of credit business
- Opportunity to sell insurance to credit customers

Credit page 32

EXPERIENCED MANAGEMENT TEAM

- Strong blend of company and industry experience

Executive Committee page 20

Since listing in 2004, 84% of the initial market capitalisation has been returned to shareholders.

business model

Lewis Group operates a decentralised, store-based business model where all aspects of the customer relationship are managed by the staff in the stores, except for the granting of credit which is managed centrally to ensure consistency of decision-making.

Based on the principle that the sale of furniture and the provision of credit are interdependent, the model has been consistently applied since the inception of the business and has proved to be sustainable through all market conditions.

All customer interaction is personal and relationship-based which engenders trust and confidence between Lewis and its customers. This also generates high levels of loyalty and repeat sales. The business model has proved its resilience through the recent recession and is appropriate for the group's target market where customers first and foremost are attracted by the merchandise offering and thereafter rely on credit being offered by the retailer.

CUSTOMER RELATIONSHIPS MANAGED BY STORES

Store

Stores are accountable for all aspects of the customer relationship

Strong relationships are developed with customers over the lifespan of a contract

Stores are located close to where Lewis customers work, shop, live and commute

Customers are serviced by staff from their own communities

Store managers are empowered to influence performance of stores and incentivised on results

Merchandise sales and credit applications

- Furniture ranges and appliances are sold mainly on credit
- Credit applications are completed by stores and submitted to head office
- Customer protection insurance is an optional offer on credit purchases
- Store staff are commission-based and incentivised on sales targets
- Community-focused in-store promotions are a major marketing tool

Collections

- Stores are responsible for cash collection and follow-up of defaulting customers
- Collection staff incentivised on collection and satisfactory paid targets
- Collection staff develop long-term relationships with customers
- Convenient for customers to pay at stores
- Interaction with customers visiting stores monthly to pay accounts creates opportunities for repeat sales

Re-serve programme

- Re-serve programme identifies existing customers for further credit based on payment history
- High level of sales to existing customers through the re-serve programme
- Targeted mailings and promotional offers aimed at these customers

Supply chain delivery

- Merchandise is delivered directly by suppliers to stores – Lewis Group does not operate distribution centres or centralised warehouses
- Stores are responsible for all deliveries to customers
- Average of 90% of deliveries are completed within 24 hours of sale

CENTRALISED CREDIT ASSESSMENT AND APPROVAL

Head office

Credit is granted centrally to ensure credit risk policies are consistently applied, removing any subjectivity in the credit-granting process

Credit application and granting

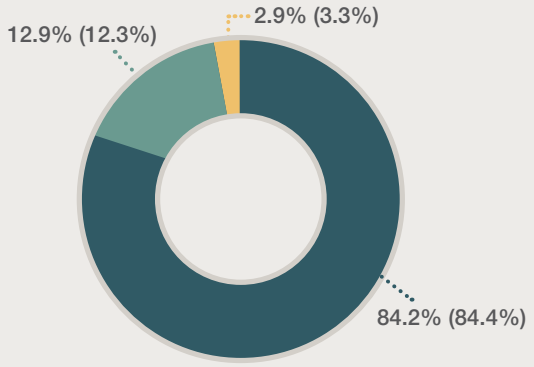
- Credit applications are submitted to head office from stores
- Industry-leading technology used to determine creditworthiness of a customer
- Advanced application and behavioural risk scorecards are applied
- Credit policies determine credit limit, term and deposit required from customer
- Decisions on credit applications relayed to stores within an average of nine seconds
- Refer to Credit report on page 32

trading brands

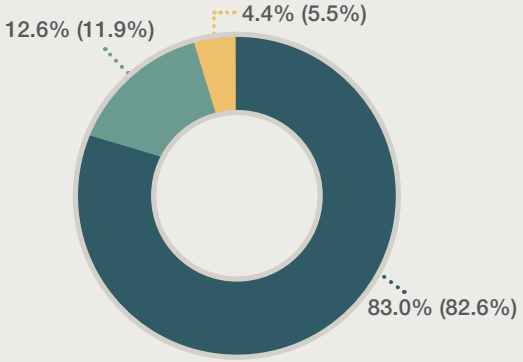
Brand	Lewis	Best Home and Electric	My Home
Overview and customer offering	Lewis sells a range of household furniture, electrical appliances and home electronics. The smaller format stores offer customers key merchandise lines, with the full range available on the electronic catalogue.	Retailer of electrical appliances, sound and vision equipment and selected furniture. The chain offers exclusive branded merchandise which is differentiated from Lewis to create a distinctive electrical goods brand. The electronic catalogue is used extensively to merchandise the full furniture ranges.	New chain aimed at customers requiring more upmarket furniture and who have a need for in-store credit facilities. Focus on differentiating merchandise through exclusive ranging of more aspirational yet still traditional furniture.
Target market	LSM 4 to 7	LSM 4 to 7	LSM 7 to 8
Store profile	454 stores	107 stores	21 stores
Location strategy	Located in main streets and town centres, with limited presence in shopping centres. Conventional stores average 400 m² and the smaller format store 250 m² targeting high traffic areas.	Stores average 150 m² and are mainly situated in high traffic areas with high trading densities.	Stores average 400 m² and are currently located mainly in metropolitan areas. New store openings will focus on main streets and town centres in rural areas.

The retail brands are supported by Monarch Insurance, the group's short-term insurer, which offers a range of short-term insurance products to customers purchasing merchandise on credit. Insurance cover is provided for the settlement of customers' outstanding debt in the event of death, permanent disability, retrenchment and the replacement of goods as a result of accidental loss, such as fire, theft or natural disaster.

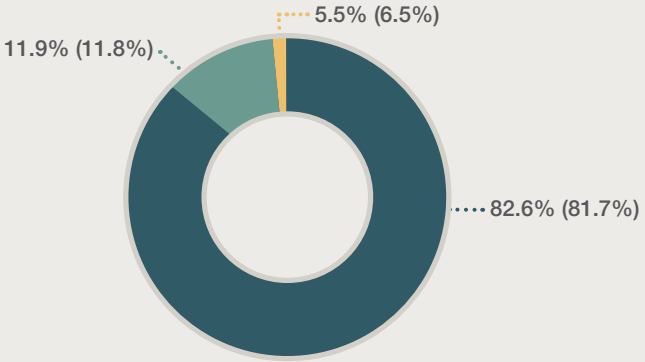
REVENUE



MERCHANDISE SALES

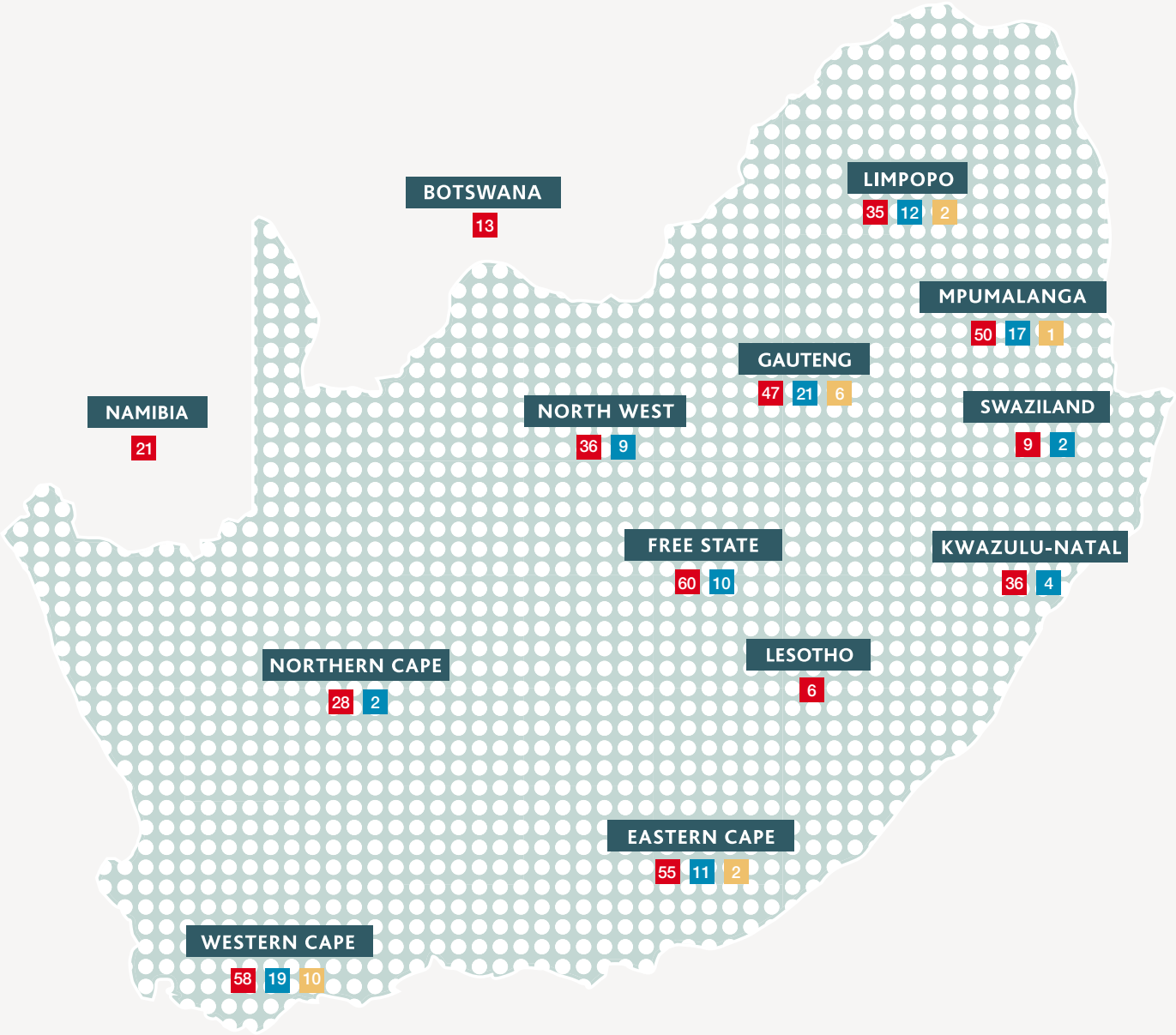


OPERATING PROFIT



- Lewis
- Best Home and Electric
- My Home

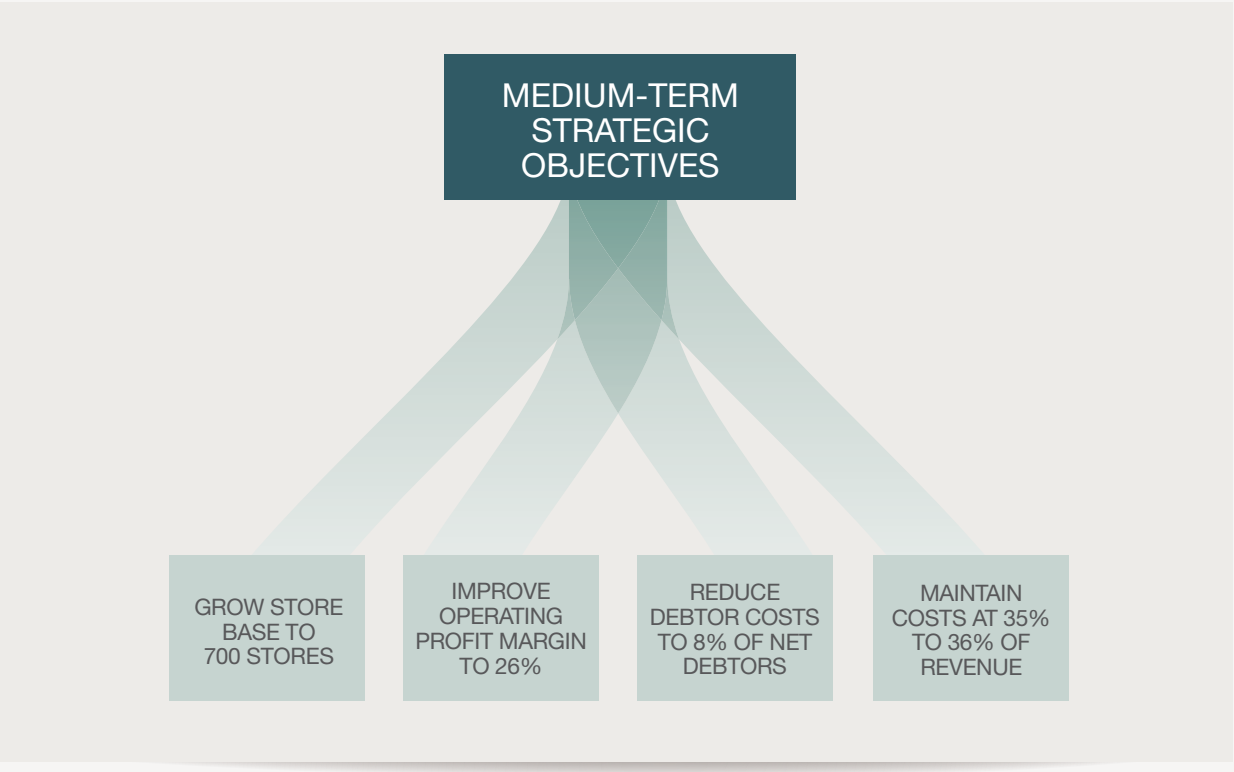
geographic footprint



COUNTRY AND PROVINCE LOCATIONS

	LEWIS	BEST HOME AND ELECTRIC	MY HOME
South Africa			
Free State	60	10	–
Western Cape	58	19	10
Eastern Cape	55	11	2
Mpumalanga	50	17	1
Gauteng	47	21	6
KwaZulu-Natal	36	4	–
North West	36	9	–
Limpopo	35	12	2
Northern Cape	28	2	–
Namibia	21	–	–
Botswana	13	–	–
Swaziland	9	2	–
Lesotho	6	–	–
Stores as at 31 March 2011	454	107	21
Total stores	**582**		

strategy



PERFORMANCE INDICATORS AND TARGETS

MATERIAL ISSUE	KEY PERFORMANCE INDICATORS	TARGET		ACHIEVED
		2012	Medium term	2011
Credit management	• Debtor costs as a percentage of net trade receivables	9% – 10%	8%	10.2%
	• Satisfactory paid customers	74% – 75%	75%	74.5%
Merchandising	• Gross profit margin	35% – 37%	35% – 37%	36.3%
	• Inventory turn	5.0 – 6.0	5.0 – 6.0	5.7
Execution of business model	• Operating margin	23% – 24%	26%	23.0%
	• New store openings	40	30 – 40 p.a.	40
	• Credit sales as a percentage of total sales	70% – 72%	70% – 72%	71.4%
	• Operating cost ratio (excluding debtor costs)	35% – 36%	35% – 36%	35.1%
Capital management	• Gearing	28% – 32%	<35%	26.8%
	• Dividend payout	50%	50%	50%
Human capital	• Skills development – number of staff trained p.a.	>3 000	>3 300	3 096
	• B-BBEE level contributor	5	4	5

MANAGEMENT PLAN

MATERIAL ISSUES, STRATEGIC OBJECTIVES AND KEY RISKS

MATERIAL ISSUE: CREDIT MANAGEMENT

Strategic objective	Key risks	Management plans	Reference
Optimise the quality of the debtors' book by improving collections, reducing debtor costs and exploring further sales opportunities	Inability to maintain optimal quality of debtors' book owing to: • High levels of unemployment • Deteriorating economic conditions	• Focus on increasing satisfactory paying customers • Customer segmentation and credit limit strategies	Credit report Page 32

MATERIAL ISSUE: MERCHANDISING

Strategic objective	Key risks	Management plans	Reference
Maintain competitive advantage through sourcing exclusive, quality, value-for-money merchandise	• Suppliers and distribution partners performing below standard • Lack of depth in supplier base • Exchange rate fluctuations	• Ensure reliable backup supplier channel • Further improve supply chain management through system enhancements • Manage foreign currency risk	Chief Executive's Report Page 24

MATERIAL ISSUE: EXECUTION OF BUSINESS MODEL

Strategic objective	Key risks	Management plans	Reference
Execute the business model	• Poor execution of the customer-focused business model • Insufficient experienced operational staff	• Growing the customer base through new customer acquisition initiatives • Expanding store footprint • Focus on stable store management through training, recruitment and selection strategies	Business Model Page 7

MATERIAL ISSUE: CAPITAL MANAGEMENT

Strategic objective	Key risks	Management plans	Reference
Effective management of financial risks and the liquidity requirements of the business	Ineffective capital management could impact on profitability and returns to shareholders	• Ensure access to capital at all times • Manage currency exposure • Manage investment portfolio	Chief Financial Officer's Report Page 28

MATERIAL ISSUE: HUMAN CAPITAL

Strategic objective	Key risks	Management plans	Reference
Ongoing development of staff for management positions; retention of current management and attract competent individuals as required	Inability to attract, develop and retain suitable staff for executive and operational management positions	• Training and development programmes • Remuneration retention schemes • Focused recruitment and selection practices • Transformation through broad-based black economic empowerment	Human Capital and Remuneration Report Page 35

group performance

	2011	2010	%
Financial – profitability			
Revenue (Rm)	**4 577.7**	4 110.6	11.4%
Merchandise sales (Rm)	**2 290.3**	2 045.5	12.0%
Gross profit margin %	**36.3%**	34.9%	
Costs excluding debtor costs (% of revenue)	**35.1%**	35.0%	0.3%
Operating profit (Rm)	**1 052.5**	907.2	16.0%
Operating profit margin %	**23.0%**	22.1%	
Attributable profit (Rm)	**711.9**	591.4	20.4%
Earnings per share (cents)	**807.2**	672.0	20.1%
Headline earnings per share (cents)	**781.1**	642.6	21.6%
Financial – capital			
	Rm	Rm	
Property, plant and equipment	**278.7**	251.1	11.0%
Investments – insurance business	**1 097.3**	894.1	22.7%
Inventories	**256.3**	210.0	22.0%
Trade and other receivables	**3 835.0**	3 427.6	11.9%
Other assets	**104.4**	75.2	38.8%
Total assets	**5 571.7**	4 858.0	14.7%
Capital and reserves	**3 728.1**	3 273.7	13.9%
Interest-bearing borrowings	**1 083.0**	961.4	12.6%
Trade and other payables	**567.0**	450.0	26.0%
Other liabilities	**193.6**	172.9	12.0%
Total equity and liabilities	**5 571.7**	4 858.0	14.7%
Insurance investments	**1 097.3**	894.1	22.7%
Interest-bearing borrowings	**(1 083.0)**	(961.4)	12.6%
Return on average shareholders' funds (after-tax) %	**20.3%**	19.2%	
Return on average capital employed (after-tax) %	**17.2%**	17.2%	
Return on average assets managed (pre-tax) %	**21.8%**	21.9%	
Gearing ratio (%)	**26.8%**	27.5%	
Dividend cover (times)	**2.00**	1.87	
Dividends per share for the financial year (cents)	**363**	323	12.4%
Market capitalisation (Rm)	**7 305**	5 540	31.9%

	2011	2010	%
Operating efficiency			
Number of stores	**582**	548	6.2%
Trading space (m^2)	**231 184**	225 891	2.3%
Inventory turn (times)	**5.7**	6.0	
Current ratio (times)	**3.4**	3.5	
Credit			
Credit sales %	**71.4%**	68.5%	
Debtor costs as a % of net debtors	**10.2%**	10.9%	
Debtors' impairment provision as a % of net debtors	**16.8%**	16.0%	
Credit applications decline rate %	**31.5%**	27.5%	
Satisfactory paid customers %	**74.5%**	72.7%	
Social and environmental			
Average number of employees (permanent employees only)	**6 842**	6 668	2.6%
Number of staff trained	**3 096**	2 627	17.9%
B-BBEE level (current enacted scorecard)	**5**	7	
Socio-economic development expenditure (Rm)	**7.3**	6.1	19.7%
Socio-economic development expenditure as a % of attributable profit (%)	**1.03%**	1.03%	
Carbon footprint (estimated tonnes of CO_2 equivalents)	**50 400**	52 300	(3.6%)

Refer to the detailed Five Year Review included in the annual financial statements on page 54 for definitions and additional ratios and statistics.

stakeholder engagement

Stakeholder engagement is central to the group's economic, social and environmental sustainability. Engagement aimed at establishing mutually beneficial relationships not only limits risks to the business but creates opportunities to enhance revenue and performance, and ultimately ensures longer term sustainability.

The group has identified the following primary stakeholders who have an interest in the business or who could influence the business in a positive or negative manner:

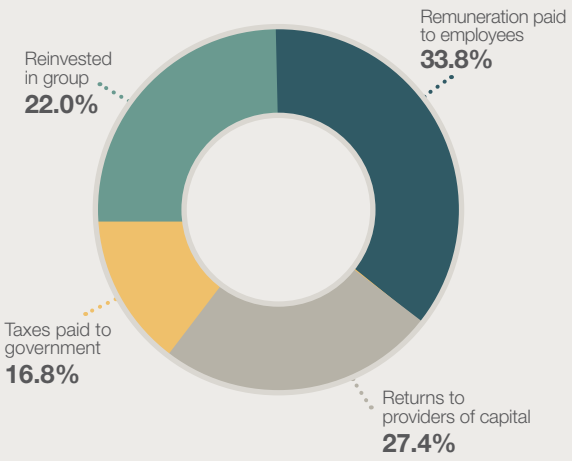
- **Customers** across the three trading brands
- **Shareholders** and the broader investment community
- **Employees** at head office and stores across the country
- **Suppliers** of merchandise and services
- **Communities** in which the group operates
- **Industry regulators** who monitor compliance

STAKEHOLDER	REASONS FOR ENGAGING	MEANS OF ENGAGING	OUTCOME OF ENGAGEMENT
Customers	• Loyalty and retention • Brand and product awareness • Sustainable revenue stream	• Customer contact in stores • Advertising through various media channels • Market research	• High levels of customer retention • Improved service levels • Targeted marketing • Refer to Credit report – page 32
Shareholders and analysts	• Provide relevant and timeous information • Balanced analysis of company	Interim and annual results presentations; annual report; investor website; shareholder meetings; SENS announcements; press announcements; broker conferences; regular management meetings with local and international investors and analysts	• Research coverage from several brokerages • Refer to Shareholders' Information – page 110
Employees	• Attract and retain talent • Employee motivation • Increase productivity • Engender loyalty	Regular communication through various electronic mediums; monthly in-store review meetings; regular meetings with unions; and induction and training courses	• Performance-linked incentives and awards • Refer to Human Capital and Remuneration Report – page 35
Suppliers	• Timeous supply of goods and services • Consistent quality of exclusive merchandise	Regular supplier meetings; factory visits	• Securing reliable and sustainable supply chain which services the merchandise needs of the group • Reliable and quality services and goods delivered
Communities	• Responsible corporate citizen	Community investment and upliftment through CSI programme and local support through stores	• Continued investment in CSI programme • Involve employees in community engagement • Refer to the website – www.lewisgroupcsi.co.za for more details
Regulatory bodies	• Legislative compliance • Sound governance	Statutory reporting; regulatory submissions; liaison with regulatory bodies	• Sound relationships with regulators

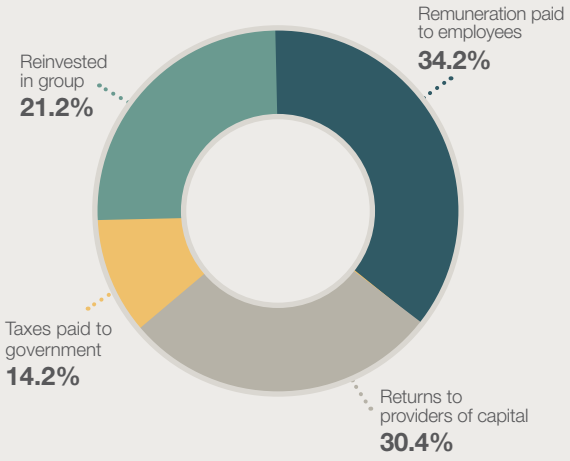
value-added statement

	GROUP			
	2011		2010	
	Rm	**%**	Rm	%
Revenue	**4 577.7**		4 110.6	
Paid to suppliers for goods and services	**2 521.9**		2 333.6	
VALUE ADDED BY OPERATING ACTIVITIES	**2 055.8**		1 777.0	
DISTRIBUTED AS FOLLOWS:				
REMUNERATION TO EMPLOYEES	**693.5**	**33.8%**	607.4	34.2%
RETURNS TO PROVIDERS OF CAPITAL:	**564.0**	**27.4%**	540.1	30.4%
To provide lenders with a return on their capital utilised	**87.1**		94.7	
To provide lessors with a return for the use of their premises	**181.3**		161.0	
To provide shareholders with a return on their equity	**295.6**		284.4	
TAXES PAID TO GOVERNMENTS	**345.3**	**16.8%**	252.3	14.2%
Income taxation	**340.5**		248.2	
Municipal rates	**4.8**		4.1	
REINVESTED IN THE GROUP	**453.0**	**22.0%**	377.2	21.2%
Depreciation and amortisation	**46.5**		46.3	
Deferred taxation	**(9.8)**		23.9	
Net earnings retained	**416.3**		307.0	
Total wealth distributed	**2 055.8**	**100.0%**	1 777.0	100.0%

DISTRIBUTION OF VALUE ADDED 2011



DISTRIBUTION OF VALUE ADDED 2010

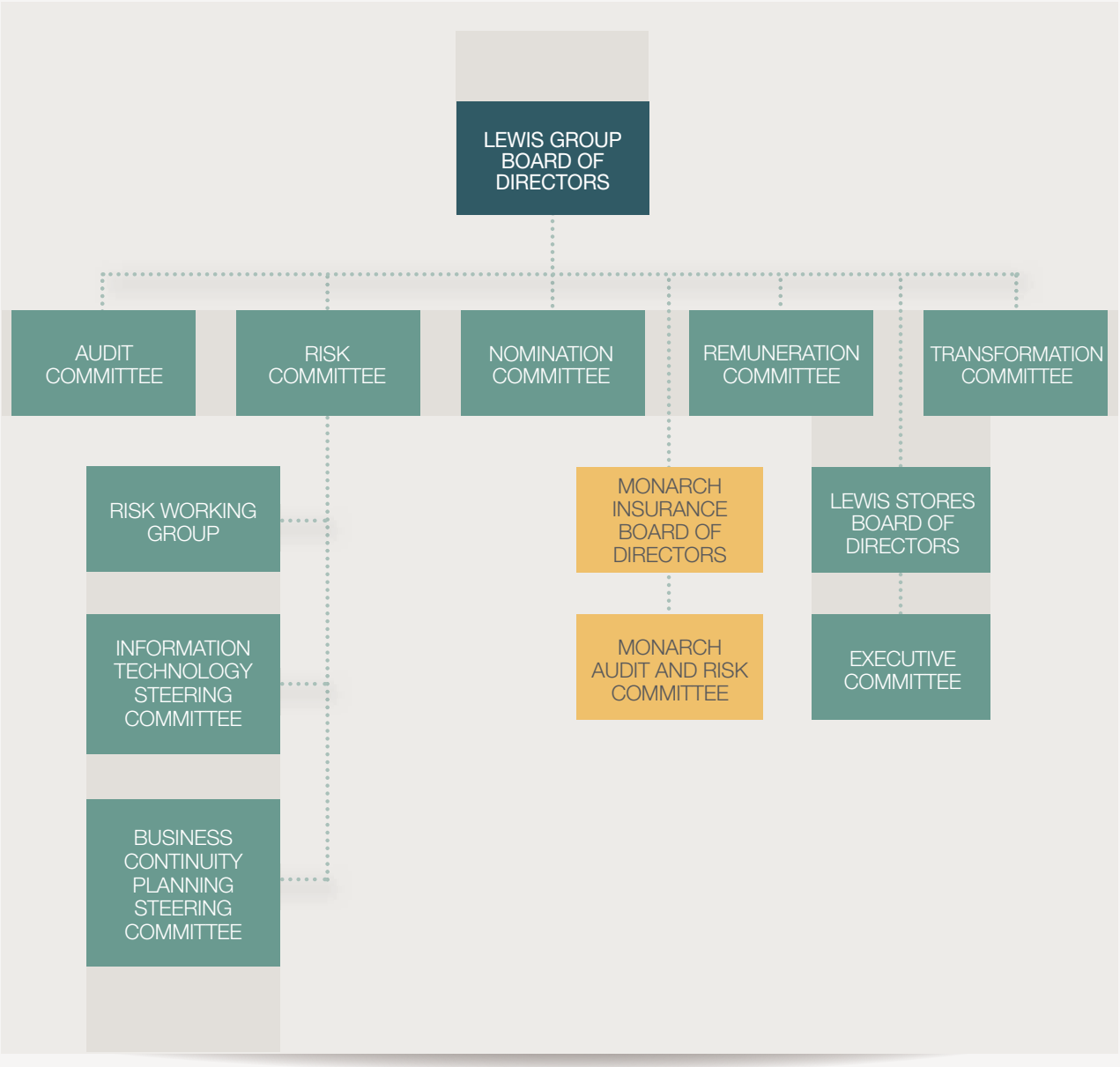


Governance structure

Lewis Group is committed to maintaining a culture of effective corporate governance to ensure the long-term sustainability of the business. The group therefore embraces the principles of integrity, transparency and accountability in its dealings with all stakeholders.

The board of directors has delegated specific responsibilities to five board committees. The committees are all chaired by independent non-executive directors. Each committee has a charter and terms of reference and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

The following governance structure applied for the period under review:



BOARD OF DIRECTORS

Board charter

A formal board charter confirms that the directors are accountable to shareholders and are responsible for the following:

- overseeing relationships with stakeholders of the company along sound governance principles;
- contributing to and approving the strategy;
- overseeing that the strategy results in sustainable outcomes;
- considering sustainability as a business opportunity that guides strategy formulation;
- ensuring that the company is playing its role as responsible corporate citizen by taking into account the impact of the business operations on society and the environment;
- providing oversight of performance against targets and objectives;
- assessing the group as a going concern;
- approving the annual and interim financial statements;
- providing effective leadership on an ethical foundation;
- overseeing key performance and risk areas;
- ensuring effective risk management and internal control;
- responsible for overseeing IT governance;
- overseeing legislative, regulatory and governance compliance;
- overseeing director selection, orientation and evaluation;
- ensuring balanced and understandable communication to stakeholders; and
- matters considered crucial for business success.

A clear division of responsibility is embedded in the board charter, with the board chaired by an independent non-executive chairman. The board has delegated authority to the chief executive officer and the directors of Lewis Stores (Proprietary) Limited for the implementation of the strategy and the ongoing management of the business.

Refer to the Corporate Governance Report in the annual report on pages 43 to 52 for further details.

board of directors

Standing left to right: Hilton Saven, Fatima Abrahams, Johan Enslin, Ben van der Ross, Sizakele Marutlulle.
Seated left to right: Alan Smart, David Nurek, Zarina Bassa, Les Davies.

DAVID NUREK (61) – Dip in Law, Grad Dip Company Law
Independent Non-executive Chairman
Chairman of the Nomination Committee
Member of Risk, Remuneration and Transformation Committees
Appointed July 2004

David practised as a commercial attorney at Sonnenberg Hoffmann Galombik for over 30 years, ultimately serving as chairman. He joined Investec Bank in 2000 and took up the position of Regional Chairman Western Cape, Investec Group. He has been associated with the Lewis Group for over 20 years. He was appointed non-executive chairman of Lewis Stores in 2001 and chairman of Lewis Group in July 2004. His directorships include Clicks Group, The Foschini Group and Sun International.

FATIMA ABRAHAMS (48) – BEcon (Hons), MComm, DComm
Independent Non-executive Director
Chairperson of the Transformation Committee
Member of the Remuneration and Nomination Committees
Appointed September 2005

Fatima is a senior professor in Industrial Psychology at the University of Western Cape ("UWC") and a registered Industrial Psychologist with the HPCSA. She is also the chairperson of TSiBA Education, a non-profit, private higher educational institution. She previously served as Dean of the Faculty of Economic and Management Sciences at UWC and as chairperson of Victoria and Alfred Waterfront Holdings. Her directorships include The Foschini Group and Clicks Group.

ZARINA BASSA (46) – BAcc, CA(SA)

Independent Non-executive Director
Member of the Audit, Risk and Remuneration Committees
Appointed October 2009

Zarina is the CEO of Zarina Bassa Investments and executive chairman of Songhai Capital. A former partner of Ernst & Young, she joined the ABSA Group in 2002 and was an executive director and a member of the bank's executive committee, with accountability for private banking. Zarina is a non-executive director of Kumba Iron Ore, Vodacom South Africa, Sun International, Oceana Group, the National Business Initiative, the Financial Services Board and Woolworths Financial Services. She has also previously chaired the Public Accountants and Auditors Board and the Auditing Standards Board and has been a member of the JSE's GAAP Monitoring Panel.

LES DAVIES (55) – CA(SA)

Chief Financial Officer
Appointed as director in April 2007

Les has over 30 years' experience in financial management within the retail industry and has been the financial director of the main subsidiary, Lewis Stores, since 1989. Prior to joining the group Les spent five years as the financial director of AMC Classic. Les has served as a director of the group's insurer, Monarch Insurance, for 15 years and was appointed chief executive officer of Monarch in 2008.

JOHAN ENSLIN (37)

Chief Executive Officer
Member of the Transformation Committee
Appointed as director in October 2009

Johan joined the Lewis Group as a salesman in 1993. After several promotions he was appointed General Manager Operations in 2002 and three years later Operations Director of Lewis Stores. He was appointed Chief Operating Officer in 2007 with responsibility for the retail operations of the group. Johan was appointed Chief Executive Officer designate in November 2008 and assumed his current position in October 2009.

SIZAKELE (ZA) MARUTLULLE (43) – MA (Sociology)

Independent Non-executive Director
Member of the Remuneration and Nomination Committees
Appointed October 2009

Sizakele has been in the media and related industries for over 17 years and has held senior positions internationally and locally at SA Tourism, Herdbuoys McCann-Erickson, and various agencies. She founded multi-cultural communications and marketing consultancy, Moonchild, and is currently CEO of Grey SA. She is a non-executive director of Rhodes Food Group, a member of the Institute of Directors of SA and sits on the council for Vega School of Brand Communications.

HILTON SAVEN (58) – BCom, CA(SA)

Independent Non-executive Director
Chairman of the Audit and Risk Committees
Member of the Remuneration and Nomination Committees
Appointed June 2004

Hilton has been in the accounting profession since 1975 with Mazars. He is chairman of Mazars South Africa and serves on the group executive board of Mazars International. He is chairman of the Praxity Africa/Middle East region and serves on the governing council of Praxity, a global alliance of independent accounting firms. He is also the non-executive chairman of Truworths International Limited.

ALAN SMART (66)

Non-executive Director
Member of the Risk, Remuneration and Nomination Committees
Appointed as a non-executive director in 2009

Alan served as the Chief Executive Officer of the group from 1991 until his retirement in 2009. He has continued to serve on the board in a non-executive capacity. Alan joined Lewis in 1969 and held various financial and operational positions, including Credit Director (1981 to 1984) and Joint Managing Director (1984 to 1991). He also served on the board of GUS Canada, a retail furniture group and oversaw a turnaround programme.

BEN VAN DER ROSS (64) – Diploma in Law

Independent Non-executive Director
Chairman of the Remuneration Committee
Member of the Audit, Risk and Nomination Committees
Appointed June 2004

Ben practised as an attorney for 18 years and continues to consult for Van Der Ross Motala attorneys. He is a former director of the Urban Foundation, a director and later deputy CEO of the Independent Development Trust, and subsequently acting CEO of South African Rail Commuter Corporation Limited and CEO of Business South Africa. He was a commissioner of the Independent Electoral Commission for the first democratic elections in South Africa in 1994. Ben's directorships include Naspers Limited, FirstRand Limited, Pick n Pay Stores Limited, MMI Holdings Limited and Distell Group Limited.

executive committee –
operating board of lewis stores (proprietary) limited

LES DAVIES (55) – CA(SA)
Chief Financial Officer and Executive Director of Lewis Group

Les Davies is the chief financial officer and his biography is on page 19.

BRETT VAN ASWEGEN (36) – BCom, MBA
Credit Risk Director
Appointed September 2006

Brett started his career with the Edcon Group in 1994 and later joined Standard Bank where he worked in operational risk within the retail banking division. He joined the Lewis Group in 1999 as the Group Risk Manager and was promoted to General Manager of Customer Management in 2002.

NEIL JANSEN (39) – MBL (UNISA), Diploma in Labour Law
Human Resources Director
Appointed September 2008

Neil spent the first decade of his career as an HR practitioner with the Transnet Group. In 2004 he joined the Naspers Group, initially as group HR manager for Via Africa and then spent four years as general manager human resources for Media24, the print media division of Naspers. He joined the Lewis Group in September 2008.

JOHAN ENSLIN (37)

Chief Executive Officer and Executive Director of Lewis Group

Johan Enslin is the chief executive officer and his biography is on page 19.

DEREK LOUDON (48)

Merchandising Director
Appointed October 2008

Derek has over 30 years' retail experience, starting at Pick n Pay Stores where he progressed from trainee floor manager to buyer, as procurement manager at Airflex Furniture Industries and as the electrical merchandise executive at Morkels Limited. Derek joined Lewis as the General Manager: Merchandise in May 2000.

CHARLES IRWIN (57)

Group IT Director
Appointed March 1999

Charles has spent his entire working career in the retail industry, specialising for the last 20 years in information technology. During his earlier career, he had operational experience in general retail management. Prior to joining Lewis Stores in 1998 he spent nine years at McCarthy Limited.

chairman's report

DAVID NUREK
INDEPENDENT NON-EXECUTIVE CHAIRMAN

It is pleasing to report to shareholders on a strong trading performance which has translated into enhanced profitability and returns to shareholders, with headline earnings per share increasing by 21.6% mainly as a result of improved margins and stabilising debtor costs.

After maintaining the total dividend at 323 cents per share for the past two challenging years, the board is pleased to advise a 15.6% increase in the final dividend to 207 cents, bringing the total dividend for the year to 363 cents, returning to a 50% payout of earnings.

The group's trading and financial performance is covered in the Chief Executive Officer's Report and in the Chief Financial Officer's Report on the following pages.

TRADING ENVIRONMENT AND OUR CUSTOMERS

There has been a steady improvement in the retail sector over the past year, supported by an increase in customer confidence. A high proportion of Lewis' customers are employed in the public sector or are members of trade unions. The higher real wage increases granted to many state employees and to major trade union groups over the past year has been positive for our customers. Government's continued commitment to civil work programmes and housing has also proved beneficial.

Customers in the Lewis target market have limited exposure to asset-based finance and are less sensitive to movements in interest rates. The ratio of household debt to disposable income among South Africans remains at a high 79% while the average debt-to-income ratio of the Lewis customer is a much lower 44%. Our customers' relatively low exposure to debt has had a positive impact on collections.

The unemploment level among the group's customer base is monitored monthly and has remained stable at around 3% over the past two years. Job creation remains key to stimulating economic growth and we welcome government's ambitious plan to create 5 million jobs by 2020.

TRANSFORMATION

Management is focused on creating a diverse workforce representative of the Lewis customer base and the communities in which we trade. Black employees now comprise 89% of the total staff complement, having increased from 77% five years ago, and women account for 55% of our staff.

The transformation profile of our board reflects that 57% of the non-executive directors are black and 43% are women.

The group has been externally verified as a level 5 B-BBEE contributor, improving from level 7 in 2010. This has been achieved through continued focus on employment equity, skills development, preferential procurement and enterprise development. The group is targeting to achieve level 4 status for 2013.

ELEVATING GOVERNANCE STANDARDS

We welcomed the introduction of the most recent King Report on Corporate Governance ("King III"). This code builds on the foundation of the first two reports of the King Committee which have ensured high standards of governance for corporate South Africa.

A culture of effective corporate governance has long been evident in the Lewis Group and following the introduction of King III governance practices were reviewed and aligned with the code. Changes to our governance structure included the separation of the Audit and Risk Committee into two specific committees for audit and risk, and similarly the split of the Remuneration and Nomination Committee into separate committees.

King III has also introduced the concept of integrated reporting to enable stakeholders to assess a company's ability to create and sustain value. Integrated reporting presents another first for South Africa, which is highly regarded internationally for reporting, regulation and governance standards.

CHANGING LEGISLATIVE ENVIRONMENT

Two pieces of legislation which will have wide-ranging implications for business were introduced shortly after year-end, namely the Consumer Protection Act ("CPA") and the long-awaited Companies Act.

The CPA seeks to protect consumer rights and the group has long subscribed to the principles underlying this legislation. The credit retail industry is already highly regulated to ensure consumer protection, and the group supports the principles of the new legislation.

The Companies Act has introduced a new regime for the regulation of business in the country, in line with King III. The Act creates increased liability, responsibility and wider stakeholder rights and remedies.

The group has undertaken extensive preparations for the implementation of these Acts and no difficulties are foreseen in meeting their requirements.

APPRECIATION

The group has emerged stronger from the economic downturn of the past few years and it is pleasing to see the hard work of our people reflecting in the improving performance.

On behalf of the board I would like to express my confidence in Johan Enslin and the senior management team. Johan has added a new dimension to the group with his decisive leadership and strategic insight, backed by his extensive operational experience. I also thank our staff of more than 6 800 across the country and in our neighbouring states for their contribution. Thank you also to my fellow non-executive board colleagues for their continued support and guidance.

I also extend my thanks to our external stakeholders, including our shareholders, customers, suppliers and manufacturers, regulators, business partners and the media.

David Nurek
Independent Non-executive Chairman

chief executive officer's report

Lewis Group posted a solid performance and made encouraging progress against key trading, debtor and financial targets in an environment of improving consumer spending.

The ongoing focus on merchandise innovation remains a competitive advantage and the group continued to reap the benefits of its strong brands among a loyal customer base.

Core to the group's performance is the store-based business model which continues to differentiate Lewis in the market-place and has proved sustainable through all market conditions.

TRADING PERFORMANCE

Revenue increased by 11.4% to R4 578 million and merchandise sales by 12.0% to R2 290 million.

Furniture and appliance sales increased by 12.1%. Sales of electronic goods grew by 11.9% which is a pleasing result as this more discretionary merchandise category showed slower growth during the downturn of the past few years.

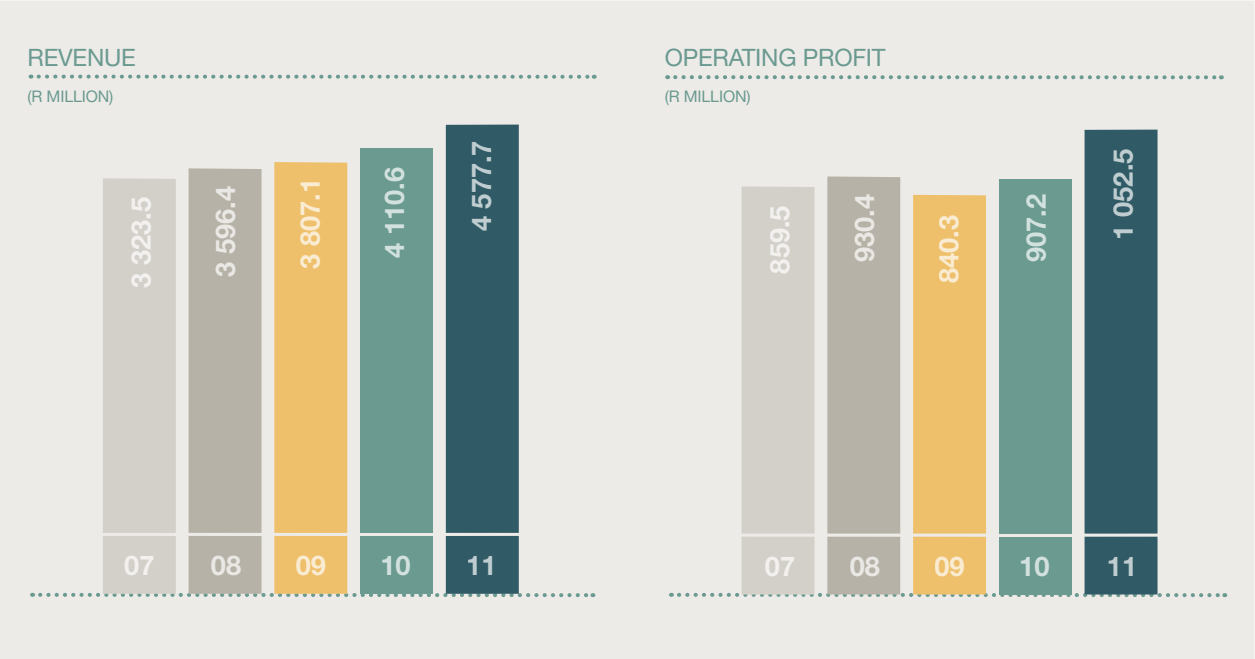
Merchandise sales in the flagship Lewis brand, which comprise 84.2% of total sales, increased by 12.6% and Best Home and Electric grew sales by 17.9%. Furniture sales account for 31.7% of Best Home and Electric's sales.

Credit sales as a percentage of total sales increased from 68.5% in 2010 to 71.4%, driven mainly by targeted customer promotions at store level and the launch of new furniture and appliance ranges. The group will continue to benefit from the annuity income from higher credit sales into the future.

Customer loyalty remains a key driver of sales growth and in the past year 55% of credit-based sales were to existing customers. This highlights the effectiveness of the store-based customer re-serve programme. The high level of repeat sales also reflects service satisfaction, with the group achieving consistently high scores in customer service performance evaluations.

Gross profit margin improved from 34.9% in 2010 to 36.3% this year, strongly supported by the launch of new merchandise ranging.

Inventory continues to be tightly managed through sophisticated planning systems supporting decentralised standalone storerooms. Stock turn for the year was 5.7 times.



Operating profit margin increased to 23.0% (2010: 22.1%) and resulted in a 16.0% growth in operating profit which reached the R1 billion mark this year.

Detail on the financial performance is contained in the Chief Financial Officer's Report.

MERCHANDISING STRATEGY

The group's merchandising strategy is to source quality, exclusive and differentiated furniture ranges, supported by the philosophy that customers are attracted into stores by the product offering and not the credit offering.

Management has continued to focus on increasing sales of the higher margin furniture and appliance product categories, which accounts for 82% of total sales. Traditionally the group has launched a new furniture range in May each year and has now extended this to introduce a second annual range in October to offer further newness to customers.

Innovative product sourcing both locally and offshore enables the group to offer customers exclusive and distinctive furniture ranges at affordable prices. The import programme ensures furniture ranges have the latest designs and manufacturing techniques. International factories accommodate a broader range of developmental designs and offer a wider variety of raw materials which allows for product differentiation. All products are supported by local and overseas after-sales service to ensure quality standards are maintained.

DEBTOR MANAGEMENT

The improving quality of the book is reflected in the decline in debtor costs from 10.9% to 10.2%. Collections gained momentum throughout the year as the economic health of consumers continued to improve.

Credit risk management strategies have been consistently applied and it remains policy to never reschedule existing contracts.

Longer credit terms, mostly 30 months, are offered to top credit-rated customers on new purchases. The payment performance of these customers has been better than the 24-month contracts.

Further detail is contained in the Credit report on page 32.

STORE EXPANSION

The group embarked on an expansion programme to open 150 stores in the next three to four years to bring the store base to 700. The group achieved its goal of opening 40 outlets across Lewis (21 stores), Best Home and Electric (15 stores) and My Home (4 stores) in the past year and increased the store footprint to 582.

chief executive officer's report

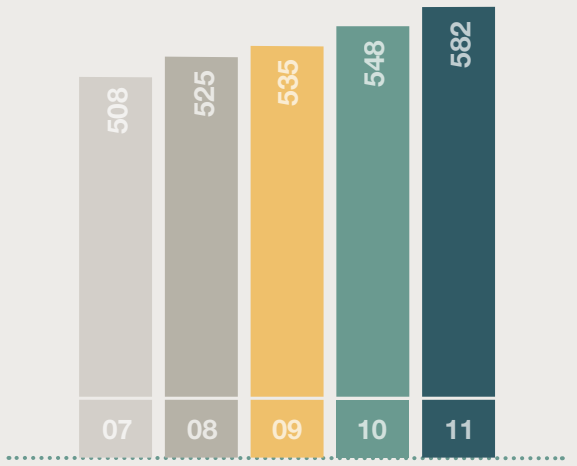
The group achieved its goal of opening 40 outlets across Lewis, Best Home and Electric and My Home in the past year and increased the store footprint to 582.

Lewis remains the country's largest furniture brand with 454 stores, Best Home and Electric has 107 outlets and My Home 21 stores.

Lewis now has 26 small format stores which average 200 to 250 m² compared to conventional stores which average 400 to 450 m². These smaller outlets are more profitable owing to the lower cost base and higher trading densities. Stores stock the core furniture lines with the balance of the range available on the electronic merchandise catalogue and display screens in store. This enables customers to view the complete merchandise range, as well as fabric and colour options, on a large touch screen.

The new trading brand, My Home, was launched in the first half of the year and is aimed at customers aspiring to more upmarket furniture while utilising in-store credit facilities. The trial of My Home is continuing.

STORE EXPANSION



PROSPECTS

There are encouraging signs of a sustainable improvement in spending in the Lewis target market. Consumer confidence is improving and demand for credit is growing, supported by higher real wage increases granted to the public sector and trade union groups, stabilising unemployment, continuing infrastructure spend and service delivery.

However, management remains cautious on the pace of the economic recovery in an environment where job creation is key to sustained growth and consumers are experiencing increasing fuel, electricity and utility costs.

The store expansion programme will continue and 40 new outlets are planned for the year ahead, with the focus on small stores with lower cost structures and higher sales densities. The extended store footprint together with lower debtor costs will contribute to the group achieving its medium-term operating margin target of 26%.

APPRECIATION

In closing I thank our chairman, David Nurek, for his leadership of the board and for his guidance during my first full year as chief executive. I also extend my appreciation to my fellow directors for their insight and independent thinking, and to my executive colleagues for their disciplined management of the business.

Johan Enslin
Chief Executive Officer

chief financial officer's report

LES DAVIES
CHIEF FINANCIAL OFFICER

Lewis Group is committed to best practice financial reporting and effective communication with stakeholders in the investment community.

We extend our thanks to shareholders and analysts both locally and internationally for your continued interest and welcome those shareholders who invested in the group for the first time this year.

The following review of the group's financial performance for the year ended 31 March 2011 should be read in conjunction with the annual financial statements on pages 60 to 109.

STATEMENT OF COMPREHENSIVE INCOME

The group's revenue increased by 11.4% to R4 578 million (2010: R4 111 million) and comprised the following:

- Merchandise sales grew by 12.0% to R2 290 million (2010: R2 046 million), with comparable store sales growth at 8.6%.
- Revenue from finance charges earned by the group increased by 1.4%, reflecting the impact of lower interest rates.
- Insurance revenue grew by 22.2% owing to the higher proportion of longer term contracts in the debtor base.
- Revenue from ancillary services, comprising monthly service and initiation fees on credit sales, increased by 13.5% in line with the growth in net debtors.

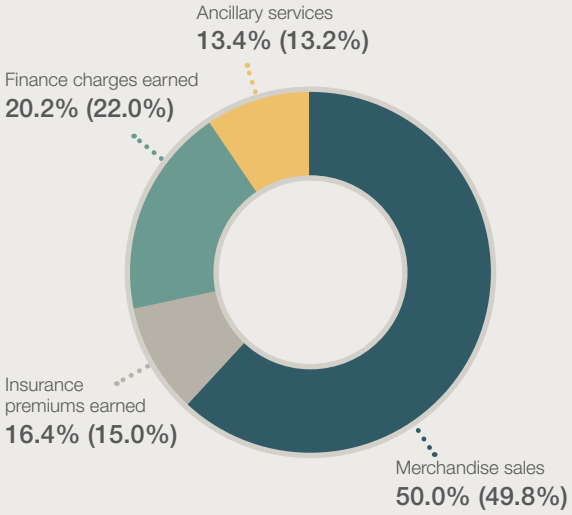
Gross profit margin improved from 34.9% to 36.3%.

Operating costs, excluding debtor costs, increased by 11.8%. Costs were impacted by the higher performance-related employment costs linked to the improved results, the launch of My Home and the higher occupancy and employment costs associated with the opening of 40 new stores during the period. Operating costs as a percentage of revenue at 35.1% is well within management's target range of 35% to 36%.

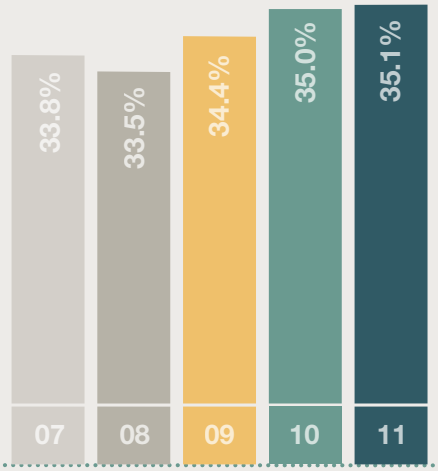
Debtor costs as a percentage of net debtors reduced from 10.9% to 10.2%. Debtor costs include bad debts and repossession losses net of recoveries and the movement in the impairment provision.

The increase in debtor costs has declined steadily over the past two years and is expected to normalise at around 8% of net debtors in the medium term.

REVENUE MIX



OPERATING COST AS A % OF REVENUE



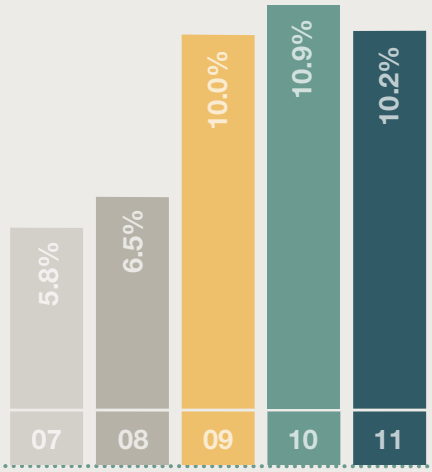
The impairment provision increased from 16.0% to 16.8% of net debtors owing to the higher capital investment in longer term contracts which is expected to be fully in the base by the second half of 2012.

Operating profit margin improved to 23.0% (2010: 22.1%) and resulted in a 16.0% growth in operating profit to R1 053 million (2010: R907 million).

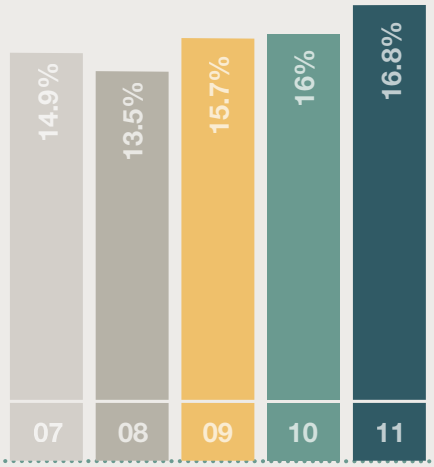
Investment income of R82.0 million comprises interest income, dividend income on investments held by Monarch and includes realised equity gains of R20 million.

Earnings per share increased by 20.1% to 807.2 cents per share and headline earnings per share were 21.6% higher at 781.1 cents.

DEBTOR COSTS AS A % OF NET DEBTORS



IMPAIRMENT PROVISION AS A % OF NET DEBTORS



chief financial officer's report

SEGMENTAL PERFORMANCE

	GROUP	LEWIS	BEST HOME AND ELECTRIC	MY HOME
Revenue (Rm)	4 578	3 854	589	136
Revenue growth (%)	11.4	11.0	16.9	(0.9)
Operating profit (Rm)	1 053	920	126	7
Operating margin (%) **2011**	**23.0**	**23.9**	**21.4**	**5.0**
2010	22.1	23.3	19.1	1.7

- **Lewis** increased revenue by 11.0% and accounted for 84.2% of the group's total revenue. Operating margin increased from 23.3% to 23.9%.
- **Best Home and Electric** grew revenue by 16.9% and increased operating margin from 19.1% to 21.4%.
- **My Home/Lifestyle Living** is in transition following the closure of the Lifestyle Living brand and the trial launch of My Home during the year.

STATEMENT OF FINANCAL POSITION

Insurance investments increased by R203 million to R1 097 million. The group's investment portfolio is managed by Sanlam Investment Management and at year-end 33% of the assets were held in listed equities and 67% in cash and bonds.

The increase in inventory levels supported the extended store base.

Credit sales increased by 16.7% whilst net debtors only grew by 13.8% as a result of improved cash collections and the longer term business settling in the base.

CASH AND CAPITAL MANAGEMENT

Shareholders will receive a total dividend for the year of 363 cents per share, comprising an interim dividend of 156 cents and a final dividend of 207 cents. The group has resumed its dividend policy of a 50% payout of earnings to shareholders.

Cash generated from operations increased by R300 million through improved trading and strong debtor cash collections.

The group's gearing ratio reduced to 26.8% from 27.5%, well below management's maximum level of 35%.

YEAR AHEAD

No share buy-backs are planned in 2012 as management will continue to invest in the growth of the credit and insurance business.

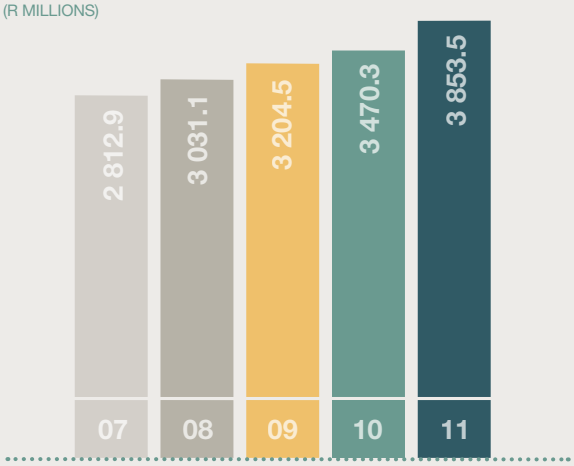
Capital expenditure of R93 million is planned for the 2012 financial year with the lion's share allocated to ongoing renewal of the delivery fleet.

The planned opening of 40 new stores across Lewis and Best Home and Electric will add significant value to the trading performance of the group.

Les Davies
Chief Financial Officer

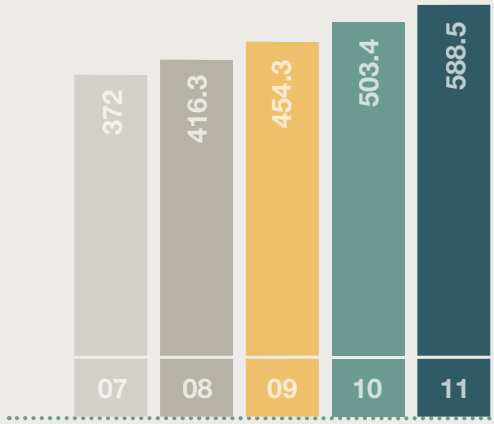
REVENUE – **LEWIS**

(R MILLIONS)



REVENUE – **BEST HOME AND ELECTRIC**

(R MILLIONS)



credit

Collections gained momentum throughout the year as the economic health of our customers continued to improve, supported by higher real wage increases and stabilising unemployment.

An analysis of the group's debtor book based on payment ratings shows an increase in the percentage of customers in the "satisfactory paid" category to 74.5% compared to 72.7% last year. The number of customers classified in the slow-paying and non-performing categories showed a commensurate decline.

The improving quality of the book is further reflected in the decline in debtor costs from 10.9% to 10.2%. Debtor costs are expected to reduce to around 8% of net debtors over the medium term.

The group's credit policy was consistently applied during the year. The decline rate increased from 27.5% to 31.5%.

Credit applications increased by 13.4%, supported by a strong customer acquisition strategy increasing the total number of customers by 14 000. Credit sales increased by 16.7% with a pleasing improvement in the credit/cash mix from 68.5% to 71.4% of merchandise sales.

CREDIT RISK MANAGEMENT

The group's centralised credit-granting process has been a core strength in managing credit risk through the downturn in the economic cycle. Credit risk management strategies have been consistently applied and it remains company policy to never reschedule contracts.

Credit applications are transmitted to head office where the credit application scorecards are applied. Application risk scorecards predict the risk of a potential new customer becoming delinquent in the future, taking into account the applicant's payment record with other credit providers. Credit policies are used to determine the credit limit, term and deposit required for each customer. The group currently uses 15 risk scorecards, while 76 risk segments have been defined for the application of credit policies across the group.

Behavioural scorecards predict the risk for repeat customers and are based on customers' payment behaviour with Lewis as well as outside credit providers. However, the majority of the predictive data is derived from the customers' payment behaviour with the group. Behavioural risk scorecards were redeveloped during the past year with increased segmentation allowing for improved performance prediction. In addition, all existing customers are referenced at the credit bureau on a monthly basis to ensure that risk and affordability assessments are current.

CREDIT RATIOS AND STATISTICS		**2011**	2010
Credit sales as % of total sales	%	**71.4**	68.5
Net debtors' book	Rm	**4 518.1**	3 971.0
Increase in net debtors' book	%	**13.7**	17.2
Doubtful debt provision	Rm	**758.3**	635.4
Doubtful debt provision as % of net debtors' book	%	**16.8**	16.0
Debtor costs	Rm	**458.9**	434.2
Debtor costs as a percentage of net debtors	%	**10.2**	10.9
Slow-paying and non-performing accounts as a % of net debtors' book	%	**7.4**	8.3
Arrear instalments on slow-paying and non-performing accounts as a % of net debtors' book	%	**19.9**	19.8
Arrear instalments on satisfactory paid accounts as a percentage of net debtors' book	%	**10.1**	9.3
Doubtful debt provision coverage on non-performing accounts	%	**78.8**	74.9
Credit application decline rate	%	**31.5**	27.5

When entering into a new credit agreement, every customer is interviewed by the store manager and the cost of credit, terms and conditions of the credit sale and details of insurance products are explained.

As a responsible provider of credit, an important factor in granting credit is the level of indebtedness of an applicant as this impacts directly on the ability to service debt. The average ratio of household debt to disposable income of current customers is 44.2%, which compares favourably with the national average of 79%. This had a positive impact on collections for the group throughout the downturn in the economy and has also limited the impact of the debt review process.

CREDIT COLLECTION

Lewis operates a decentralised credit collection process, with stores responsible for the cash collection and follow-up of defaulting customers.

This decentralised model is highly efficient as stores are located close to where the customers work, shop, commute and live. Customers pay their monthly accounts in cash at the store and the convenient locations make it easy to visit the stores.

Store collection staff has a direct relationship with the customers who are often from the same community and this benefits the collection rate.

The store-based collections model has proved its worth through the economic slow-down. The monthly contact with customers provides an early indication of payment difficulties.

CUSTOMER RATINGS

Lewis operates a payment rating system which assesses customer payment behaviour over the lifetime of an account. Customers are assessed monthly based on their payment behaviour and allocated one of 13 lifetime payment ratings. Customer accounts are impaired monthly based on the performance of the accounts. These payment categories have been summarised into four main groupings of customers. The average impairment provision on non-performing customers increased from 74.9% to 78.8% in 2011.

Lewis accounts under debt review remained stable at 0.8% of net debtors and these accounts are fully impaired.

The improving trend in payment performance is reflected in "Satisfactory paid" customers now comprising 74.5% of the customer base compared to 72.7% last year.

MANAGING CREDIT IN THE YEAR AHEAD

During the 2012 financial year the group will continue with its prudent approach to credit management. Focus areas for the coming year include:

- continuing to develop and refine predictive risk models to take account of changes in the credit market;
- enhancing retention strategies for existing customers; and
- expanding on new account acquisition strategies.

DEBTORS' PAYMENT ANALYSIS			Number of customers		Impairment provision %		NCA over 24 months
			2011	2010	**2011**	2010	
Satisfactory paid	Customers fully paid up to date including those who have paid 70% or more of amounts due over the contract period	No. %	**521 304** **74.5%**	498 370 72.7%	**1%**	0%	271 599 76.0%
Slow payers	Customers who have paid between 70% and 65% of amounts due over the contract period	No. %	**55 439** **7.9%**	58 476 8.5%	**27%**	23%	25 599 7.2%
Non-performing customers	Customers who have paid between 65% and 55% of amounts due over the contract period	No. %	**44 436** **6.4%**	48 446 7.1%	**44%**	43%	21 258 5.9%
Non-performing customers	Customers who have paid 55% or less of amounts due over the contract period	No. %	**78 174** **11.2%**	80 417 11.7%	**98%**	94%	38 862 10.9%
			699 353	685 709	**16.8%**	16.0%	357 318

remuneration policy

REMUNERATION PHILOSOPHY

Lewis Group strives to create a performance-oriented remuneration philosophy which fairly rewards executives and staff for their contributions to the group in achieving its strategic, financial and operational objectives.

REMUNERATION PRINCIPLES

Remuneration practices are structured to encourage sustainable, long-term wealth creation through the following:

- aligning remuneration practices with the group's strategy;
- aligning executive reward systems with the interests of shareholders;
- promoting a performance-based culture across the business;
- offering appropriate short-term and long-term performance-related rewards that are fair and achievable;
- attracting and retaining talented individuals in the furniture retail and financial services industries; and
- managing employment costs while at the same time rewarding, retaining and motivating talented executives and staff.

REMUNERATION GOVERNANCE

The board delegates responsibility for oversight of the group's remuneration practices to the Remuneration Committee. The committee meets twice a year, is chaired by an independent non-executive director and comprises non-executive directors. Refer to the Corporate Governance Report on page 46 for detail on the purpose, function and composition of the Remuneration Committee.

REMUNERATION BENCHMARKING

Remuneration needs to be market-based and competitive owing to the portability of skills. Market information is sourced from industry and executive remuneration surveys to benchmark executive remuneration in comparable positions.

Remuneration packages are determined by considering market trends, the importance of a position relative to the group's business, the required skills set, job-specific expertise, performance and contribution of individuals.

EXECUTIVE REMUNERATION

Executive remuneration packages include a base salary, annual performance bonus, long-term share-based incentives, motor vehicle allowance, healthcare and retirement benefits. Executive remuneration packages are approved by the Remuneration Committee and the board.

Executive directors do not receive payment of directors' fees or committee fees in respect of meetings attended.

Directors of Lewis Stores (Proprietary) Limited have service contracts which are subject to one year's notice period from either party.

Performance bonus

Executives participate in a bonus scheme which is linked to their base salary. Bonus payments are based on group performance relative to board-approved targets and specific performance measures directly under the executive's control. The bonus criteria is approved by the Remuneration Committee.

Share incentive schemes

Long-term executive remuneration is addressed through share-based incentives to encourage sustainable shareholder wealth creation and retention of executive talent.

There are two schemes, the Executive Performance Scheme and the Co-investment Scheme. Under the Executive Performance Scheme, executives acquire shares for no consideration, subject to the achievement of board-approved performance targets which vest after three years. With regard to the Co-investment Scheme, executives are eligible to invest all or part of their net annual bonus in the group's shares and receive a matching share award should the executive be in the group's employ at the end of three years. Participation in the share incentive schemes is at the discretion of the Remuneration Committee.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors are paid a base fee for their services as directors. In addition, fees are paid for serving on board committees. Fees are based on an assessment of the non-executive director's time commitment and increased regulatory and governance obligations.

In line with best governance and remuneration practice, non-executives do not participate in the group's incentive schemes and remuneration is benchmarked via an independent survey.

The remuneration of non-executive directors is reviewed annually by the Remuneration Committee and recommended to shareholders for approval at the annual general meeting.

human capital and remuneration report

Lewis Group recognises that employees are the drivers of business performance. The group's human resources policies are aimed at enhancing performance through staff recognition schemes, offering equal opportunities, training and development, creating a conducive work environment and sound employee relations.

REMUNERATION

The group's remuneration policy should be read in conjunction with this report (refer to page 34).

Staff remuneration

Staff remuneration comprises a base salary, performance-linked incentives or a 13th cheque, retirement and healthcare funding and store discounts.

Remuneration practices support the group's decentralised business model. Operational staff are remunerated on performance and earn a basic salary and incentives.

An annual bonus is paid to permanent employees who do not participate in incentive performance schemes.

Salaries are reviewed annually and the level of increase is based on group and individual performance. Lewis Group has a recognition agreement with the South African Commercial and Allied Workers' Union (SACCAWU). All employees forming part of the South African-based collective bargaining unit received the negotiated wage increase.

Employee benefits

- Retirement: Membership of one of the group's retirement funds is compulsory for all permanent staff. Employee retirement benefits are detailed in note 13 on page 83.
- Healthcare: Membership of the group's designated healthcare schemes is subsidised.
- Other staff benefits include educational bursaries, discounts on staff purchases and low-cost funeral and personal accident insurance.

Executive remuneration

The remuneration of the group's executive directors are set out in note 17.4 on page 89 of the annual financial statements.

Annual bonuses are payable in June each year following the approval of the group's financial results for the preceding financial year.

The total remuneration paid to the directors of Lewis Stores (Proprietary) Limited is disclosed in note 17.5 on page 91, in line with the requirement to disclose the remuneration of the most highly paid employees who are not directors of the company.

Share incentive schemes

Share-based incentives are set out in note 17.3 on page 88 of the annual financial statements.

Awards are made annually in June. Special awards can be made when the Remuneration Committee deems it appropriate in the circumstances.

Targets are set by the board and Remuneration Committee at the point the budget is approved, which is usually in March.

Awards will only be paid if the participant is in the employ of the group at the time of vesting, other than in the event of death, ill health, retirement or retrenchment.

Non-executive directors' remuneration

Fees paid to the non-executive directors for the 2011 reporting period are outlined in note 17.4 on page 89 of the annual financial statements. The proposed fees for the period 1 April 2011 to 30 June 2012 are set out in the Notice of Annual General Meeting on page 112. The fees cover a 15-month period to align the approval and payment cycles with that of the annual general meeting.

SKILLS DEVELOPMENT

An extensive range of training courses is offered to all employees to enhance their performance and skills. During the 2011 financial year, 3 096 staff attended training and development courses, an increase of 18% over the previous year.

Black staff accounted for 84% of the total employees trained.

Several of the courses are aimed at developing scarce skills relevant to the retail sector, focusing on sales, stock management, credit control and the development of managerial skills.

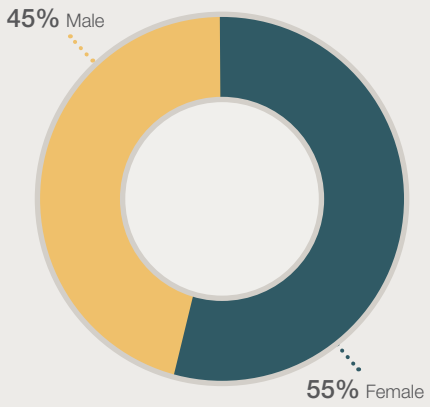
The group's training department is accredited with the Wholesale and Retail Sector Education and Training Authority and offers a range of e-learning programmes.

human capital and remuneration report

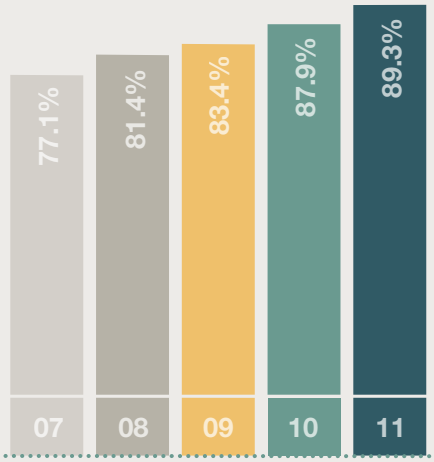
EMPLOYMENT EQUITY

Management is committed to ensuring that the group's employee profile is representative of the customer base it serves and the communities in which Lewis trades.

EMPLOYEES – GENDER



BLACK EMPLOYEES AS A % OF TOTAL EMPLOYEES



Management is committed to ensuring that the group's employee profile is representative of the customer base it serves and the communities in which Lewis trades. Black staff now account for 89% of the staff complement, with women comprising 55%.

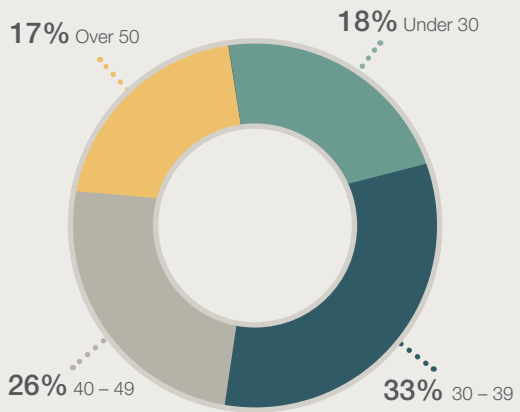
An employment equity plan focuses on increasing the representation of designated groups, mainly in the senior management, professionally qualified and skilled technical areas. Strategies have been developed to achieve internal employment equity targets, including the implementation of a comprehensive learning and development plan, in-service training of retail management students, granting bursaries, job profiling and performance assessments. Management monitors the group's performance against these targets to ensure employment equity is promoted across the business.

The employment equity profile of the workforce in South Africa at 31 March 2011 is as set out in the table below.

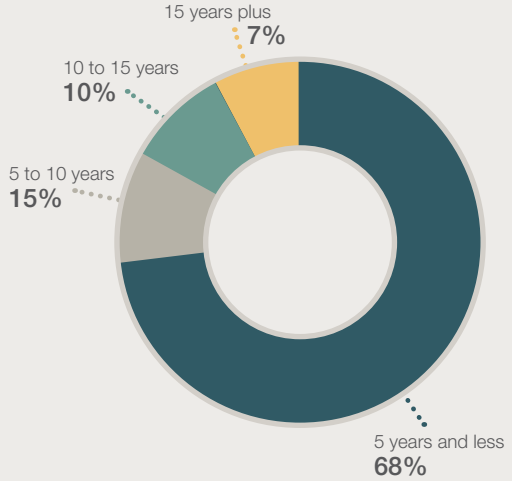
EMPLOYMENT EQUITY

Occupational levels	Male			Female			Male		
	African	Coloured	Indian	African	Coloured	Indian	White	White	Total
Top management	0	1	0	0	0	0	0	5	6
Senior management	3	2	0	0	2	0	3	21	31
Professionally qualified	16	12	4	9	12	3	31	96	183
Skilled technical	137	64	9	137	105	17	171	72	712
Semi-skilled	1 725	568	16	1 871	727	41	297	51	5 296
Unskilled	13	1	0	7	5	0	0	0	26
Non-permanent	2	1	0	1	1	0	1	1	7
Total	1 896	649	29	2 025	852	61	503	246	6 261

EMPLOYEES – AGE



YEARS SERVICE



OCCUPATIONAL HEALTH AND SAFETY

Lewis aims to create and maintain a healthy and safe work environment. Safety management is incorporated into business practices to ensure accidents and incidents are minimised.

The Health and Safety Steering Committee monitors adherence to health and safety standards, as well as legislative and regulatory compliance. The Health and Safety Steering Committee reviews risks and reports to the Executive Committee on a regular basis. The internal audit department monitors compliance with the health and safety policy.

HIV/AIDS MANAGEMENT

An HIV/AIDS awareness programme is incorporated into the regular staff training programmes. Staff are informed of the effects of the disease and means to prevent infection.

An HIV/AIDS management programme run by an external service provider is available to permanent staff and their immediate families. The group covers the cost of this programme. The programme offers access to post-HIV exposure counselling through a care centre and covers initial medication, free consultations and assistance in locating a clinic for treatment. Participation is voluntary and counselling is confidential.

transformation

The group supports the principles and objectives of B-BBEE as outlined in the Department of Trade and Industry's ("DTI") Broad-based BEE Codes of Good Practice.

RESPONSIBILITY AND GOVERNANCE

The Transformation Committee oversees the implementation of the transformation strategy for the group. This includes approving the transformation programme and targets in terms of the Codes of Good Practice of the DTI, evaluating the group's performance against the DTI scorecard and confirming legislative compliance.

TRANSFORMATION PROGRESS

The group has achieved a level 5 B-BBEE contributor status, improving from level 7 in the previous year.

B-BBEE SCORECARD

BEE elements	2011	2010	Achievements in 2011
Equity ownership	**0**	0	
Management control	**4.5**	4.5	
Employment equity	**8.3**	7.7	• Achieved group targets for black employees • Black employees promoted into middle and junior management positions
Skills development	**7.9**	3.4	• The group increased its training expenditure • 210 students participated in student internship programmes • 84% of the employees trained were black
Preferential procurement	**18.5**	14.1	• Increased expenditure with existing B-BBEE suppliers • Improved suppliers focus on B-BBEE
Enterprise development	**15.0**	7.7	• Financial support of local suppliers to increase production capacity
Socio-economic development	**5.0**	4.5	• The group's investment exceeded 1% of after-tax profits in community initiatives benefiting charitable organisations operating in the fields of education, welfare and health
Total score	**59.1**	41.9	
B-BBEE contributor	**Level 5**	Level 7	

SOCIO-ECONOMIC DEVELOPMENT

The main projects supported by Lewis over the past year focused primarily on the support of children in their education, nutritional and general welfare requirements:

- *Project Build* provides educational and community facilities for disadvantaged communities in rural KwaZulu-Natal. The project brings together communities, funders, sponsors and local builders to develop these facilities while creating employment and providing classrooms for children. Project Build has agreed to work outside the borders of KZN at the request of Lewis. In partnership with Project Build, Lewis completed two projects in Ugie in the Eastern Cape where classrooms and facilities were built at a cost of R2 million.
- The *Carel du Toit Centre* specialises in early identification of the hearing loss of children and the fitting of hearing-aids or a cochlear implant. A hearing environment is created at the centre, where the child with a hearing impediment learns to speak by learning to listen in a natural environment.

They believe that with early identification, providing there are no further complications, a large percentage of deaf children are able to acquire sufficient speech and language abilities in order to be able to adapt intellectually, socially and emotionally in a society of hearing people. We have funded a Lewis Group Wing consisting of two classrooms, ablution and storage facilities at a cost of R1 million.

- *Community Chest* is an active contributor to many welfare organisations. We remain an anchor sponsor for the Annual Twilight Run and funded an amount of R0.8 million towards 23 organisations supported by the Community Chest.
- *Peninsula School Feeding Association* provides daily meals to children in the Western Cape. Lewis has adopted 12 schools and provides meals for some 1 300 children each school day.
- *Children of the Dawn* supports rural community initiatives which focus on caring for HIV/AIDS orphans and other vulnerable children. Lewis sponsors 150 children and the funding covers schooling, food, clothing and health care, including HIV/AIDS treatment.
- *iThemba Place of Hope* has established the iThemba Academy in Hillcrest, KwaZulu-Natal, to develop future leaders. Lewis has funded 15 bursaries for the children from the impoverished community of Embro to attend the iThemba Academy.
- *TSiBA Education* provides scholarships to students for tertiary education. Lewis funded scholarships and subsistence allowances for the top 10 students who completed the foundation phase in 2010.

Refer to the corporate social investment website www.lewisgroupcsi.co.za for further details.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environmental sustainability

The group recognises the need to introduce environmentally sustainable business practices.

The Environmental Management System ("EMS") includes the following:

- identification of the direct and indirect environmental impacts of the group;
- an environmental policy which is relevant and achievable;
- improving the direct impact of business activities where economically viable; and
- creating awareness with stakeholders through the appropriate level of reporting.

The group's environmental practices will evolve, guided by environmental principles, economic drivers and the commitment to being a responsible corporate citizen.

RESPONSIBILITY

The board is responsible for the group's environmental sustainability policy. The Risk Committee assists the board in carrying out its responsibilities. The Chief Risk Officer is responsible for co-ordinating the environmental sustainability policy. The implementation of the policy is the responsibility of executive management.

Environmental policy statement

The group acknowledges that it has an impact on the environment, both directly through electricity, fuel and materials consumed in its operations and indirectly through impacts associated with the production, use and end-of-life disposal of the products it sells.

As a company, we are committed to improving the environmental performance in all our brands within operations and those parts of the supply chain over which we exercise control.

Our action plan includes:

- ensuring compliance with relevant environmental policies and legislation;
- optimising electricity and fuel usage through energy-efficient practices, technological interventions, logistics and fleet management;
- reducing waste by recycling;
- encouraging suppliers to optimally use water, raw materials, energy and packaging in their production processes; and
- selecting energy and water-efficient product lines and minimising end-of-life waste generation by sourcing products which are durable and readily reused, recycled or dismantled at the end of their useful life.

We aim to assign adequate resources and establish accountability at all levels of management. Developing appropriate data collection and management systems for ongoing measurement and monitoring of environmental information. Establishing performance indicators and targets to guide and assess our performance. The group undertakes to report openly on its environmental impact and progress towards meeting goals.

CARBON FOOTPRINT

A carbon footprint assessment was performed by independent environmental specialists for the financial years ending 31 March 2010 and 2011. The footprint was calculated for Scope 1 and 2 Greenhouse Gas ("GHG") emissions utilising the Greenhouse Gas ("GHG") protocol. Scope 1 is the direct impact of the group's activities – fuel combustion in company vehicles. Scope 2 is indirect emissions resulting from electricity consumption.

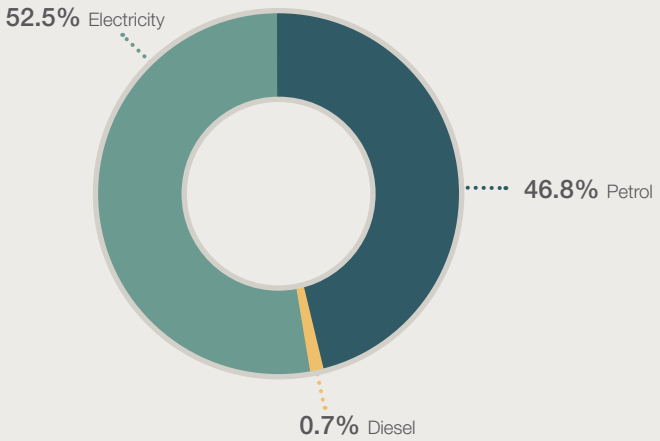
Carbon footprint results

The carbon footprint of the Lewis Group in South Africa was estimated at 46 600 tonnes of carbon dioxide equivalent (CO_2e) in the 2011 year. The footprint of the group's overall operations, including South African and international operations, was in the order of 50 400 tonnes CO_2e in this period. The breakdown is presented below.

SCOPE	Source	**2011 Emissions estimate (Tonnes co_2e)**	2010 Emissions estimate (Tonnes co_2e)
SCOPE 1	South African fuel	**22 000**	21 600
	International fuel	**1 900**	2 500
	Total Scope 1	**23 900**	24 100
SCOPE 2	South African electricity	**24 600**	25 950
	International electricity	**1 900**	2 250
	Total Scope 2	**26 500**	28 200
	TOTAL SOUTH AFRICA	**46 600**	47 550
	TOTAL INTERNATIONAL	**3 800**	4 750
	GRAND TOTAL EMISSIONS	**50 400**	52 300

environmental sustainability

LEWIS GROUP EMISSIONS BREAKDOWN BY ENERGY TYPE



The following key performance indicators are presented and compared to the previous year.

	EMISSIONS INTENSITY (t CO_2e per Rm sales revenue)	ENERGY INTENSITY (kWh/m^2 trading area)	EMISSIONS INTENSITY (kg CO_2e/m^2 trading area)	EMISSIONS INTENSITY (t CO_2e/full-time employee)
2011	**12.3**	**110**	**224**	**7.56**
2010	12.6	119	230	7.74

QUALITATIVE ASSESSMENT OF BROADER ENVIRONMENTAL ISSUES

A qualitative assessment of several general environmental concerns, including Scope 3 carbon emissions, was undertaken as a supplement to the carbon footprint assessment. The environmental impact of each element in the Lewis Group supply chain was assessed from a life cycle perspective. The elements included:

- Product manufacture considerations (design; wood usage; minimising hazardous chemical use and green procurement)
- Transport and warehousing
- Packaging
- Retail (energy; paper and water usage)
- Product end-of-life

ACTIONS REDUCING ENVIRONMENTAL IMPACTS

- Fuel consumption – is strictly managed by operational procedures, which includes driver training, vehicle inspections and the daily monitoring of fuel usage.
- Electricity consumption – is managed by operational procedures, which includes minimising lighting in stores at night, monitoring the air-conditioning systems usage (i.e. temperature settings) and creating staff awareness. Energy-efficient lighting technology is used in new stores and in the maintenance programmes.
- Material usage – a pilot project is under way to reduce the usage of paper in stores by utilising digital pen and paper technology.
- Recycling – activities include the recycling of printer cartridges and paper.

TARGETS FOR EMISSION REDUCTION

Currently the group is not in a position to set emission reduction targets without more history being gathered. Targets will be set after the completion of the next carbon footprint assessment for the 2012 financial year.

corporate governance report

Lewis Group is committed to maintaining a culture of effective corporate governance to ensure the long-term sustainability of the business. The group therefore embraces the principles of integrity, transparency and accountability in its dealings with all stakeholders.

In an environment of increasing regulatory pressure, governance structures and processes are regularly reviewed in response to changing requirements and to ensure alignment with best practice.

The group is reporting in accordance with the principles of the King Report on Corporate Governance ("King III") for the first time.

Implementation of King III

Following the adoption of King III the group's governance practices were reviewed and changed as follows:

- The Audit and Risk Committee was separated into specific committees for audit and for risk; similarly the Remuneration and Nomination Committee was split into separate committees.
- The board charter and terms of reference of all board committees of the group and major subsidiaries were reviewed to align with King III.
- The code of conduct, the behavioural code and the conflict of interest policy were reviewed.
- The ethics framework and the legal framework were formalised.
- The risk management framework was reviewed.
- The stakeholder engagement policy was formalised.
- The remuneration policy was reviewed.
- The information technology ("IT") charter was formalised.
- COBIT was adopted as the IT controls framework for the group.

Explanation of non-adherence to King III

In line with the "apply or explain" philosophy the group has elected not to apply the following principles and is satisfied that alternate governance controls have been implemented:

- Principle 2.26 requires the salaries of the three most highly paid employees who are not directors to be disclosed in the Integrated Report. The group discloses the combined remuneration of the six directors of Lewis Stores (Proprietary) Limited, the group's principal subsidiary, which includes the three highest paid employees. Refer to note 17.5 of the annual financial statements.
- Principle 6.4 recommends that an independent, suitably skilled compliance officer may be appointed. The board has delegated responsibility for the implementation of an effective compliance framework to management. Responsibility for compliance has been assigned to the company secretary to identify legislative impacts on the group; business unit heads are responsible for compliance with the legislation; and legal specialists support the group in ensuring legislative compliance. The board has approved the revised legal and compliance framework and is satisfied that it operates effectively.

BOARD OF DIRECTORS

Board charter

A formal board charter confirms that the directors are accountable to shareholders and are responsible for the following:

- overseeing relationships with stakeholders of the company along sound governance principles;
- contributing to and approving the strategy;
- overseeing that the strategy results in sustainable outcomes;
- considering sustainability as a business opportunity that guides strategy formulation;
- ensuring that the company is playing its role as a responsible corporate citizen by taking into account the impact of the business operations on society and the environment;
- providing oversight of performance against targets and objectives;
- assessing the group as a going concern;
- approving the annual and interim financial statements;
- providing effective leadership on an ethical foundation;

corporate governance report

- overseeing key performance and risk areas;
- ensuring effective risk management and internal control;
- responsible for overseeing IT governance;
- overseeing legislative, regulatory and governance compliance;
- overseeing director selection, orientation and evaluation;
- ensuring balanced and understandable communication to stakeholders; and
- matters considered crucial for business success.

A clear division of responsibility is embedded in the board charter, with the board chaired by an independent non-executive chairman. The board has delegated authority to the chief executive officer and the directors of Lewis Stores (Proprietary) Limited for the implementation of the strategy and the ongoing management of the business.

Board composition

In line with the recommendations of King III, Lewis Group has a unitary board structure consisting of seven non-executive directors and two full-time, salaried executive directors. Background information on the directors appears on page 18 of this report. There were no changes to the board during the year.

At the end of the year the composition of the board was as follows:

Independent non-executive directors
David Nurek
Fatima Abrahams
Zarina Bassa
Sizakele Marutlulle
Hilton Saven
Ben van der Ross

Non-executive director
Alan Smart

Executive directors
Johan Enslin
Les Davies

Directors do not have a fixed term of appointment and all directors are subject to retirement by rotation and re-election by shareholders at least every three years. Directors appointed during the year are required to have their appointments ratified at the following AGM. The board this year adopted the practice of electing the chairman after the annual general meeting. Executive directors are subject to a 12-month notice period.

Directors are invited to serve on the board based on their knowledge, experience, independence and ability to contribute to board level debate.

Director independence

The Nomination Committee had assessed the independence of the non-executive directors and found that six of the non-executive directors, including the chairman, are currently classified as independent in terms of the King III definition, the Corporate Laws Amendment Act and the guidelines of the JSE Listings Requirements. The remaining non-executive director, Alan Smart, is not independent as he was an executive of the group within the last three years.

Board meetings

The board met four times since April 2010. Meetings are conducted in accordance with formal agendas, ensuring that all substantive matters are addressed and monitored. Any directors may request additional items to be included on the agenda.

Board evaluation

All directors participate in the annual evaluation of the board's performance. The questionnaire-based evaluation covers the board's role and agenda setting; the size, independence and composition of the board; director orientation and development; board meetings; board committees; board accountability; and governance practices. The process also includes an assessment of the performance of the chairman and the chief executive officer. In addition the chairman has individual sessions with each director.

The board evaluation results were satisfactory and areas for improvement are being addressed.

Company secretary

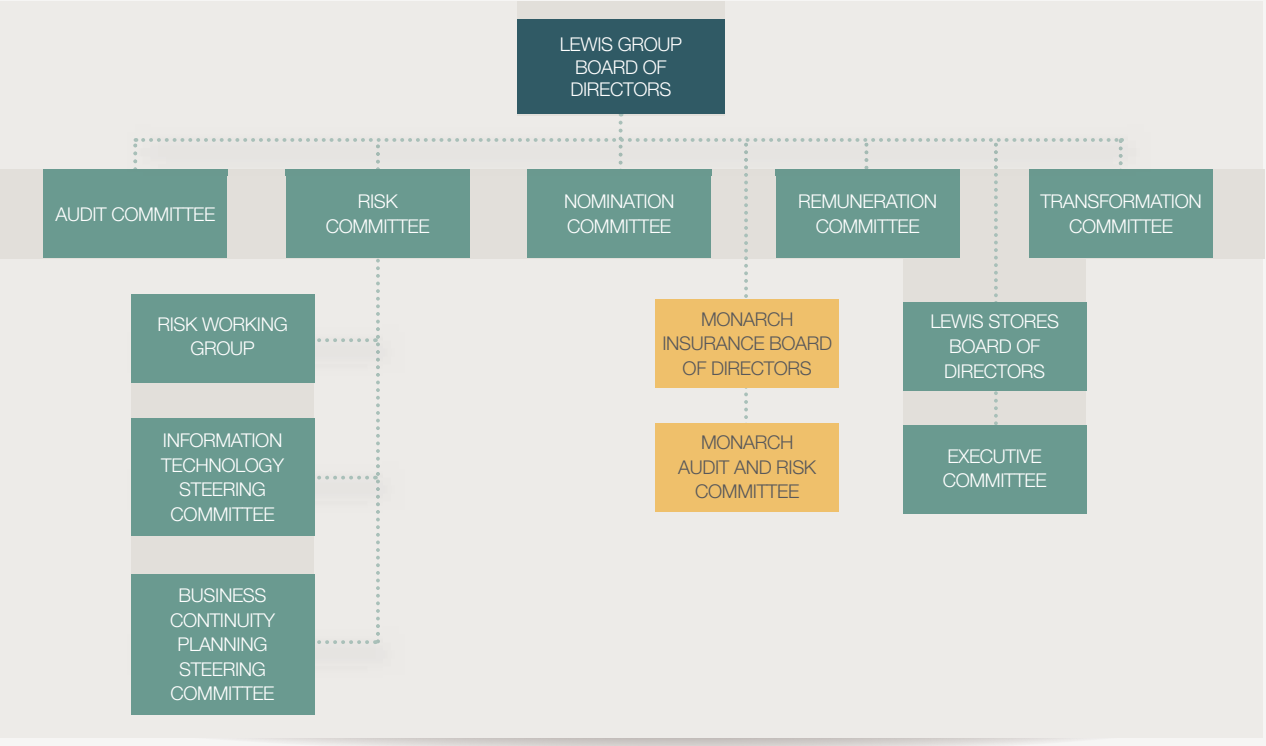
The company secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with regulations, the induction of new directors and providing advice to directors on governance, compliance and their fiduciary responsibilities.

The directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek professional advice at the company's expense after consultation with the chairman of the board. Directors also have unrestricted access to all company information and may meet independently with management.

Newly-appointed directors participate in an induction programme which outlines their fiduciary responsibilities and provides company and industry background information.

GOVERNANCE STRUCTURE

The following board and committee structure applied for the period under review:



BOARD COMMITTEES

The board of directors has delegated specific responsibilities to five board committees. The committees are all chaired by independent non-executive directors. Each committee has a charter and terms of reference and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

LEWIS GROUP AUDIT COMMITTEE

Purpose and function	Composition
• Approving the internal audit plan and reviewing the activities and findings of the department. • Evaluating the performance of the internal audit function. • Reviewing the audit plan of the external auditors, providing guidance on non-audit services. • Assessing the independence and objectivity of the external auditors. • Considering significant differences of opinion between management and internal or external auditors. • Reviewing the adequacy of internal controls and internal financial controls. • Ensuring regulatory compliance. • Overseeing the integrated reporting process, which includes: – reviewing the financial reporting system, evaluating and approving accounting policies and the financial information issued to stakeholders in terms of IFRS. – reviewing disclosure on sustainability to ensure it is reliable and does not conflict with the financial information. • Reviewing the expertise, resources and experience of the company's financial function and financial director. • Monitoring the ethical conduct of the company, its directors and senior executives.	Chairman – Hilton Saven The committee consists of three independent non-executive directors. The directors are financially literate and suitably qualified to perform their role. Meetings are also attended by the chief executive officer, chief financial officer, company secretary, internal audit executive and the external auditors. **Meetings** Four per year

corporate governance report

LEWIS GROUP RISK COMMITTEE

Purpose and function	Composition
• Annually reviewing the risk management policy and plan and recommending these for approval to the board. • Making recommendations on risk tolerance and appetite. • Annually reviewing the risk register of strategic and key operational risks. • Monitoring implementation of the risk management policy and plan. • Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management. • Reviewing and advising on the adequacy of insurance cover for recommendation to the board. • Assessing the environmental and social sustainability of the group. • Overseeing IT governance and the function of the IT Steering Committee by: – ensuring that an IT charter and policies are established and implemented; – ensuring that an IT internal control framework is adopted and implemented; and – receiving independent assurance on the effectiveness of the IT internal controls.	Chairperson: Hilton Saven The committee consists of six independent non-executive directors and one non-executive director. Meetings are also attended by the chief executive officer, chief financial officer, company secretary, internal audit executive and chief risk officer. **Meetings** Four per year

LEWIS GROUP NOMINATION COMMITTEE

Purpose and function	Composition
• Establishing a formal process for the appointment of directors. • Overseeing a formal induction programme for new directors and continuing development programmes for all directors. • Ensuring directors receive regular briefings on changes in risks, laws and the environment in which the group operates. • Ensuring succession plans are developed for the chief executive officer and senior management. • Confirming annually that none of the directors have become disqualified (fit and proper test). • Ensuring the board has the required skills, experience and qualities.	Chairperson: David Nurek The committee consists of six independent non-executive directors and one non-executive director. The chief executive officer attends meetings at the invitation of the committee. **Meetings** Two per year

LEWIS GROUP REMUNERATION COMMITTEE

Purpose and function	Composition
• Ensuring the remuneration policy is aligned with the group's strategic objectives and encourages individual performance. • Reviewing incentive schemes to ensure continued contribution to shareholder value. • Approving the award of share incentives. • Reviewing and approving compensation of executive directors, non-executive directors and senior executives. • Ensuring executive directors are fairly rewarded based on market trends, surveys, individual performance and contribution. • Recommending non-executive directors' fees for shareholder approval. • Ensuring employee benefits are suitably disclosed. • Ensuring practices are compliant with relevant legislation and regulation.	Chairman: Ben van der Ross The committee consists of six independent non-executive directors and one non-executive director. The chief executive officer attends meetings at the invitation of the committee. **Meetings** Two per year

LEWIS GROUP TRANSFORMATION COMMITTEE

Purpose and function	Composition
• Developing and maintaining a transformation strategy. • Approving the transformation programme. • Approving targets in terms of the Codes of Good Practice of the Department of Trade and Industry ("DTI"). • Evaluating the group's performance against the DTI scorecard. • Confirming legislative compliance. • Monitoring of socio-economic development expenditure.	Chairperson: Fatima Abrahams The committee consists of two independent non-executive directors, together with the chief executive officer, merchandising director, human resources director and corporate social responsibility manager. **Meetings** Two per year

corporate governance report

LEWIS STORES (PROPRIETARY) LIMITED

Lewis Stores (Proprietary) Limited is the main trading subsidiary of the group and operational responsibility has been delegated to the Lewis Stores board for the ongoing management of the business.

LEWIS STORES BOARD	
Purpose and function	**Composition**
• Adoption of strategic plans. • Providing strategic direction to senior management. • Monitoring operational performance and management. • Preparation and integrity of financial statements and all related information. • Maintaining adequate accounting records. • Adequately safeguarding, verifying and maintaining accountability of assets. • Monitoring key performance indicators of the business. • Ensuring regulatory and legislative compliance. • Risk management. • Overseeing the corporate code of conduct.	Chairman: Johan Enslin The board consists of six executive directors, namely the chief executive officer, chief financial officer, and the directors of credit risk, merchandising, human resources and information technology. **Meetings** Three per year

Governance committees of Lewis Stores

- Executive Committee consists of 14 members, including the six directors of Lewis Stores, and the heads of key areas of operation within Lewis. The committee meets three times a year in conjunction with the Lewis Stores board meetings.
- Risk Working Group consists of the 14 members of the Executive Committee. The group meets three times a year in conjunction with the Lewis Stores board meetings. Refer to page 51 for their responsibilities, which are supervised by the Risk Committee.
- Information Technology Steering Committee meets quarterly and comprises the chief executive officer, chief financial officer, IT director as well as business systems and IT operations executives. The committee is responsible for:
  - ensuring that the implementation of the IT policy and plan conforms to the objectives of the IT charter;
  - aligning IT with the business needs of the group;
  - prioritising investment decisions relating to IT resources;
  - sourcing decisions relating to IT services;
  - identifying and exploiting IT opportunities;
  - administrative and contractual decisions which have a significant impact;
  - monitoring IT costs and capital expenditure;
  - a process to monitor, prioritise and co-ordinate the IT project portfolio;
  - reporting to the Risk Committee on the performance of its duties;
  - implementing COBIT as its principle IT internal control framework; and
  - implementing ISO 27000 as the Information Security Management System ("ISMS") standard.
- Business Continuity Planning Steering Committee manages the business continuity plan ("BCP") which assesses potential environmental disasters, disruptions, loss of utilities and services, equipment or system failure and other emergency situations. The committee meets in conjunction with the Information Technology Steering Committee meetings. The BCP covers all the key business processes identified as critical to the functioning of the group. The plan is tested periodically in a simulated environment. The committee comprises the chief executive officer, chief financial officer and IT director. The committee reports into the Risk Committee.

MONARCH INSURANCE COMPANY LIMITED (MONARCH)

Monarch is the group's short-term insurer. Knowledge and experience of short-term insurance is considered in appointing directors to the board. Two of the non-executive directors, Robert Shaw and Ray Sanger, provide insurance advisory services to Monarch.

A formal report on the investment portfolio by Sanlam Investment Management is presented at each board meeting, covering market conditions and expectations, asset allocation, investment returns, review of the investment portfolios and recommendations on the investment strategy.

MONARCH BOARD

Purpose and function	Composition
• Overseeing relationships with stakeholders of the company along sound governance principles. • Approval and oversight of strategic plans for the insurer within the parameters of the overall strategic direction of the group. • Approval of budgets. • Providing oversight of performance against targets and objectives. • Providing effective leadership on an ethical foundation. • Regular review of underwriting criteria. • Adoption of asset allocation strategies for the investment portfolio, based on recommendations from Sanlam Investment Management which manages the portfolio on Monarch's behalf. • Review of the performance of the investment portfolio against benchmarks. • Ensuring regulatory compliance. • Overseeing key performance and risk areas. • Ensuring effective risk management and internal control. • Assessing director selection, orientation and evaluation. • Approving significant accounting policies. • Approving the annual financial statements.	Chairman: Alan Smart The board consists of four non-executive directors and one executive director. **Meetings** Four per year

MONARCH AUDIT AND RISK COMMITTEE

Purpose and function	Composition
• Reviewing the internal and external audit plans relative to the group's audit plan. • Providing guidance on non-audit services. • Considering significant differences of opinion between management and internal or external auditors. • Ensuring regulatory compliance. The committee is also responsible for the group's compliance with the Financial Advisory and Intermediary Services Act. • Reviewing the financial reporting system, evaluating and approving accounting policies and approving the financial statements. • Reviewing the adequacy of internal controls and internal financial controls. • Annually reviewing the risk register of strategic and key operational risks. Monitoring implementation of the risk management policy and plan. • Addressing risks specific to the company that have been identified in the group risk management process. • Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.	Chairman: Hilton Saven The committee consists of four non-executive directors. Meetings are attended by the chief financial officer, company secretary, the group's internal audit executive, the chief risk officer and external auditors. **Meetings** Four per year

corporate governance report

BOARD AND COMMITTEE ATTENDANCE

LEWIS GROUP LIMITED	Board	Audit	Risk	Remuneration	Nomination	Transformation
Number of meetings	**4**	**4**	**4**	**2**	**2**	**2**
Non-executive directors						
D M Nurek	4+	4°	4°	2	2+	2
F Abrahams	3	2°	2°	2	2	2+
Z Bassa	4	4	4	2°	2°	
S Marutlulle	3	3°	3°	1	1	
H Saven	4	4+	4+	2	2	
A J Smart	4	4°	4°	2	2	
B J van der Ross	4	4	4	2+	2+	
Executive directors						
J Enslin	4	4°	4°	2°	2°	2
L A Davies	4	4°	4°			
Management						
N Jansen						2
D Loudon						1
S Röhm						2

+ Chairman

° By invitation

LEWIS STORES (PROPRIETARY) LIMITED	Board
Number of meetings	**3**
Directors	
J Enslin	3+
L A Davies	3
C Irwin	3
N Jansen	3
D Loudon	2
B van Aswegen	3

+ Chairman

MONARCH INSURANCE COMPANY LIMITED	Board	Audit and risk
Number of meetings	**4**	**4**
Non-executive directors		
A J Smart	4+	4
D M Nurek	4	4
R I Sanger	4	4
H Saven	4	4+
R L Shaw	4	4
Executive director		
L A Davies	4	4°

+ Chairman

° By invitation

INTERNAL ACCOUNTABILITY

Risk management

A risk management process is followed to identify, assess and manage potential risks and opportunities that may affect group strategies and objectives.

The board is responsible for the oversight of the risk management process and has delegated specific responsibility to the Risk Committee. The committee is responsible for ensuring the group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant.

The risk management framework was revised during the year and includes the risk management policy, relevant responsibilities and the risk management plan.

The Risk Working Group ("RWG") is responsible for designing and implementing the risk management process and monitoring ongoing progress. Senior executives and line management within each business unit are accountable for managing risk in achieving their financial and operating objectives.

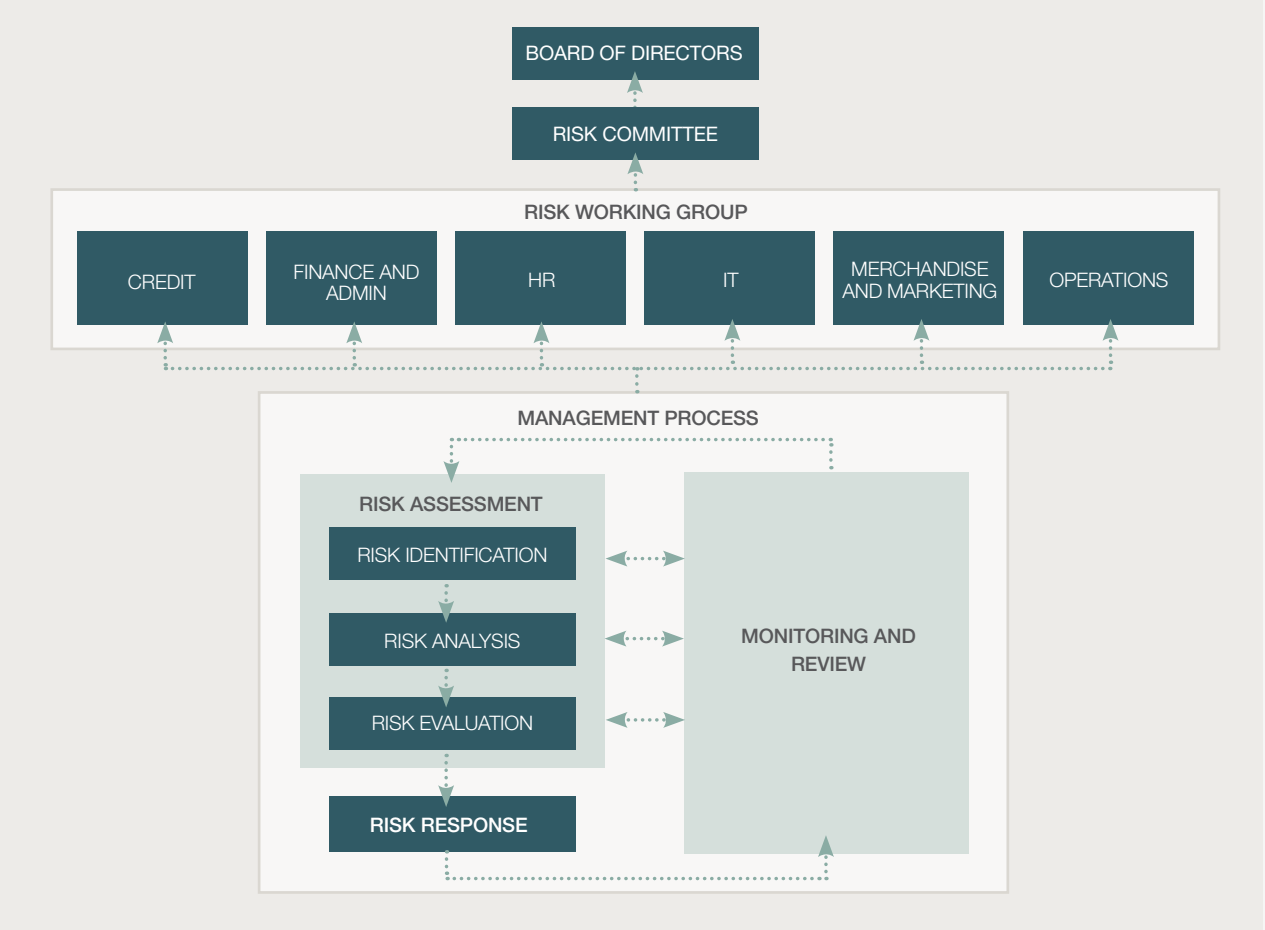
The focus of the risk management process is on strategic and key operational risks. A top-down approach is applied by the business units in the group in assessing the risks twice a year. The RWG reviews the registers with a focus on:

- completeness of risks identified across the group;
- causes of the risks;
- the residual risk ratings;
- the tolerance levels based on the risk indicators; and
- the need for further management action.

The risks identified by the business units are consolidated by category of risk into a group register and the results of the group risk assessment are reported to the Risk Committee of Lewis Group and the Audit and Risk Committee of Monarch Insurance.

The key risks are documented in the strategic management plan (refer to page 11). In the current environment, regulatory risk remains a key focus for management. Further detail on regulatory and legislative compliance is set out on page 52.

The group's external insurance and self-insurance programmes cover a wide range of risks. The insurance levels and insured events are reviewed annually to ensure adequate cover and amended after taking into account changed processes and emerging risks.



corporate governance report

The board confirms that during the period under review the group has maintained an efficient and effective process to manage key risks. The directors are not aware of any current or anticipated key risks that may threaten the sustainability of the business.

Internal audit

The Internal Audit function provides information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business. Internal Audit has performed a written assessment confirming the effectiveness of the company's system of internal control and risk management, including internal financial controls. The role of Internal Audit is detailed in the internal audit charter which has been approved by the Audit Committee. Refer to the Audit Committee Report in the annual financial statements on page 62.

Personal share dealings

An insider trading policy restricts directors and specifically identified staff from dealing in the shares of Lewis Group during closed periods. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS. Embargoes are also placed on share dealing when the group is trading under a cautionary statement.

Directors are required to obtain written clearance from the chairman of the board prior to dealing. The chairman is required to obtain written permission from the chairman of the Audit Committee. It is mandatory to notify the company secretary of any dealings in the company's shares. This information is then disclosed to the JSE Limited within 48 hours of the trade being effected and the details published on SENS. A register of share dealings by directors is maintained by the company secretary and reviewed by the board.

Political party support

The group supports the multi-party democratic process but does not make any donations to any political parties in South Africa or elsewhere.

COMPLIANCE AND CODES OF CONDUCT

Regulatory and legislative compliance

Save as may be indicated immediately below, there were no cases of legislative or regulatory non-compliance during the year and no penalties or sanctions were imposed on the group or any of its directors or officers during the year. No requests for information were withheld by the group in terms of the Promotion of Access to Information Act.

Lewis has continued to charge its defaulting credit customers the cost of their monthly credit insurance premium under certain circumstances of default by them, which may potentially be in contravention of section 103(5) of the National Credit Act, based on an interpretation of a recent Supreme Court of Appeal judgment. There are strong consumer protection reasons for Lewis having done so. Lewis is in the process of finalising submissions to the Department of Trade and Industry ("DTI") to motivate for section 103(5) to be clarified. Lewis has raised a provision in its 2011 financial statements in relation to the aggregate amount of these insurance charges and will continue to do so pending the outcome of the process of the DTI.

New and proposed legislation impacting the group includes the following:

- Insurance Laws Amendment Act: This legislation mainly affects the group's insurer, Monarch Insurance Company Limited, and the relevant provisions of the Act were implemented during the year.
- Consumer Protection Act: The group is compliant with the Act.
- Companies Act, 2008: The Act became effective 1 May 2011. The regulations promulgated under this Act were released in April 2011. The group is studying the regulations together with the Act and an appropriate compliance plan is currently being formulated.

Behavioural and ethical compliance

The group adheres to the highest standards of ethical conduct. The board-approved ethics framework, code of conduct and core values outline the standards of honesty, integrity and mutual respect which employees are required to observe.

A conflict of interest policy is aimed at ensuring employees act in the best interests of the group and do not profit from their position in the company. The policy governs employees' relationships with suppliers, serving as office-bearers on external organisations and industry bodies, and receiving gifts and hospitality from suppliers.

The corporate fraud policy sets out the responsibility of staff and management towards the detection, prevention and reporting of fraud. A confidential hotline is available to all employees to report suspected incidents of fraud or dishonesty.

five year review

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
GROUP INCOME STATEMENTS					
Revenue	**4 577.7**	4 110.6	3 807.1	3 596.4	3 323.5
Merchandise sales	**2 290.3**	2 045.5	1 919.9	1 889.7	1 808.8
Other revenue	**2 287.4**	2 065.1	1 887.2	1 706.7	1 514.7
Cost of sales	**(1 458.6)**	(1 330.6)	(1 318.3)	(1 272.1)	(1 194.0)
Operating costs	**(2 066.6)**	(1 872.8)	(1 656.5)	(1 440.8)	(1 269.6)
Operating profit	**1 052.5**	907.2	832.3	883.5	859.9
Investment income	**82.0**	77.5	76.9	71.7	42.7
Profit before interest and taxes (EBITA)	**1 134.5**	984.7	909.2	955.2	902.6
Finance costs	**(91.9)**	(121.2)	(86.5)	(56.8)	(12.4)
Net profit before tax	**1 042.6**	863.5	822.7	898.4	890.2
Taxation	**(330.7)**	(272.1)	(261.5)	(289.9)	(291.9)
ATTRIBUTABLE PROFIT	**711.9**	591.4	561.2	608.5	598.3
HEADLINE EARNINGS	**688.9**	565.5	556.2	584.1	594.2
GROUP BALANCE SHEETS					
ASSETS					
Non-current	**1 155.9**	980.1	760.2	702.9	746.9
Property, plant and equipment	**278.7**	251.1	225.1	197.5	182.9
Investments – insurance business	**857.1**	716.0	535.1	505.4	461.1
Deferred tax asset	**20.1**	13.0	–	–	102.9
Current	**4 415.8**	3 877.9	3 375.3	3 058.1	2 653.0
Inventories	**256.3**	210.0	228.0	230.4	230.3
Trade and other receivables	**3 835.0**	3 427.6	2 893.4	2 571.8	2 187.7
Taxation	**–**	–	–	29 6	–
Investments – insurance business	**240.2**	178.1	199.1	159.5	199.3
Cash and cash equivalents	**84.3**	62.2	54.8	66.8	35.7
TOTAL ASSETS	**5 571.7**	4 858.0	4 135.5	3 761.0	3 399.9
EQUITY AND LIABILITIES					
Capital and reserves	**3 728.1**	3 273.7	2 900.3	2 696.2	2 527.2
Non-current liabilities	**544.5**	486.3	191.6	59.0	93.0
Interest-bearing borrowings	**400.0**	350.0	100.0	–	–
Retirement benefits	**59.4**	51.8	53.9	57.7	67.6
Deferred taxation	**85.1**	84.5	37.7	1.3	25.4
Current liabilities	**1 299.1**	1 098.0	1 043.6	1 005.8	779.7
Trade and other payables	**567.0**	450.0	404.1	302.4	287.7
Current portion of interest-bearing borrowings	**–**	–	–	–	1.0
Short-term borrowings	**683.0**	611.4	637.0	703.4	429.3
Taxation	**49.1**	36.6	2.5	–	61.7
TOTAL EQUITY AND LIABILITIES	**5 571.7**	4 858.0	4 135.5	3 761.0	3 399.9

	2011 Rm	2010 Rm	2009 Rm	2008 Rm	2007 Rm
GROUP CASH FLOW STATEMENTS					
Cash generated from operations	**777.0**	478.1	669.7	556.2	591.5
Dividends and interest received	**66.0**	59.9	96.3	61.0	58.7
Interest paid	**(95.1)**	(127.2)	(108.5)	(68.2)	(30.0)
Tax paid	**(328.0)**	(214.2)	(185.6)	(290.4)	(403.2)
Net cash retained from operations	**419.9**	196.6	471.9	258.6	217.0
Cash utilised in investing activities	**(227.3)**	(126.3)	(183.0)	(97.3)	(66.6)
Net effect of financing activities	**(292.1)**	(162.7)	(134.5)	(404.3)	(439.3)
Net cash increase/(decrease) in cash and cash equivalents	**(99.5)**	233.0	154.4	(243.0)	(288.9)

	2011	2010	2009	2008	2007
RATIOS AND STATISTICS					
RETURNS					
Return on average shareholders' funds (after-tax)	**20.3%**	19.2%	20.1%	23.3%	24.8%
Return on average capital employed (after-tax)	**17.2%**	17.2%	17.7%	20.4%	22.5%
Return on average assets managed (pre-tax)	**21.8%**	21.9%	23.0%	26.7%	28.3%
MARGINS					
Gross margin	**36.3%**	34.9%	31.3%	32.7%	34.0%
Operating margin	**23.0%**	22.1%	21.9%	24.6%	25.9%
PRODUCTIVITY					
Number of stores	**582**	548	535	525	508
Revenue per store (R 000's)	**7 865**	7 501	7 116	6 850	6 542
Operating profit per store (R 000's)	**1 808**	1 655	1 556	1 683	1 693
Average number of employees (permanent employees only)	**6 842**	6 668	6 480	6 696	6 310
Revenue per employee (R 000's)	**669**	616	588	537	527
Operating profit per employee (R 000's)	**154**	136	128	132	136
Trading space (m^2)	**231 184**	225 891	223 102	220 236	215 076
Revenue per m^2 (R)	**19 801**	18 197	17 064	16 330	15 453
Operating profit per m^2 (R)	**4 553**	4 016	3 731	4 012	3 998
Inventory turn (times)	**5.7**	6.0	5.8	5.5	5.2
CREDIT RATIOS					
Credit sales %	**71.4%**	68.5%	64.3%	66.9%	69.3%
Bad debts as a % of net debtors	**7.4%**	8.3%	6.0%	5.9%	5.5%
Debtor costs as a % of net debtors	**10.2%**	10.9%	10.0%	6.5%	5.8%
Debtors' impairment provision as a % of net debtors	**16.8%**	16.0%	15.7%	13.5%	14.9%
Satisfactory paid accounts as a % of net debtors	**74.5%**	72.7%	72.0%	75.1%	76.4%
Arrear instalments on satisfactory paid accounts as a % of net debtors	**10.1%**	9.3%	9.5%	10.6%	10.7%
Arrear instalments on slow-paying and non-performing accounts as a % of net debtors	**19.9%**	19.8%	20.9%	19.3%	19.0%
Debtors' impairment provision on non-performing accounts	**78.8%**	74.9%	71.3%	69.6%	81.2%
Credit applications decline rate %	**31.5%**	27.5%	25.4%	22.5%	20.1%

five year review

	2011	2010	2009	2008	2007
SOLVENCY AND LIQUIDITY					
Financing cover (times)	**12.3**	8.1	10.5	16.8	72.8
Dividend cover	**2.00**	1.87	1.79	2.00	2.25
Gearing ratio (%)	**26.8%**	27.5%	23.5%	23.6%	15.6%
Current ratio (times)	**3.4**	3.5	3.2	3.0	3.4
SHARE PERFORMANCE					
Earnings per share (cents)	**807.2**	672.0	636.2	679.3	649.9
Headline earnings per share (cents)	**781.1**	642.6	630.5	652.0	645.4
Cash flow per share (cents)	**881.0**	543.3	759.2	620.9	642.5
Net asset value per share (cents)	**4 225.1**	3 718.8	3 302.6	3 019.7	2 774.3
Share price:					
Closing price	**74.50**	56.50	42.69	41.90	68.50
High	**85.00**	61.30	52.00	75.00	75.00
Low	**56.00**	40.06	28.51	43.00	43.00
Normalised price-earnings ratio	**9.2**	8.4	6.7	6.2	10.5
Dividends per share for the financial year (cents)	**363**	323	323	323	266
Number of shares in issue (million)	**98.1**	98.1	98.1	99.2	100
Volume of shares traded (million)	**68.5**	95.9	96.0	110.5	120.8
Value of shares traded (million)	**4 576.5**	4 911.4	3 679.7	6 284.7	6 859.1
Market capitalisation (million)	**7 305**	5 540	4 188	4 156	6 850
Number of shareholders	**6 161**	1 968	1 609	1 501	1 776
SOCIAL AND ENVIRONMENTAL					
B-BBEE level (current enacted scorecard)	**5**	7	n/a	n/a	n/a
Socio-economic development expenditure (Rm)	**7.3**	6.1	2.6	1.5	0.3
No. of staff trained	**3 096**	2 627	2 148	2 698	1 844
Carbon footprint (estimated tonnes of CO_2 equivalents)	**50 400**	52 300	n/a	n/a	n/a

EXPLANATORY NOTES:

1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The 2008 and 2009 results have been restated for the change in accounting policy with regard to the deferred costs on initiation fees.
3. Total assets exclude the deferred tax asset.
4. The 2009 to 2011 cash flow statement has been updated for the reclassification referred to in note 2 to the financial statements.
5. The B-BBEE scorecard level has only been disclosed from 2010 onwards since this was the first score done on the current methodology prescribed by the Department of Trade and Industry.
6. The carbon footprint has only been calculated since the 2010 financial year.

DEFINITIONS

The definitions below should be read in conjunction with the accounting policies set out in the financial statements on pages 71 to 79.

Return on average shareholders' equity

Profit attributable to ordinary shareholders as a percentage of average shareholders' equity.

After-tax return on average capital employed

After-tax return for capital is the profit attributable to ordinary shareholders plus finance costs paid to providers of capital less the attributable tax on finance costs.

Capital employed is shareholders' interest and interest-bearing debt.

The after-tax return on average capital employed is the after-tax return for capital as a percentage of the average capital employed for the year.

Before-tax return on average assets managed

The before-tax return on average assets managed is the profit before interest and tax as a percentage of the average total assets.

Gross margin

Gross profit as a percentage of merchandise sales.

Operating margin

Operating profit as a percentage of revenue.

Inventory turn

Cost of merchandise sales divided by the closing inventory.

Slow-paying accounts (receivables)

These are customers who, to date, have paid between 65% and 70% of the amount due to Lewis over the whole period of the contract.

Non-performing accounts (receivables)

These are customers who, to date, have paid less than 65% of the amount due to Lewis over the whole period of the contract.

Financing cover

Profit before finance costs and taxation divided by the finance costs.

Gearing ratio

Interest-bearing debt, reduced by cash and cash equivalents, divided by shareholders' equity.

Current ratio

Current assets divided by current liabilities.

Earnings per share

Profit attributable to ordinary shareholders divided by the weighted average number of shares in issue.

Headline earnings per share

Headline earnings divided by the weighted average number of shares in issue.

Cash flow per share

Cash generated from operations divided by the weighted average shares in issue.

Net asset value per share

The net asset value divided by the number of shares in issue, after deducting treasury shares, at the end of the year.

Price-earnings ratio

The closing price on the JSE Limited on 31 March divided by the earnings per share.

Dividends per share

The dividends declared in respect of the financial year expressed as cents per share. Note that this will not correlate to the dividends reflected in the financial accounts since dividends for financial statement purposes are only recorded when the right to receive payment is established.

directors' responsibility statement

Management has prepared the annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa.

The financial statements, which present the results and financial position of the company and its subsidiaries, are the responsibility of the directors.

In fulfilling its responsibility, the board of directors has approved the accounting policies applied and established that reasonable and sound judgements and estimates have been made by management when preparing the financial statements.

Adequate accounting records and an effective system of internal controls have been maintained to ensure the integrity of the underlying information. Internal Audit has performed a written assessment confirming the effectiveness of the company's system of internal control and risk management, including internal financial controls. The board is satisfied that the system of internal controls, which includes internal financial controls, operates effectively.

A well-established control environment, which incorporates risk management and internal control procedures, exists to provide reasonable, but not absolute, assurance that assets are safeguarded and the risk facing the business is being adequately managed. The board confirms that during the period under review the group has maintained an efficient and effective process to manage key risks. The directors are not aware of any current or anticipated key risks that may threaten the sustainability of the business.

The board of directors has reviewed the business of the group together with budget and cash flows for the year to 31 March 2012, as well as the current financial position and have no reason to believe that the group will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the financial statements.

PricewaterhouseCoopers Inc., as external auditors, have examined the financial statements and their report appears on page 59.

The financial statements of the group and the company for the year ended 31 March 2011, which appear on pages 60 to 109 have been approved by the board of directors and signed on their behalf by:

D M Nurek
Chairman

J Enslin
Chief Executive Officer

Cape Town
23 May 2011

company secretary's certificate

In my capacity as company secretary, I hereby confirm to the best of my knowledge and belief that all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

M G McConnell
Company Secretary

Cape Town
23 May 2011

independent auditor's report

TO THE SHAREHOLDERS OF LEWIS GROUP LIMITED

We have audited the group annual financial statements and annual financial statements of Lewis Group Limited and its subsidiaries, which comprise the consolidated and separate balance sheets as at 31 March 2011, the consolidated and separate income statements, the consolidated statement of comprehensive income, the consolidated and separate statements of changes in equity, the consolidated and separate cash flow statements for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Report as set out on pages 60 to 61 and pages 66 to 109.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENT

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate balance sheet of Lewis Group Limited as at 31 March 2011, its consolidated and separate income statement and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Z Abrahams
Registered Auditor

Cape Town
23 May 2011

directors' report

BASIS OF PREPARATION

In terms of the transitional arrangements set out in section 2(7) of Schedule 5 to the Companies Act of 2008 which became effective 1 May 2011, the annual financial statements, including this Directors' Report and Audit Committee Report, is prepared in terms of the Companies Act of 1973 as amended.

NATURE OF BUSINESS

Lewis Group Limited is a holding company listed on the JSE Limited, operating through two main trading subsidiaries, Lewis Stores (Proprietary) Limited and Monarch Insurance Company Limited. Lewis Stores (Proprietary) Limited offers a selected range of furniture and appliances through 454 Lewis, 107 Best Home and Electric and 21 My Home stores. Sales are mainly on credit. Monarch Insurance Company Limited, a registered short-term insurer, underwrites Customer Protection Insurance benefits to South African customers. In addition, there are also trading subsidiaries in Botswana, Lesotho, Namibia and Swaziland operating under the Lewis brand.

The nature of the business of the subsidiaries is set out on page 109.

REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The financial results and affairs of the group are reflected in the annual financial statements set out on pages 66 to 109.

SEGMENTAL ANALYSIS

Segmental information is set out in the Segmental Report on page 70 of the annual financial statements.

POST-BALANCE SHEET EVENTS

There were no significant post-balance sheet events that occurred between the year-end and the date of approval of the financial statements by the directors.

SHARE CAPITAL

The company's authorised and issued share capital remained unchanged during the year.

TREASURY SHARES

The group has purchased 9 216 928 (9.2%) of its own shares on the open market through its subsidiary, Lewis Stores (Proprietary) Limited. Refer note 8.1 and 8.2 for more detail.

The Lewis Employee Incentive Scheme Trust effectively holds 603 915 shares, all of which will be utilised to cover share awards granted to executives. Details have been set out in notes 8 and 17.3 to the financial statements.

DIVIDENDS

The following dividends have been declared or proposed for the financial year ended 31 March 2011:

	Dividend per share	Date declared	Payable
Interim – declared	156 cents	8 November 2010	24 January 2011
Final – proposed	207 cents	23 May 2010	25 July 2011
For the year	363 cents		

Notice is hereby given that a final cash dividend of 207 cents per share in respect of the year ended 31 March 2011 has been declared payable to the holders of ordinary shares recorded in the books of the company on Friday, 22 July 2011. The last day to trade "cum" dividend will therefore be Friday, 15 July 2011 and Lewis shares will trade "ex" dividend from Monday, 18 July 2011. Payment of the dividend will be made on Monday, 25 July 2011. Share certificates may not be dematerialised or rematerialised between Monday, 18 July 2011 and Friday, 22 July 2011, both days inclusive.

DIRECTORS

There were no changes to the board of directors this year.

In terms of the articles of association of the company the following will retire and have offered themselves for re-election:

A J Smart
H Saven
F Abrahams

COMPANY SECRETARY

M G McConnell remained as company secretary throughout the year. The address of the company secretary is that of the registered offices as stated on the inside cover.

DIRECTORS' INTERESTS

At 31 March 2011, the directors' beneficial direct and indirect interest in the company's issued shares were as follows:

	2011		2010	
	Direct	**Indirect**	Direct	Indirect
D M Nurek	**–**	**10 000**	–	10 000
H Saven	**–**	**2 940**	–	2 940
A J Smart	**319 070**	**–**	319 070	–
J Enslin	**–**	**32 616**	–	27 388
L A Davies	**71 144**	**30 658**	50 000	25 908
	390 214	**76 214**	369 070	66 236

The following share awards have been made to directors:

J Enslin	282 516
L A Davies	232 430

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

During the course of the year, no director had a material interest in any contract of significance with the company or any of its subsidiaries that could have given rise to a conflict of interest.

No related party transaction in terms of the JSE Limited Listings Requirements took place between the group and its directors or their associates, other than remuneration for services rendered to the company as set out in note 17.4 to the financial statements.

SUBSIDIARY COMPANIES

Details of the company's subsidiaries are set out on page 109.

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

	2011 Rm	2010 Rm
Profit	**718.8**	597.6
Losses	**–**	–

BORROWING POWERS

Borrowings were R1 083.0 million at 31 March 2011 (2010: R961.4 million). Borrowings are subject to the treasury policy adopted by the board of directors. In terms of the articles of association, the group has unlimited borrowing powers.

audit committee report

The Audit Committee ("the committee") has pleasure in submitting its report for the year ended 31 March 2011 in compliance with section 270A of the Companies Act 61 of 1973, as amended.

INTRODUCTION

The committee has an independent role with accountability to the board. The committee operates within a documented charter and complies with all relevant legislation, regulation and governance codes. The committee's terms of reference are reviewed annually and approved by the board.

The committee's role and responsibilities include its statutory duties and further responsibilities assigned to it by the board. The Audit Committee executed its duties in terms of the requirements of King III.

The committee acts as the Audit Committee for all the subsidiaries in the Lewis Group except for Monarch Insurance Company Limited ("Monarch") which has its own Audit and Risk Committee.

Last year, this committee was constituted as an Audit and Risk Committee. As part of the group's implementation of King III, the board restructured this committee into two separate committees for audit and for risk.

OBJECTIVES

The objectives of the committee are:

- To assist the board to discharge its duties relating to the safeguarding of assets, the operation of adequate systems and controls, overseeing integrated reporting, reviewing of financial information and the preparation of interim and annual financial statements in compliance with all applicable legal requirements and accounting standards.
- To facilitate and promote communication and liaison between the board of directors and the company's management in respect of the matters referred to above.
- To recommend the introduction of measures which the committee believes may enhance the credibility and objectivity of financial statements and reports concerning the affairs of the company.
- To perform their statutory functions under section 270A of the Companies Act.
- To advise on any matter referred to the committee by the board of directors.

RELATIONSHIP WITH THE MONARCH AUDIT AND RISK COMMITTEE

- Due to the integrated nature of the group's systems and processes, the Lewis Group Audit Committee bear the responsibility relating to:
  - internal and external audit management; and
  - maintenance of an effective internal control system.
- In order for the Monarch Audit and Risk Committee to discharge its responsibilities under the Short-term Insurance Act, the Lewis Group Audit Committee refers any issues relating to these matters to the Monarch Audit and Risk Committee where such issues impact on Monarch.
- The duty and scope of the Monarch Audit and Risk Committee in monitoring the compliance with legal and regulatory requirements has been extended to include the Financial Advisory and Intermediary Services Act due to its interrelationship with the insurance activities of the group.
- The minutes of all Monarch Audit and Risk Committee meetings are submitted and reviewed by the Lewis Group Audit Committee.

MEMBERSHIP

The committee comprised the following independent non-executive directors:

H Saven (chairman)
Z Bassa
B J van der Ross

In order to comply with King III, D M Nurek resigned from the committee as he is the group's chairman.

Biographical details of the committee members are provided on page 19. Fees paid to the committee members are outlined in the table of directors' remuneration in note 17.4 to the annual financial statements.

The chairman of the board, chief executive officer, chief financial officer, certain of the other non-executive directors and representatives of the internal and external auditors attend the meetings as invitees.

COMMITTEE ACTIVITIES

The committee met four times during the year under review. Attendance of the members has been set out on page 50 of the Corporate Governance Report.

The committee attended to the following material matters:

- External auditors
  - reviewed the independence of PricewaterhouseCoopers Inc., the company's external auditors, and the nominee for the appointment of the designated auditor, before recommending to the board that their re-election be proposed to shareholders (refer to section on Independence of External Auditors);
  - approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2011 financial year. The fees paid to the auditors are disclosed in note 20 to the annual financial statements;
  - determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services. It is the policy of the group that the auditor is restricted from rendering accounting, IT consulting services, company secretarial, internal audit and human resource services.
  - reviewed and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable; and
  - reviewed the external audit reports and management's response, considered their effect on the financial statements and internal financial control.
- Financial statements
  - reviewed the interim results and year-end financial statements, including the public announcements of the company's financial results, and made recommendations to the board for their approval. In the course of its review, the committee:
  - took appropriate steps to ensure that the financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS");
  - considered the appropriateness of accounting policies and disclosures made; and
  - completed a detailed review of the going concern assumption and confirmed that the going concern assumption was appropriate in the preparation of the financial statements.

The committee was not required to deal with any complaints relating to accounting practices or internal audit, nor to the content or audit of the group's financial statements, the internal financial controls and related matters.

- Internal Audit
  - reviewed and approved the existing internal audit charter which ensures that the group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties;
  - satisfied as to the credibility, independence and objectivity of the internal audit function;
  - Internal Audit has direct access to the committee, primarily through the committee's chairman;
  - reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of significant business processes was acceptable;
  - reviewed the quarterly internal audit reports, covering the effectiveness of internal control, material fraud incidents and material non-compliance with group policies and procedures. The committee is advised of all internal control developments and advised of any material losses, with none being reported during the year;

audit committee report

- considering and reviewing with management and internal auditors any significant findings and management responses thereto in relation to reliable financial reporting, corporate governance and effective internal control to ensure appropriate action is taken;
- oversaw the co-operation between Internal Audit and external auditors, and the committee is satisfied that the company has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model; and
- assessed the performance and qualification of the internal audit function and found them to be satisfactory.

- Internal financial control and compliance
  - reviewed and approved the group's existing treasury policy and reviewed the quarterly treasury reports prepared by management;
  - reviewed the quarterly legal and regulatory reports setting out the latest legislative and regulatory developments impacting the group;
  - reviewed the quarterly report on taxation;
  - reviewed information technology reports; and
  - considered and, where appropriate, made recommendations on internal financial control.

Internal Audit has performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This written assessment by Internal Audit, as well as other information available to the committee, formed the basis for the committee's recommendation to the board, on the effectiveness of the system of internal controls to be included in the Directors' Responsibility Statement.

- Integrated Report

  The committee fulfils an oversight role regarding the company's Integrated Report and the reporting process.
  - considered the company's Integrated Report and has assessed its consistency with operational, financial and other information known to Audit Committee members, and for consistency with the annual financial statements. The committee is satisfied that the Integrated Report is materially accurate, complete and reliable and consistent with the annual financial statements; and
  - the committee has, at its meeting held on 20 May 2011, recommended the Integrated Report for the year ended 31 March 2011 for approval by the board of directors.

- Governance of risk

  The board has assigned oversight of the company's risk management function to the Risk Committee. The minutes of the Risk Committee are made available to the Audit Committee to assist them in fulfilling its oversight role with respect to financial reporting risks arising from internal financial controls, fraud and information technology risks.

  - Evaluation of expertise and experience of the chief financial officer and finance function:
    - in terms of the JSE Listings Requirements, the committee satisfied itself as to the appropriateness of the expertise and experience of the group's chief financial officer; and
    - the committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

INDEPENDENCE OF EXTERNAL AUDITORS

The committee is satisfied that PricewaterhouseCoopers Inc. are independent of the group. This assessment was made after considering the following:

- confirmation from the external auditors that they, or their immediate family, do not hold any significant direct or indirect financial interest or have any material business

relationship with Lewis. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.

- The auditors do not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from the group.
- The auditor's independence was not impaired by the non-audit work performed having regard to the quantum of audit fees relative to the total fee base and the nature of the non-audit work undertaken.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements.
- The criteria specified for independence by the Independent Regulatory Board for Auditors.
- The audit firm and the designated auditor is accredited with the JSE.

The committee confirms it has functioned in accordance with its terms of reference for the 2011 financial year.

Hilton Saven
Chairman
Audit Committee

Cape Town
23 May 2011

income statement for the year ended 31 March 2011

	Notes	GROUP 2011 Rm	GROUP 2010 Rm
REVENUE		**4 577.7**	4 110.6
Merchandise sales		**2 290.3**	2 045.5
Finance charges earned		**919.6**	907.1
Insurance premiums earned	15	**752.4**	616.0
Ancillary services		**615.4**	542.0
COST OF MERCHANDISE SALES	16	**(1 458.6)**	(1 330.6)
OPERATING COSTS		**(2 066.6)**	(1 872.8)
Employment costs	17	**(693.5)**	(607.4)
Administration and IT		**(208.1)**	(194.7)
Debtor costs	18	**(458.9)**	(434.2)
Marketing		**(156.5)**	(134.3)
Occupancy costs		**(186.1)**	(165.1)
Transport and travel		**(147.5)**	(135.9)
Depreciation		**(46.5)**	(46.3)
Other operating costs		**(169.5)**	(154.9)
OPERATING PROFIT	20	**1 052.5**	907.2
Investment income	21	**82.0**	77.5
PROFIT BEFORE FINANCE COSTS		**1 134.5**	984.7
NET FINANCE COSTS		**(91.9)**	(121.2)
Interest paid	22.1	**(87.1)**	(94.7)
Interest received	22.2	**3.2**	6.0
Forward exchange contracts	22.3	**(8.0)**	(32.5)
PROFIT BEFORE TAXATION		**1 042.6**	863.5
Taxation	23	**(330.7)**	(272.1)
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		**711.9**	591.4
Earnings per share (cents)	24	**807.2**	672.0
Diluted earnings per share (cents)	24	**798.2**	669.5

statement of comprehensive income
for the year ended 31 March 2011

	GROUP 2011 Rm	GROUP 2010 Rm
Net profit for the year	**711.9**	591.4
Fair value adjustments of available-for-sale investments	**38.1**	87.1
Fair value adjustments of available -for-sale investments	**42.8**	99.4
Tax effect	**(4.7)**	(12.3)
Disposal of available-for-sale investments recognised	**(17.8)**	(21.3)
Disposal of available-for-sale investments	**(19.2)**	(23.6)
Tax effect	**1.4**	2.3
Foreign currency translation reserve	**(4.1)**	(7.4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS	**728.1**	649.8

balance sheet at 31 March 2011

		GROUP	
	Notes	**2011 Rm**	2010 Rm
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**278.7**	251.1
Deferred taxation		**20.1**	13.0
Investments – insurance business	5	**857.1**	716.0
		1 155.9	980.1
CURRENT ASSETS			
Inventories	6	**256.3**	210.0
Trade and other receivables	7	**3 835.0**	3 427.6
Investments –- insurance business	5	**240.2**	178.1
Cash on hand and deposits		**84.3**	62.2
		4 415.8	3 877.9
TOTAL ASSETS		**5 571.7**	4 858.0
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital and premium	8	**93.5**	93.5
Other reserves	9	**207.1**	171.3
Retained earnings	10	**3 427.5**	3 008.9
		3 728.1	3 273.7
NON-CURRENT LIABILITIES			
Long-term interest-bearing borrowings	11	**400.0**	350.0
Deferred taxation	12	**85.1**	84.5
Retirement benefits	13	**59.4**	51.8
		544.5	486.3
CURRENT LIABILITIES			
Trade and other payables	14	**567.0**	450.0
Taxation		**49.1**	36.6
Short-term interest-bearing borrowings	11	**683.0**	611.4
		1 299.1	1 098.0
TOTAL EQUITY AND LIABILITIES		**5 571.7**	4 858.0

statement of changes in equity for the year ended 31 March 2011

		GROUP	
	Notes	**2011 Rm**	2010 Rm
SHARE CAPITAL AND PREMIUM	8	**93.5**	93.5
Opening balance		**93.5**	97.8
Cost of own shares acquired (treasury shares)		**–**	(4.3)
OTHER RESERVES	9	**207.1**	171.3
Opening balance		**171.3**	107.4
Other comprehensive income:			
Fair value adjustments of available-for-sale investments		**38.1**	87.1
Disposal of available-for-sale investments recognised		**(17.8)**	(21.3)
Foreign currency translation reserve		**(4.1)**	(7.4)
Share-based payment		**18.4**	10.9
Transfer of share-based payment reserve to retained income on vesting		**(8.4)**	(11.5)
Transfer to contingency reserve		**9.6**	6.1
RETAINED EARNINGS	10	**3 427.5**	3 008.9
Opening balance		**3 008.9**	2 695.1
Net profit attributable to ordinary shareholders		**711.9**	591.4
Profit on sale of own shares		**3.5**	1.4
Transfer of share-based payment reserve to retained income on vesting		**8.4**	11.5
Transfer to contingency reserve		**(9.6)**	(6.1)
Distribution to shareholders	25	**(295.6)**	(284.4)
BALANCE AT 31 MARCH 2011		**3 728.1**	3 273.7
Dividends paid per share (cents)		**335.0**	323.0
Dividends declared per share (cents)		**363.0**	323.0

cash flow statement for the year ended 31 March 2011

		GROUP	
	Notes	**2011 Rm**	2010 Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	26.1	**777.0**	478.1
Interest and dividends received		**66.0**	59.9
Interest paid		**(95.1)**	(127.2)
Taxation paid	26.2	**(328.0)**	(214.2)
CASH RETAINED FROM OPERATING ACTIVITIES		**419.9**	196.6
CASH UTILISED IN INVESTING ACTIVITIES			
Net additions to insurance business investments		**(160.4)**	(60.5)
Acquisition of property, plant and equipment		**(78.6)**	(74.0)
Proceeds on disposal of property, plant and equipment		**11.7**	8.2
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(227.3)**	(126.3)
CASH EFFECTS OF FINANCING ACTIVITIES			
Purchase of own shares		**–**	(4.3)
Dividends paid	25	**(295.6)**	(284.4)
Proceeds on sale of own shares		**3.5**	1.4
Increase in long-term borrowings		**50.0**	250.0
(Decrease)/Increase in short-term borrowings		**(50.0)**	200.0
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(292.1)**	162.7
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(99.5)**	233.0
Cash and cash equivalents at the beginning of the year		**(249.2)**	(482.2)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26.3	**(348.7)**	(249.2)

segmental report for the year ended 31 March 2011

	LEWIS Rm	BEST HOME AND ELECTRIC Rm	MY HOME Rm	GROUP Rm
REPORTABLE SEGMENT				
2011				
SEGMENT INCOME STATEMENT				
Total revenue to external customers	**3 853.5**	**588.5**	**135.7**	**4 577.7**
Merchandise sales	**1 901.9**	**287.4**	**101.0**	**2 290.3**
Other revenue	**1 951.6**	**301.1**	**34.7**	**2 287.4**
Cost of merchandise sales	**(1 217.5)**	**(187.0)**	**(54.1)**	**(1 458.6)**
Operating costs	**(1 716.3)**	**(275.5)**	**(74.8)**	**(2 066.6)**
Segment operating profit	**919.7**	**126.0**	**6.8**	**1 052.5**
Segment operating margin	**23.9%**	**21.4%**	**5.0%**	**23.0%**
Segment assets[1]	**3 422.3**	**491.5**	**102.3**	**4 016.1**
Capital expenditure	**66.3**	**9.1**	**3.3**	**78.7**
Depreciation	**41.1**	**4.4**	**1.0**	**46.5**
2010				
SEGMENT INCOME STATEMENT				
Total revenue to external customers	3 470.3	503.4	136.9	4 110.6
Merchandise sales	1 689.5	243.7	112.3	2 045.5
Other revenue	1 780.8	259.7	24.6	2 065.1
Cost of merchandise sales	(1 090.6)	(165.6)	(74.4)	(1 330.6)
Operating costs	(1 571.0)	(241.6)	(60.2)	(1 872.8)
Segment operating profit	808.7	96.2	2.3	907.2
Segment operating margin	23.3%	19.1%	1.7%	22.1%
Segment assets[1]	3 072.8	410.4	62.4	3 545.6
Capital expenditure	68.2	5.6	0.2	74.0
Depreciation	41.0	4.2	1.1	46.3

[1] Segment assets include net instalment sale and loan receivables of R3 759.8 million (2010: R3 335.6 million) and inventory of R256.3 million (2010: R210.0 million).

GEOGRAPHICAL	South Africa Rm	BLNS* Rm	Total Rm
2011			
Revenue	**4 038.7**	**539.0**	**4 577.7**
Capital expenditure	**72.8**	**5.9**	**78.7**
2010			
Revenue	3 639.9	470.7	4 110.6
Capital expenditure	70.0	4.0	74.0

* Botswana, Lesotho, Namibia and Swaziland

notes to the financial statements for the year ended 31 March 2011

1. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale assets and financial assets and financial liabilities at fair value through profit and loss.

Preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Changes to accounting policies and disclosures arising from the adoption of new standards, amendments and interpretations to standards effective for the current year are disclosed in note 2.

1.2 Basis of consolidation

The consolidated annual financial statements incorporate the financial statements of the company and its subsidiaries. Subsidiaries are entities in which the group has the power to govern the financial and operating policies generally accompanying an ownership interest of more than one half of the voting rights. The results of the subsidiaries are included from the effective date of control to the date that control ceases to be exercised by the group. The accounting policies and year-ends of all subsidiaries are consistent throughout the group. Intergroup transactions and balances, including unrealised gains and losses, are eliminated on consolidation.

The acquisition method of accounting is applied for business combinations. The consideration for an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of the exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration over the fair value of the group's share of the identifiable net assets is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Investments in subsidiaries are carried at cost less any impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Employee share trusts are consolidated. Shares in Lewis Group Limited held by subsidiaries and the share trust are classified as treasury shares.

1.3 Goodwill

Goodwill, being the excess of the purchase consideration over the attributable fair value of the identifiable assets and liabilities at the date of acquisition, is initially carried at cost. Goodwill is subject to an annual impairment test and written down to the recoverable amount, where impairment has occurred. Impairment losses on goodwill are not reversed. Gains and losses on disposal of an entity include the carrying value of goodwill relating to the entity sold.

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

notes to the financial statements for the year ended 31 March 2011

1.4 Foreign currency translations

1.4.1 Functional and presentation currency

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

1.4.2 Foreign currency transactions and balances

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

1.4.3 Foreign entities

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

1.5 Financial instruments

1.5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks, bank overdrafts and demand loans. Cash and cash equivalents are recognised initially at fair value and are subsequently remeasured at amortised cost using the effective interest rate.

1.5.2 Derivative instruments

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

1.5.3 Financial assets

Investments are classified into three categories, based on the purpose for which the investment was acquired. The classification is determined on initial recognition. Derivative instruments are accounted for in terms of note 1.5.2.

The investments are classified as follows:

(i) Financial assets designated as fair value through profit and loss. A financial asset is classified as such where the asset is acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets where expected to be realised within twelve months of balance sheet date.

(ii) Available-for-sale assets are assets acquired with the intention of being held indefinitely or those assets that cannot be classified in any of the other categories of financial instruments. Available-for-sale financial assets are included in non-current assets, unless management intends to dispose of the investment within twelve months of the balance sheet date.

(iii) Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities where management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest rate method. If the group were to sell these assets, the whole category of such assets would be reclassified as available-for-sale.

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

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

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

1.5.4 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. They are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate, less a provision for impairment. The provision for impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Changes in the provision are recognised in the income statement.

1.5.5 Financial liabilities

(i) Borrowings

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

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

(ii) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

notes to the financial statements for the year ended 31 March 2011

1.5.6 Set-off

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

1.6 **Property, plant and equipment**

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

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

Assets are depreciated to their residual value, on a straight-line basis, over their estimated useful lives. The estimated useful lives of the assets in years are:

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

Land is not depreciated.

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

1.7 **Leased assets**

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

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

1.8 **Inventories**

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

1.9 **Impairment of non-financial assets**

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

1.10 **Current and deferred taxation**

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

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

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

1.11 **Provisions**

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that takes into consideration the time value of money and the risks specific to the obligation.

1.12 **Insurance business**

1.12.1 Classification

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

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

1.12.2 Outstanding claims

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

1.12.3 Contingency reserve

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

1.12.4 Provision for unearned premiums

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

notes to the financial statements for the year ended 31 March 2011

1.12.5 Reinsurance

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

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

1.13 **Segmental information**

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and the chief financial officer.

The group has identified its reportable segments based on the chains that it operates. These segments reflect how the group's businesses are managed and reported to the chief operating decision makers. All of the business segments operate in the furniture retail business. The following set out below is a summary of the operations in each of the reportable segments of the group:

(i) Lewis

Lewis sells a range of household furniture, electrical appliances and home electronics to customers in the LSM 4 to 7 categories.

(ii) Best Home and Electric

Best Home and Electric is a retailer of electrical appliances, sound and vision equipment and furniture, targeting the LSM 4 to 7 customer.

(iii) My Home

My Home is a retailer of upmarket furniture to customers in the LSM 7 to 8 categories who have a need for in-store credit facilities.

Information regarding the performance of each segment is disclosed in the Segmental Report. Performance is measured on the basis of the operating profit (which includes the insurance underwriting result), as management believes that this measure is useful in evaluating the results of the segments, both in relation to each other and in relation to their respective competition. With respect to assets and liabilities, the chief operating decision makers only monitor the trade receivables and inventory for each segment. The remaining assets and the liabilities are reviewed on a group basis.

The group's segments report their segment result and their segment assets (i.e. trade receivables and inventory) in accordance with the group's accounting policies. There are no significant intersegmental transactions.

1.14 **Current assets and liabilities**

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

1.15 **Treasury shares**

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including the costs attributable to the acquisition, is deducted from the group's equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or

reissued, any consideration received, net of transaction costs, is included in the group's equity. The weighted average number of shares is reduced by the treasury shares for earnings per share purposes. Dividends received on treasury shares are eliminated on consolidation.

1.16 **Employee benefits**

1.16.1 Retirement plans

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

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligations at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and any past service cost. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

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

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

1.16.2 Post-retirement healthcare costs

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

1.16.3 Share-based payments

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

notes to the financial statements for the year ended 31 March 2011

Share awards granted by the company are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary and a corresponding credit to equity.

1.16.4 Leave pay accrual

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

1.17 **Trading cycle**

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

1.18 **Revenue recognition**

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

(i) Merchandise sales

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

(ii) Finance charges earned

For contracts concluded in South Africa, finance charges are recognised by reference to the daily principle outstanding and the effective interest rate implicit in the agreement. For contracts concluded outside South Africa, finance charges are recognised on a sum-of-digits basis which approximates the effective yield basis.

(iii) Insurance premiums earned

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

(iv) Ancillary services

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

(v) Interest and dividends

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following reclassification was made in the current year:

The short-term portion of long-term borrowings has been excluded from cash and cash equivalents in the cash flow statement and in the related note. Comparatives in the cash flow statement have been reclassified as follows: Net cash flow from financing activities moved from a R37.3 million outflow to an inflow of R162.7 million and cash and cash equivalents at the end of the year changed from R549.2 million to R249.2 million.

The following revisions and amendments to standards and interpretations have become effective for the current financial reporting year, but have had no material impact on the group's results, financial position or disclosure:

IFRS 2: Share-based Payment (amendments effective 1 January 2010)
IFRS 3: Business Combinations
IAS 27: Consolidated and Separate Financial Statements (revisions arising from IFRS 3)
IFRIC 17: Distribution of Non-cash Assets to Owners

IFRIC 18: Transfer of Assets from Customers

AC 504: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction in the South African Pension Fund Environment

Annual improvements to IFRS issued May 2008 for amendments effective 1 July 2009.

Annual improvements to IFRS issued April 2009 for amendments effective 1 July 2009 and 1 January 2010.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Impairment of receivables

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

3.2 Bad debts

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

3.3 Share-based payment

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

3.4 Normal and deferred taxation

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

3.5 Retirement benefits

The underlying actuarial assumptions are set out in note 13.

3.6 Useful lives and residual values of fixed assets

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

notes to the financial statements for the year ended 31 March 2011

	GROUP		
	Land and buildings Rm	Vehicles and fixtures Rm	Total Rm
4. PROPERTY, PLANT AND EQUIPMENT			
As at 31 March 2011			
Opening net carrying value	**117.0**	**134.1**	**251.1**
Additions	**–**	**78.6**	**78.6**
Disposals	**–**	**(4.5)**	**(4.5)**
Depreciation	**(1.0)**	**(45.5)**	**(46.5)**
Closing net carrying value	**116.0**	**162.7**	**278.7**
Cost	**123.7**	**447.8**	**571.5**
Accumulated depreciation	**(7.7)**	**(285.1)**	**(292.8)**
As at 31 March 2010			
Opening net carrying value	110.9	114.2	225.1
Additions	7.2	66.8	74.0
Disposals	–	(1.7)	(1.7)
Depreciation	(1.1)	(45.2)	(46.3)
Closing net carrying value	117.0	134.1	251.1
Cost	123.7	402.6	526.3
Accumulated depreciation	(6.7)	(268.5)	(275.2)

A register of the group's land and buildings is available for inspection at the company's registered office.

	2011 Rm	2010 Rm
5. INVESTMENTS – INSURANCE BUSINESS		
Listed investments		
Listed shares – available-for-sale	**365.2**	308.1
Fixed income securities – available-for-sale	**491.9**	407.9
Unlisted investments		
Money market – available-for-sale	**240.2**	178.1
	1 097.3	894.1
Analysed as follows		
Non-current	**857.1**	716.0
Current	**240.2**	178.1
	1 097.3	894.1
Movement for the year		
Beginning of the year	**894.1**	734.2
Net additions to investments	**179.6**	84.1
Movement in fair value transferred to equity	**23.6**	75.8
End of the year	**1 097.3**	894.1

A register of listed investments is available for inspection at the company's registered office. Regular purchases and sales of financial assets are accounted for on the trade date.

6. INVENTORIES		
Cost of merchandise	**284.6**	235.0
Less: provision for obsolescence	**(28.3)**	(25.0)
	256.3	210.0

	GROUP	
	2011 Rm	2010 Rm
7. TRADE AND OTHER RECEIVABLES		
Instalment sale and loan receivables	**5 454.7**	4 705.2
Provision for unearned finance charges and unearned maintenance income	**(271.4)**	(207.5)
Provision for unearned initiation fees	**(102.6)**	(88.5)
Provision for unearned insurance premiums	**(562.6)**	(438.2)
Unearned insurance premiums	**(916.6)**	(722.5)
Less: reinsurer's share of unearned premiums	**354.0**	284.3
Net instalment sale and loan receivables	**4 518.1**	3 971.0
Provision for impairment	**(758.3)**	(635.4)
	3 759.8	3 335.6
Other receivables	**75.2**	92.0
	3 835.0	3 427.6
Amounts due from instalment sale and loan receivables after one year are reflected as current, as they form part of the normal operating cycle. The credit terms of instalment sale and loan receivables range from 6 to 36 months.		
8. SHARE CAPITAL AND PREMIUM		
8.1 **Share capital and premium**		
Share capital	**1.0**	1.0
Share premium	**2 710.6**	2 710.6
Reverse acquisition reserve	**(2 123.1)**	(2 123.1)
	588.5	588.5
Treasury shares:		
Lewis Stores (Proprietary) Limited	**(477.8)**	(477.8)
Lewis Employee Share Incentive Scheme Trust	**(17.2)**	(17.2)
Total share capital and premium	**93.5**	93.5
The average market price paid for the shares repurchased by the company and the treasury shares held by Lewis Stores (Proprietary) Limited was R50.45, with the lowest price being R32.99 and the highest R65.90.		
On listing, Lewis Group Limited ("Lewis Group") acquired the total shareholding of Lewis Stores (Proprietary) Limited ("Lewis Stores") through issuing shares to the shareholder at that date. In terms of IFRS 3 requirements for reverse acquisitions, Lewis Stores was the acquirer and Lewis Group the acquiree, although Lewis Group is the holding company and Lewis Stores the subsidiary. The group's financial statements were in substance a continuation of the operations of Lewis Stores from the date that the reverse acquisition took place.		
8.2 **Number of ordinary shares in issue**	**000's**	000's
Number of shares issued	**98 058**	98 058
Treasury shares held by:		
Lewis Stores (Proprietary) Limited	**(9 217)**	(9 217)
Lewis Employee Share Incentive Scheme Trust	**(604)**	(811)
Number of shares in issue	**88 237**	88 030

notes to the financial statements for the year ended 31 March 2011

	GROUP	
	2011 Rm	2010 Rm
9. OTHER RESERVES		
Comprising:		
Fair value reserve	**141.8**	121.5
Foreign currency translation reserve	**(22.4)**	(18.3)
Share-based payment reserve	**28.2**	18.2
Statutory insurance contingency reserve	**58.7**	49.1
Other	**0.8**	0.8
	207.1	171.3
Detailed movements in the other reserves are disclosed in the statement of changes in equity.		
10. RETAINED EARNINGS		
Comprising:		
Company	**76.2**	83.0
Consolidated subsidiaries	**3 351.3**	2 925.9
	3 427.5	3 008.9
Distribution of all reserves by South African subsidiaries would give rise to Secondary tax on companies ("STC") of R285.2 million (2010: R251.6 million).		
Distribution by certain foreign subsidiaries will give rise to withholding taxes of R41.1 million (2010: R33.4 million).		
No provision for STC and withholding taxes is raised until dividends are declared.		
11. INTEREST-BEARING BORROWINGS		
11.1 **Long term**		
Maturity date / Interest rate		
August 2011 / 3 month JIBAR plus 165 basis points	**–**	100.0
October 2011 / 3 month JIBAR plus 300 basis points	**–**	50.0
July 2012 / 3 month JIBAR plus 245 basis points	**200.0**	200.0
August 2012 / 3 month JIBAR plus 225 basis points	**100.0**	
October 2013 / 3 month JIBAR plus 245 basis points	**100.0**	
	400.0	350.0
11.2 **Short term**		
Maturity date / Interest rate		
July 2010 / 3 month JIBAR plus 180 basis points	**–**	100.0
August 2010 / 3 month JIBAR plus 250 basis points	**–**	100.0
October 2010 / 3 month JIBAR plus 250 basis points	**–**	100.0
August 2011 / 3 month JIBAR plus 190 basis points	**100.0**	
August 2011 / 3 month JIBAR plus 165 basis points	**100.0**	
October 2011 / 3 month JIBAR plus 300 basis points	**50.0**	
Demand loans / At short-term money market rates	**433.0**	311.4
	683.0	611.4
11.3 **Total borrowings**	**1 083.0**	961.4
The above borrowings are unsecured. The group has committed facilities of R1 450 million.		

	GROUP	
	2011 Rm	2010 Rm
12. DEFERRED TAXATION		
Balance at the beginning of the year	**71.5**	37.7
Movement for the year attributable to:		
Income statement credit	**(9.8)**	23.8
Deferred tax on fair value adjustment in equity	**3.3**	10.0
Balance at the end of the year	**65.0**	71.5
This balance comprises		
Capital allowances	**41.6**	35.2
Debtors' allowances	**100.8**	96.2
Income and expense recognition	**(3.9)**	(1.4)
Other provisions	**(73.5)**	(58.5)
Balance at the end of the year	**65.0**	71.5
Disclosed as:		
Deferred tax asset	**(20.1)**	(13.0)
Deferred tax liability	**85.1**	84.5
	65.0	71.5
13. RETIREMENT BENEFITS		
Amounts recognised in the balance sheet		
Defined benefit retirement plan liability	**4.4**	8.0
Post-retirement healthcare benefits	**55.0**	43.8
	59.4	51.8
Retirement plans		
The group operates a number of retirement funds, all of which are held separate from the group's assets. There are three defined contribution funds, namely the Lewis Stores Provident Fund; the Lewis Stores Namibia Provident Fund for Namibian employees; and the SACCAWU Provident Fund for employees belonging to SACCAWU Trade Union. In addition, there are two defined benefit funds, namely the Lewis Stores Group Pension Fund which was closed to new members on 1 July 1997; and the Lewis Stores Retirement Fund for executive management. Both defined benefit plans are registered under the Pension Funds Act No. 24 of 1956.		
The number of employees on these plans are as follows:	**No. of employees**	
Lewis Group Pension Fund	**219**	243
Lewis Stores Retirement Pension Fund	**30**	32
SACCAWU Provident Fund	**1 026**	767
Lewis Stores Provident Fund	**3 609**	3 342
Lewis Stores Namibia Provident Fund	**159**	135

notes to the financial statements for the year ended 31 March 2011

	GROUP	
	2011 Rm	2010 Rm
13. RETIREMENT BENEFITS (CONTINUED)		
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 IAS 19 using the projected unit credit method. The latest valuation was carried out as at 1 January 2011.		
Amounts recognised in the balance sheet		
Present value of obligations	**352.9**	325.9
Fair value of plan assets	**(374.3)**	(325.0)
	(21.4)	0.9
Unrecognised actuarial gains	**25.8**	7.1
Defined benefit retirement plan liability	**4.4**	8.0
Amounts recognised in the income statement		
Current service cost	**12.4**	11.0
Interest cost	**27.3**	27.1
Expected return on plan assets	**(30.9)**	(29.8)
Past service cost	**–**	4.0
Net actuarial losses recognised in the year	**7.9**	1.4
Total included in staff costs	**16.7**	13.7
Movement in retirement benefit liability		
Present value at the beginning of the year	**8.0**	11.2
Income statement charge	**16.7**	13.7
Contributions paid during the year	**(20.3)**	(16.9)
Present value at the end of the year	**4.4**	8.0
Present value of defined benefit obligations		
Beginning of the year	**325.9**	331.0
Current service cost	**12.4**	11.0
Interest cost	**27.3**	27.1
Employee contributions	**1.5**	1.6
Benefit payments	**(22.3)**	(71.5)
Actuarial loss	**8.1**	26.7
End of the year	**352.9**	325.9
Fair value of defined benefit plan assets		
Beginning of the year	**325.0**	324.6
Employee contributions	**1.5**	1.6
Employer contributions	**20.3**	16.7
Expected return	**30.9**	29.8
Benefit payments	**(22.3)**	(71.5)
Actuarial gain	**18.9**	23.8
End of the year	**374.3**	325.0

	GROUP	
	2011 Rm	2010 Rm
13. RETIREMENT BENEFITS (CONTINUED)		
Principal actuarial assumptions used were as follows:		
Discount rate	**8.50%**	9.00%
Expected return on plan assets	**9.50%**	10.00%
Inflation rate	**5.75%**	6.00%
Future salary increases	**7.00%**	7.00%
Future pension increases	**5.75%**	6.50%
Assumptions regarding future mortality experience are based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at age 65 on valuation date is as follows:		
Male	**12.2 years**	13.6 years
Female	**14.2 years**	15.6 years
Actual return on plan assets	**13.4%**	18.3%
The employer's future contribution is set on an annual basis in consultation with the fund's actuary.		
The expected return on plan assets (net of tax) is obtained by applying the expected long-term rate of return (net of tax) on plan assets to the fair value of plan assets.		
Plan assets		
The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:		
	2011 %	2010 %
Cash	**18.0**	17.2
Bonds	**17.2**	17.5
Equity	**46.9**	46.6
International equity	**16.5**	15.0
Property	**0.4**	2.9
Other	**1.0**	0.8
	100.0	100.0

Trends	Obligation	Experience adjustments gain/(loss)	
	Rm	Plan assets Rm	Plan liabilities Rm
2011	352.9	18.9	(8.1)
2010	325.9	23.8	(26.7)
2009	331.0	(50.8)	20.1
2008	345.8	24.4	(22.3)
2007	303.2	35.4	(22.8)
2006	269.9	24.6	(18.8)

	2011 Rm	2010 Rm
Defined contribution plans		
For defined contribution plans, the group pays contributions to the funds on a contractual basis. Once the contributions have been paid, the group has no further payment obligations.		
Defined contribution plan costs	**24.8**	21.6

notes to the financial statements for the year ended 31 March 2011

	GROUP	
	2011 Rm	2010 Rm
13. RETIREMENT BENEFITS (CONTINUED)		
Post-retirement healthcare benefits		
The group provides a subsidy of medical aid contributions to retired employees. Only those employees employed prior to 1 August 1997 qualify for this benefit. The liability was valued as at 31 March 2011 by a qualified actuary in accordance with the requirements of IAS 19. The group has a commitment to meet these unfunded benefits.		
Amounts recognised in the income statement		
Current service cost	**0.8**	0.9
Interest cost	**3.7**	3.5
Actuarial gain	**9.0**	(1.3)
Income statement charge	**13.5**	3.1
Movement in post-retirement healthcare liability		
Present value of liability at the beginning of the year	**43.8**	42.7
Charged to income statement	**13.5**	3.1
Employer benefit payments	**(2.3)**	(2.0)
Post-retirement healthcare benefits liability	**55.0**	43.8
Present value of post-retirement healthcare obligations		
Beginning of the year	**43.8**	42.7
Current service cost	**0.8**	0.9
Interest cost	**3.7**	3.5
Benefit payments	**(2.3)**	(2.0)
Actuarial gain	**9.0**	(1.3)
End of the year	**55.0**	43.8
Principal actuarial assumptions used were as follows:		
Healthcare inflation rate	**5.75%**	5.75%
CPI inflation	**5.75%**	5.25%
Discount rate	**9.00%**	9.00%
Average retirement age (years)	**63**	63
Sensitivity		
The effects of a 1% movement in the assumed medical aid inflation rate were as follows:	Increase	Decrease
Effect on aggregate of the current service and interest cost	0.8	(0.7)
Effect on defined benefit obligation	7.1	(5.9)
Trends	Obligation	Experience adjustments gain/(loss)
The trends of the present value of the obligation and experience adjustments are as follows:		
2011	55.0	(7.8)
2010	43.8	1.1
2009	42.7	0.2
2008	40.8	0.2
2007	40.5	2.4
2006	41.2	4.9

	GROUP	
	2011 Rm	2010 Rm
14. TRADE AND OTHER PAYABLES		
Trade payables	**72.7**	64.1
Accruals and other payables	**178.1**	134.4
Due to reinsurers	**144.8**	121.1
Insurance provisions	**171.4**	130.4
	567.0	450.0
15. INSURANCE PREMIUMS EARNED		
Gross insurance premiums	**855.3**	732.6
Reinsurance commission	**255.4**	183.2
Reinsurance premiums	**(358.3)**	(299.8)
	752.4	616.0
16. COST OF MERCHANDISE SALES		
Purchases	**1 504.9**	1 312.6
Movement in inventory	**(46.3)**	18.0
Cost of merchandise sales	**1 458.6**	1 330.6
Merchandise gross profit	**831.7**	714.9
17. DIRECTORS AND EMPLOYEES		
17.1 **Employment costs**		
Salaries, wages, commissions and bonuses	**612.9**	550.4
Retirement benefit costs	**55.0**	38.4
Share-based payments	**18.4**	10.9
Other employment costs	**7.2**	7.7
	693.5	607.4
17.2 **Share-based payments**		
As the fair value of the services received cannot be measured reliably, the services have been valued by reference to the fair value of shares and options granted. The fair value of such options and shares is measured at the grant date using the Black-Scholes model.		
In terms of IFRS 2, share-based payments are required to be expensed over the vesting period. Any accelerated vesting of the awards and options requires immediate recognition of the unrecognised portion.		
Value of services provided:		
In respect of share awards and options granted subsequent to date of listing (refer note 17.3)	**18.4**	10.9
	R	R
Significant assumptions used were:		
Weighted average share price	**50.42**	50.85
Weighted average expected volatility	**64.3%**	63.1%
Weighted average expected dividend yield	**6.7%**	6.5%
Weighted average risk-free rate (bond yield curve at date of grant)	**8.4%**	8.6%

notes to the financial statements for the year ended 31 March 2011

	GROUP	
	2011	2010
17. DIRECTORS AND EMPLOYEES (CONTINUED)		
17.3 **Share incentive schemes**		
The employee share incentive schemes are in operation for employees, executives and directors holding salaried employment office. The aggregate number of shares which may be utilised for these schemes shall not exceed 10% of the issued share capital of the company.		
Lewis All Employee Share Scheme	**No. of shares and options**	
In terms of the rules of the share scheme, participants are granted an award to receive shares for no consideration. Participants will only receive their share award if they remain in the employ of the group until vesting date. Share awards under this scheme usually vest between two and four years.		
Beginning of the year	**6 080**	6 080
Vested and exercised by payment of consideration	**(6 080)**	–
End of the year	**–**	6 080
Lewis Executive Performance Scheme		
In terms of the scheme, senior executives have been offered the right to acquire shares of the group for no consideration subject to the achievement of performance targets. The shares will vest after three years and is conditional upon the executive still being in the employ of the company other than in the event of death, ill health, retirement or retrenchment.		
The performance targets are set by the Remuneration and Nomination Committee and are approved by the board. These targets will be set at the beginning of each of the three years and a proportionate number of the shares granted will be allocated to each year.		
No performance shares will accrue if the group achieves less than 90% of target. Any achievement between 90% and 100% of target will result in a proportionate accrual of shares weighted towards 100% of target.		
Beginning of the year	**1 241 116**	572 971
Granted	**269 786**	890 303
Forfeited	**(37 124)**	(82 201)
Vested	**(102 687)**	(139 957)
End of the year	**1 371 091**	1 241 116
Lewis Co-investment Scheme		
Senior executives are eligible for an annual bonus based on achievement of performance targets. These eligible executives can elect to invest all or part of their net bonus in the group's shares ("invested shares").		
These shares are deferred for three years and matching shares equal to the before-tax bonus are awarded for no consideration at the end of the period. The matching share award will lapse, should the executive terminate his or her employment before the completion of the three-year period other than in the event of death, ill health, retirement or retrenchment.		
The grant in respect of the matching share option is as follows:		
Beginning of the year	**138 919**	217 535
Granted	**99 187**	49 582
Vested	**(39 123)**	(128 198)
End of the year	**198 983**	138 919
Invested shares paid for through the investment of executives' net bonuses amounted to 119 388 shares (2010: 83 350 shares). These shares are held by the Trust on the executives' behalf.		

	GROUP	
	2011 R	2010 R
17. DIRECTORS AND EMPLOYEES (CONTINUED)		
17.4 **Directors' emoluments**		
Non-executive directors – fees as directors		
D M Nurek	**645 000**	576 000
H Saven	**535 000**	407 000
B van der Ross	**425 000**	295 000
F Abrahams	**394 000**	295 000
M S P Marutlulle[1]	**318 000**	89 000
Z Bassa[1]	**354 000**	128 000
A J Smart[1]	**418 500**	109 000
	3 089 500	1 899 000
[1] M S P Marutlulle and Z Bassa were appointed as directors on 1 October 2009 and A J Smart became a non-executive director on 1 October 2009.		
Executive director – J Enslin (paid by subsidiary)[2]		
Salary	**2 257 728**	1 857 312
Bonuses paid during the year	**1 393 000**	675 000
Contributions to pension scheme	**361 236**	297 170
Contribution to medical aid	**68 379**	62 538
Other material benefits	**–**	53 394
Gains on share awards	**1 764 426**	1 360 656
	5 844 769	4 306 070
[2] The remuneration for 2010 is for the whole year, although J Enslin was only appointed on 1 October 2009.		
Executive director – L A Davies (paid by subsidiary)		
Salary	**1 850 280**	1 677 864
Bonuses paid during the year	**1 258 000**	630 000
Contributions to pension scheme	**296 045**	268 458
Contribution to medical aid	**62 640**	75 486
Gains on share awards	**1 668 808**	1 433 952
	5 135 773	4 085 760
Executive director – A J Smart (paid by subsidiary)		
Salary	**–**	1 324 740
Bonuses paid during the year	**995 000**	1 098 000
Contributions to pension scheme	**–**	211 958
Contribution to medical aid	**–**	25 404
Other material benefits	**–**	99 200
Gains on share awards	**1 304 168**	5 178 480
	2 299 168	7 937 782

notes to the financial statements for the year ended 31 March 2011

	GROUP	
	2011	2010
17. DIRECTORS AND EMPLOYEES (CONTINUED)		
17.4 **Directors' emoluments (continued)**		
Gains on share awards – executive directors		
J Enslin		
Share awards vested	**29 017**	28 347
Offer date	**11 June 2007**	30 June 2006
Offer date	**19 June 2007**	
Date vested	**11 June 2010**	30 June 2009
Date vested	**19 June 2010**	
Market value on date of vesting	**1 764 426**	1 360 656
Gain	**1 764 426**	1 360 656
L A Davies		
Share awards vested	**27 479**	29 874
Offer date	**11 June 2007**	30 June 2006
Offer date	**19 June 2007**	
Date vested	**11 June 2010**	30 June 2009
Date vested	**19 June 2010**	
Market value on date of vesting	**1 668 808**	1 433 952
Gain	**1 668 808**	1 433 952
A J Smart		
Share awards vested	**21 989**	102 759
Offer date	**11 June 2007**	30 June 2006
Offer date		19 June 2007
Date vested	**11 June 2010**	30 June 2009
Date vested		22 Sept 2009
Market value on date of vesting	**1 304 168**	5 178 480
Gain	**1 304 168**	5 178 480

	GROUP				
	2011		2010		
17. DIRECTORS AND EMPLOYEES (CONTINUED)					
17.4 **Directors' emoluments (continued)**					
Outstanding share awards					
	J Enslin	**L A Davies**	J Enslin	L A Davies	A J Smart
Lewis Executive Performance Scheme:					
11 June 2007	**–**	**–**	17 049	17 049	34 718
21 June 2008	**35 057**	**35 057**	35 057	35 057	–
10 June 2009	**34 669**	**34 782**	34 669	34 782	–
17 September 2009	**120 000**	**80 000**	120 000	80 000	–
7 June 2010	**38 429**	**31 494**			
Lewis Co-investment Scheme – matching scheme options:					
11 June 2007	**–**	**–**	15 379	13 840	–
21 June 2008	**16 345**	**16 345**	16 345	16 345	–
10 June 2009	**13 924**	**12 995**	13 924	12 995	–
7 June 2010	**24 092**	**21 757**			
	282 516	**232 430**	252 423	210 068	34 718

In terms of the Lewis Co-investment Scheme, the Trust holds 63 274 shares (2010: 53 296 shares) on behalf of the above directors by virtue of the investment of their bonuses into the scheme.

	2011 Rm	2010 Rm
17.5 **Remuneration of key executives**		
Salary	**8.8**	8.8
Bonus	**5.0**	3.6
Retirement and medical contributions	**1.4**	1.8
Other benefits	**0.3**	0.5
Gains on share awards vested	**6.8**	9.5
	22.3	24.2

Key executives comprise the directors of Lewis Stores (Proprietary) Limited, the main operating subsidiary.

18. DEBTOR COSTS		
Bad debts, repossession losses and bad debt recoveries	**336.0**	331.5
Movement in doubtful debts provision	**122.9**	102.7
	458.9	434.2

notes to the financial statements for the year ended 31 March 2011

	GROUP	
	2011 Rm	2010 Rm
19. LEASE COMMITMENTS		
The group leases the majority of its properties under operating leases. The lease agreements of certain store premises provide for a minimum annual rental payment and additional payments determined on the basis of turnover.		
Payments on a cash flow basis:		
Within one year	**107.7**	101.5
Two to five years	**175.0**	150.9
	282.7	252.4
Payments on a straight-line basis:		
Within one year	**104.9**	98.2
Two to five years	**163.2**	137.8
	268.1	236.0
20. OPERATING PROFIT IS STATED AFTER		
Initiation and service fees on accounts receivable	**311.9**	268.2
Surplus on disposal of property, plant and equipment	**7.2**	6.5
Depreciation		
Owned assets	**46.5**	46.3
Leased assets	**–**	–
	46.5	46.3
Fees payable:		
Investment management fee – insurance investments	**2.7**	2.3
Outsourcing of IT function	**30.8**	31.9
	33.5	34.2
Operating lease payments on a cash flow basis	**142.3**	129.2
Lease adjustment	**(1.7)**	0.2
Operating leases on a straight-line basis	**140.6**	129.4
Auditors' remuneration		
Audit fees – current year	**1.7**	1.6
– prior year underprovision	**–**	0.1
Other services	**0.5**	0.5
	2.2	2.2
21. INVESTMENT INCOME		
Interest – insurance business	**52.3**	48.2
Dividends from listed investments – insurance business	**10.5**	5.7
Realised profit on disposal of insurance investments	**19.2**	23.6
	82.0	77.5

	GROUP	
	2011 Rm	2010 Rm
22. NET FINANCE COSTS		
22.1 **Interest paid**		
Bank loans and overdrafts	**77.2**	79.7
Other	**9.9**	15.0
	87.1	94.7
22.2 **Interest received**		
Bank	**(3.0)**	(3.6)
Other	**(0.2)**	(2.4)
	(3.2)	(6.0)
22.3 **Forward exchange contracts**		
Realised	**7.0**	30.4
Unrealised	**1.0**	2.1
	8.0	32.5
22.4 **Net finance costs**	**91.9**	121.2
23. TAXATION		
23.1 **Taxation charge**		
South Africa	**299.0**	243.5
Foreign	**31.7**	28.6
Taxation per income statement	**330.7**	272.1
Comprising:		
Normal taxation		
Current year	**302.7**	223.5
Prior year	**8.7**	(0.5)
Deferred taxation		
Current year	**(3.3)**	23.9
Prior year	**(6.5)**	–
Secondary tax on companies	**29.1**	25.2
Taxation per income statement	**330.7**	272.1
23.2 **The rate of taxation on profit is reconciled as follows:**		
Profit before taxation	**1 042.6**	863.5
Taxation calculated at a tax rate of 28% (2010: 28%)	**291.9**	241.8
Disallowed expenditure	**3.1**	1.6
Secondary tax on companies	**29.1**	25.2
Prior years	**2.2**	(0.5)
Differing tax rates in foreign countries	**4.4**	4.0
Taxation per income statement	**330.7**	272.1
Effective taxation rate	**31.7%**	31.5%

notes to the financial statements for the year ended 31 March 2011

	GROUP	
	2011 000's	2010 000's
24. EARNINGS PER SHARE		
24.1 **Weighted average number of shares**		
Weighted average shares for earnings and headline earnings per share	**88 194**	88 002
Dilution resulting from share awards outstanding	**991**	328
Weighted average shares for diluted earnings and headline earnings per share	**89 185**	88 330
Diluted earnings and headline earnings per share is calculated by adjusting the weighted average number of ordinary shares assuming that all share options will be exercised. The dilution is determined by the number of shares that could have been acquired at fair value (determined as the average annual market price of the shares) less the number of shares that would be issued on the exercise of all the share options.		
24.2 **Headline earnings**	**Rm**	Rm
Attributable earnings	**711.9**	591.4
Profit on disposal of property, plant and equipment	**(7.2)**	(6.5)
Profit on disposal of available-for-sale investments	**(19.2)**	(23.6)
Tax effect	**3.4**	4.2
Headline earnings	**688.9**	565.5
24.3 **Earnings per share**	**Cents**	Cents
Earnings per share	**807.2**	672.0
Diluted earnings per share	**798.2**	669.5
24.4 **Headline earnings per share**		
Headline earnings per share	**781.1**	642.6
Diluted headline earnings per share	**772.4**	640.2
25. DIVIDENDS PAID	**Rm**	Rm
Dividend No. 10 declared on 18 May 2009 and paid on 27 July 2009	**–**	175.5
Dividend No. 11 declared on 9 November 2009 and paid on 25 January 2010	**–**	141.2
Dividend No. 12 declared on 19 May 2010 and paid on 26 July 2010	**175.5**	–
Dividend No. 13 declared on 8 November 2010 and paid on 24 January 2011	**153.0**	–
Dividends received on treasury shares:		
Lewis Stores (Proprietary) Limited	**(30.9)**	(29.7)
Lewis Employee Share Incentive Scheme Trust	**(2.0)**	(2.6)
	295.6	284.4

	GROUP	
	2011 Rm	2010 Rm
26. NOTES TO THE CASH FLOW STATEMENTS		
26.1 **Cash generated from operations**		
Operating profit	**1 052.5**	907.2
Adjusted for:		
Share-based payments	**18.4**	10.9
Depreciation	**46.5**	46.3
Surplus on disposal of property, plant and equipment	**(7.2)**	(6.5)
Movement in debtors' impairment provision	**122.9**	102.7
Movement in retirement benefits provision	**7.6**	(2.1)
Movement in other provisions	**54.9**	71.5
	1 295.6	1 130.0
Changes in working capital:	**(518.6)**	(651.9)
(Increase)/Decrease in inventories	**(51.0)**	17.0
Increase in trade and other receivables	**(534.4)**	(644.3)
Increase/(Decrease) in trade and other payables	**66.8**	(24.6)
	777.0	478.1
26.2 **Taxation paid**		
Amount due at the beginning of the year	**(36.6)**	(2.5)
Amount charged to the income statement	**(330.7)**	(272.1)
Adjustment for deferred taxation	**(9.8)**	23.8
Amount owing at the end of the year	**49.1**	36.6
	(328.0)	(214.2)
26.3 **Cash and cash equivalents**		
Cash deposits and cash on hand	**84.3**	62.2
Demand loans	**(433.0)**	(311.4)
Cash and cash equivalents	**(348.7)**	(249.2)

notes to the financial statements for the year ended 31 March 2011

27. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

27.1 Credit risk

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

(i) Accounts receivable

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

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

  The process differs as follows:

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

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

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 **Credit risk (continued)**

(i) Accounts receivable (continued)

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

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

	GROUP	
	2011 Rm	2010 Rm
The total net receivable balance can be analysed as follows:		
Receivables satisfactory paid	**3 367.8**	2 886.1
Slow-paying and non-performing receivables which have been impaired	**1 150.3**	1 084.9
	4 518.1	3 971.0

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

		No. of customers		Impairment provision %	
		2011	2010	**2011**	2010
Satisfactory paid:					
Customers fully up to date including those who have paid 70% or more of amounts due over the contract period	No. %	**521 304** **74.5%**	498 370 72.7%	**1%**	0%
Slow payers:					
Customers fully up to date including those who have paid 65% to 70% of amounts due over the contract period	No. %	**55 439** **7.9%**	58 476 8.5%	**27%**	23%
Non-performing customers					
Customers who have paid 55% to 65% of amounts due over the period of the contract	No. %	**44 436** **6.4%**	48 446 7.1%	**44%**	43%
Non-performing customers					
Customers who have paid 55% or less of amounts due over the period of the contract	No. %	**78 174** **11.2%**	80 417 11.7%	**98%**	94%
Total		**699 353**	685 709	**16.8%**	16.0%

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

1 instalment in arrear	**4.2%**	4.4%
2 instalments in arrear	**2.8%**	2.9%
3 instalments in arrear	**1.9%**	1.9%
4 instalments in arrear	**1.4%**	1.3%
5 or more instalments in arrear	**3.3%**	2.3%
	13.6%	12.8%

notes to the financial statements for the year ended 31 March 2011

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.1 **Credit risk (continued)**

(ii) Fixed income securities and deposits

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

Deposits are placed with high-quality South African institutions. Included in the cash on hand and deposits are bank balances held in foreign currency amounting to R10.0 million (2010: R8.4 million).

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

27.2 **Market risk**

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

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

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

(i) Foreign exchange risk management

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

Imports of merchandise

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

During the year, 21.7% (2010: 23.6%) of the purchases were in foreign denominated currencies. Below is a summary of the amounts payable under forward contracts:

	Term	Rate	Foreign currency FCm	Rand equivalent Rm	Fair value (gain)/loss Rm
2011 US dollar	Less than 3 months	Rates vary from R6.75 to R7.03	**9.9**	**67.6**	**1.0**
2010 US dollar	Less than 3 months	Rates vary from R7.46 to R7.79	7.0	53.5	2.1

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

	-10%	-5%	+5%	+10%
2011				
Effect on (profit)/loss	**4.9**	**2.4**	**(2.4)**	**(4.9)**
(Increase)/Decrease in equity	**4.9**	**2.4**	**(2.4)**	**(4.9)**
2010				
Effect on (profit)/loss	3.7	1.9	(1.9)	(3.7)
(Increase)/Decrease in equity	3.7	1.9	(1.9)	(3.7)

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 **Market risk (continued)**

(i) Foreign exchange risk management (continued)

Net investment in foreign entities

The currency exposure is limited to the net investment in Botswana of R76.7 million (2010: R76.3 million), which includes a long-term loan account. The currency exposure is managed by keeping the net investment at a minimum practical level by remitting cash to South Africa on a regular basis through loan repayments and dividends.

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

	-10%	-5%	+5%	+10%
2011				
(Increase)/Decrease in equity	**5.4**	**2.7**	**(2.7)**	**(5.4)**
2010				
(Increase)/Decrease in equity	8.1	4.1	(4.1)	(8.1)

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

(ii) Interest rate risk

The principal objective of interest rate management is to:

– minimise the impact of interest rate volatility on profits in the short term; and

– ensure that the group is protected from volatile interest rate movements for the medium to long term.

Borrowings

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

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

	+50bp	-50bp
2011		
Effect on (profit)/loss	**4.2**	**(4.2)**
(Increase)/Decrease in equity	**4.2**	**(4.2)**
2010		
Effect on (profit)/loss	3.8	(3.8)
(Increase)/Decrease in equity	3.8	(3.8)

Accounts receivable

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

Due to the business model of Lewis Group, the fair value of instalment and loan receivables would have no impact on management's decision-making and for this reason, fair value was not determined.

The average effective interest rate on instalment sale and loan receivables is 24.1% (2010: 27.8%) and the average term of the sale is 27.9 months (2010: 27.7 months).

notes to the financial statements for the year ended 31 March 2011

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 **Market risk (continued)**

(ii) Interest rate risk (continued)

Interest rate profile

The interest rate profiles of financial instruments are as follows:

	Term of investment	Average closing effective interest rate %	Floating or fixed	Carrying value Rm
2011				
Assets				
Gross instalment sale and loan receivables	Up to 3 years	24.1%	Fixed	5 454.7
Fixed income securities	Varies	9.1%	Fixed	491.9
Money market investments	Up to 6 months	5.3%	Floating	240.2
Liabilities				
Long-term interest-bearing borrowings	Varies (refer note 11)	8.0%	Floating	400.0
Short-term interest-bearing borrowings	Varies (refer note 11)	7.3%	Floating	683.0
2010				
Assets				
Gross instalment sale and loan receivables	Up to 3 years	27.8%	Fixed	4 705.2
Fixed income securities	Varies	9.4%	Fixed	407.9
Money market investments	Up to 6 months	7.9%	Floating	178.1
Liabilities				
Long-term interest-bearing borrowings	Varies (refer note 11)	9.4%	Floating	350.0
Short-term interest-bearing borrowings	Varies (refer note 11)	9.0%	Floating	611.4

(iii) Price risk

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

Monarch holds investments in order to meet the insurance liabilities and solvency margins required by the Short-term Insurance Act of 1998. The investments are managed by Sanlam Investment Management (Proprietary) Limited (“Sanlam”) on Monarch’s behalf.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

27.2 **Market risk (continued)**

(iii) Price risk (continued)

The overall management objectives of the portfolio are:

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

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

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

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

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

	GROUP	
	2011	2010
Modified duration of Monarch's fixed income portfolio	**5.7**	5.7
Modified duration of the JSE All Bond Index	**5.9**	6.0

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

Portfolio sectoral analysis:		
Resources	**16.7%**	17.2%
Financials	**28.5%**	27.5%
Industrial	**54.8%**	55.3%
Beta of portfolio relative to JSE Index	**0.86**	0.84
Beta of portfolio relative to JSE Index, excluding resources	**0.99**	0.95

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

27.3 **Liquidity risk**

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

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

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

	2011 Rm	2010 Rm
Total banking facilities	**1 450.0**	1 450.0
Less: drawn portion of facility	**(1 083.0)**	(961.4)
Plus: cash on hand	**84.3**	62.2
Available cash resources and facilities	**451.3**	550.8

The maturity profile of financial liabilities has been set out in note 29.

notes to the financial statements for the year ended 31 March 2011

28. INSURANCE RISK

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

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

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

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

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

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

A proportional reinsurance arrangement has been entered into by Monarch to facilitate the transfer of 40% of the risk under these policies to an external reinsurer. Catastrophe cover has been placed with third-party insurers and reinsurers in order to reduce the potential impact of a single event on the earnings and capital of Monarch. Due to the nature of the insurance risk, claims can be measured reliably. Past experience has indicated that claims provision estimates approximate the actual claims costs. The insurance result is dependent on the trend in the group's merchandising sales. There is no insurance business other than with the group's customers.

	GROUP	
	2011	2010
	Rm	Rm
Movement in provisions:		
(i) Unearned premium reserve		
Opening balance	**438.2**	360.0
Movement during year	**124.4**	78.2
Closing balance	**562.6**	438.2
Comprising:		
Unearned premiums	**916.6**	722.5
Less: reinsurers' share of provision	**(354.0)**	(284.3)
Net balance	**562.6**	438.2
(ii) Insurance provisions		
Insurance provisions include outstanding claims, IBNR reserve and deferred reinsurance acquisition reserve		
Opening balance	**130.4**	71.1
Movement during the year	**41.0**	59.3
Closing balance	**171.4**	130.4

28. INSURANCE RISK (CONTINUED)

Regulatory requirements

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

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

29. FINANCIAL INSTRUMENTS

(i) Categories

	Loans and receivables Rm	Available-for-sale Rm	Amortised cost Rm	Total Rm
Assets				
2011				
Investments – insurance business		**1 097.3**		**1 097.3**
Trade and other receivables	**3 835.0**			**3 835.0**
Cash on hand and on deposit			**84.3**	**84.3**
2010				
Investments – insurance business		894.1		894.1
Trade and other receivables	3 427.6			3 427.6
Cash on hand and on deposit			62.2	62.2
Liabilities				
2011				
Trade payables			**72.7**	**72.7**
Borrowings			**1 083.0**	**1 083.0**
2010				
Trade payables			64.1	64.1
Borrowings			961.4	961.4

(ii) Maturity profile of financial liabilities

The maturity profiles of financial liabilities are as follows:

	0 – 12 months Rm	2 – 5 years Rm	>5 years Rm	Total Rm
2011				
Borrowings	**(683.0)**	**(400.0)**	**–**	**(1 083.0)**
Trade payables	**(72.7)**	**–**	**–**	**(72.7)**
	(755.7)	**(400.0)**	**–**	**(1 155.7)**
2010				
Borrowings	(611.4)	(350.0)	–	(961.4)
Trade payables	(64.1)	–	–	(64.1)
	(675.5)	(350.0)	–	(1 025.5)

The fair value of trade payables and borrowings approximate their carrying values.

notes to the financial statements for the year ended 31 March 2011

29. FINANCIAL INSTRUMENTS (CONTINUED)

(iii) Fair value estimation

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

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

(iv) Fair value hierarchy

The following table presents the assets and liabilities that are recognised and subsequently measured at fair value:

	Level 1 Rm	Level 2 Rm	Total Rm
2011			
Available-for-sale assets:			
Insurance investments:			
Equities	**365.2**		**365.2**
Fixed income securities	**491.9**		**491.9**
Money market		**240.2**	**240.2**
Forward exchange contracts		**(1.0)**	**(1.0)**
	857.1	**239.2**	**1 096.3**
2010			
Available-for-sale assets:			
Insurance investments:			
Equities	308.1		308.1
Fixed income securities	407.9		407.9
Money market		178.1	178.1
Forward exchange contracts		(2.1)	(2.1)
	716.0	176.0	892.0

A description of the categorisation of the valuation techniques used to value the assets and liabilities at fair value is set out below:

Level 1:

Financial instruments valued with reference to quoted prices in active markets where the quoted price is readily available and the price represents actual and recurring market transactions on an arm's length basis. An active market is one which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2:

Financial instruments valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets/liabilities in an active market;
- quoted prices for identical or similar assets/liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

Level 3:

Financial instruments valued using inputs that are not based on observable market data. The group does not have any assets or liabilities that fall into this category.

	GROUP	
	2011 Rm	2010 Rm
30. CAPITAL RISK MANAGEMENT		
The group's objectives when managing capital are to:		
– safeguard the group's ability to continue as a going concern;		
– provide returns for shareholders;		
– provide benefits for other stakeholders; and		
– maintain an optimal capital structure as approved by the board.		
In order to maintain the optimal capital structure, dividends paid to shareholders may be adjusted, capital could be returned to shareholders or new shares could be issued.		
Consistent with others in the industry, capital is monitored on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents.		
During the 2011 financial year, the strategy was to maintain the gearing below 35%, which in the current credit conditions is considered to be prudent. The gearing rates at 31 March 2011 and 31 March 2010 were as follows:		
Interest-bearing borrowings	**1 083.0**	961.4
Less: cash and cash equivalents	**(84.3)**	(62.2)
Net debt	**998.7**	899.2
Shareholders' equity	**3 728.1**	3 273.7
Gearing ratio	**26.8%**	27.5%
31. CONTINGENCIES		
Bank guarantees given by the group to third parties. The directors are of the opinion that no loss will be incurred on these guarantees.	**8.4**	8.4
32. CAPITAL COMMITMENTS		
Material capital commitments contracted for or authorised and contracted at the end of the year	**–**	–

33. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The following standards, amendments resulting from the Improvements Project and interpretations are not yet effective and have not been adopted by the group:

IFRS 7: Financial Instruments: Disclosures	Amendment regarding the risks the group faces with derecognised receivables and other financial assets.
IFRS 9: Financial Instruments	New standard that forms part of a three-phase project to replace IAS 39: Financial Instruments: Recognition and Measurement.
IAS 12: Income Taxes	Amendment of the statement to introduce an exception to the existing measurement principles with respect to investment properties measured at fair value.
IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	The amendment relates to voluntary defined benefit prepayments when there is a minimum funding requirement.

Annual improvements to IFRS issued May 2010 for amendments effective 1 July 2010 and 1 January 2011.

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

It should be noted that IFRS 9 introduces new requirements for classifying and measuring financial assets. This standard will be developed further and new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting will be developed. No investigation of the impact has been made since the statement is still evolving. However, it is very likely that the complete standard will have a significant impact on the group's accounting.

company income statement for the year ended 31 March 2011

		COMPANY	
	Notes	**2011 Rm**	2010 Rm
REVENUE	2	**328.5**	322.3
OPERATING COSTS	3	**(6.9)**	(6.2)
PROFIT BEFORE TAXATION		**321.6**	316.1
Taxation	4	**–**	–
NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		**321.6**	316.1

company balance sheet at 31 March 2011

		COMPANY	
	Notes	**2011 Rm**	2010 Rm
ASSETS			
NON-CURRENT ASSETS			
Interest in subsidiaries	5	**2 817.7**	2 796.3
CURRENT ASSETS			
Deposits at bank		**–**	–
TOTAL ASSETS		**2 817.7**	2 796.3
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital and premium	6	**2 711.6**	2 711.6
Share-based payment reserve		**28.2**	–
Retained earnings		**76.1**	83.0
		2 815.9	2 794.6
CURRENT LIABILITIES			
Trade and other payables		**1.8**	1.7
TOTAL EQUITY AND LIABILITIES		**2 817.7**	2 796.3

company statement of changes in equity

for the year ended 31 March 2011

	COMPANY			
	Share capital and premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
BALANCE AS AT 1 APRIL 2009	2 711.6	–	83.6	2 795.2
Net profit attributable to ordinary shareholders	–	–	316.1	316.1
Dividends paid	–	–	(316.7)	(316.7)
BALANCE AT 31 MARCH 2010	2 711.6	–	83.0	2 794.6
Net profit attributable to ordinary shareholders	**–**	**–**	**321.6**	**321.6**
Dividends paid	**–**	**–**	**(328.5)**	**(328.5)**
Capital contribution in respect of share-based payment	**–**	**28.2**	**–**	**28.2**
BALANCE AT 31 MARCH 2011	**2 711.6**	**28.2**	**76.1**	**2 815.9**

company cash flow statement for the year ended 31 March 2011

		COMPANY	
	Notes	**2011 Rm**	2010 Rm
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	7	**(6.8)**	(6.0)
Dividends received		**328.5**	322.3
CASH RETAINED FROM OPERATING ACTIVITIES		**321.7**	316.3
CASH UTILISED IN INVESTING ACTIVITIES			
Loans from subsidiary companies		**6.8**	0.1
NET CASH INFLOW FROM INVESTING ACTIVITIES		**6.8**	0.1
CASH EFFECTS OF FINANCING ACTIVITIES			
Dividends paid		**(328.5)**	(316.7)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		**(328.5)**	(316.7)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**–**	(0.3)
Cash and cash equivalents at the end of the year		**–**	0.3
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**–**	–

notes to the company financial statements

for the year ended 31 March 2011

	COMPANY	
	2011 Rm	2010 Rm
1. ACCOUNTING POLICIES		
The financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act. The accounting policies used in the preparation of these financial statements are set out on pages 71 to 79.		
2. REVENUE		
Dividends received from subsidiary	**328.5**	322.3
3. OPERATING PROFIT	**R**	R
Stated after:		
Audit fees – current year	**50 000**	50 000
Other services	**9 000**	–
	59 000	50 000
4. TAXATION	**Rm**	Rm
Taxation	**–**	–
	–	–
The rate of taxation on profit is reconciled as follows:		
Profit before taxation	**321.5**	316.2
Taxation calculated at a tax rate of 28% (2010: 28%)	**90.0**	88.5
Exempt income	**(90.0)**	(88.5)
Taxation per income statement	**–**	–
5. INTEREST IN SUBSIDIARIES		
Shares at cost	**2 800.0**	2 800.0
Capital contribution for share-based payment	**28.2**	–
Indebtness	**(10.5)**	(3.7)
	2 817.7	2 796.3
6. SHARE CAPITAL AND PREMIUM		
Authorised		
150 000 000 ordinary shares of 1 cent each	**1.5**	1.5
Issued		
98 057 959 (2010: 98 057 959) ordinary shares of 1 cent each	**1.0**	1.0
Share premium	**2 710.6**	2 710.6
Total share capital and premium	**2 711.6**	2 711.6
7. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**321.6**	316.1
Dividends received	**(328.5)**	(322.3)
Increase in trade and other payables	**0.1**	0.2
	(6.8)	(6.0)

interest in subsidiary companies

for the year ended 31 March 2011

	Nature of business	2011 Carrying value of subsidiaries Rm	2011 % holding	2010 Carrying value of subsidiaries Rm	2010 % holding
DIRECTLY HELD					
Lewis Stores (Proprietary) Limited	F	**2 800.0**	**100%**	2 800.0	100%
INDIRECTLY HELD					
Incorporated in South Africa					
Monarch Insurance Company Limited	I		**100%**		100%
Kingtimm (Proprietary) Limited	L		**100%**		100%
Lifestyle Living (Proprietary) Limited	F		**100%**		100%
Incorporated in Botswana					
Lewis Stores (Botswana) (Proprietary) Limited	F		**100%**		100%
Lewis Management Services (Botswana) (Proprietary) Limited	M		**100%**		100%
Lewis Insurance Services (Botswana) (Proprietary) Limited	M		**100%**		
Incorporated in Swaziland					
Lewis Stores (Swaziland) (Proprietary) Limited	F		**100%**		100%
Incorporated in Namibia					
Lewis Stores (Namibia) (Proprietary) Limited	F		**100%**		100%
Lewis Management Services Namibia (Proprietary) Limited	M		**100%**		100%
Incorporated in Lesotho					
Lewis Stores (Lesotho) (Proprietary) Limited	F		**100%**		100%
COST OF SUBSIDIARIES		**2 800.0**		2 800.0	
CAPITAL CONTRIBUTION IN RESPECT OF SHARE-BASED PAYMENT		**28.2**			
AMOUNTS DUE TO SUBSIDIARIES					
Lewis Stores (Proprietary) Limited		**(10.5)**		(3.7)	
INTEREST IN SUBSIDIARIES		**2 817.7**		2 796.3	

F Furniture dealer

I Insurance company

M Management services company

L Company holding property leases

shareholders' information

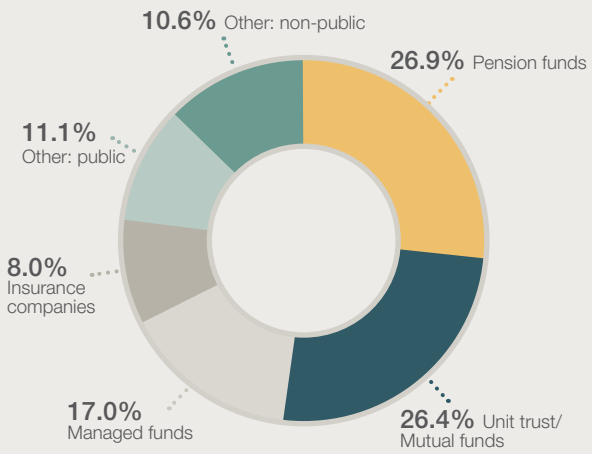
	No. of shareholders		Number of shares	
	Total	%	Total	%
SHAREHOLDERS' SPREAD AS AT 31 MARCH 2011				
1 – 1 000 shares	4 110	66.71	2 009 513	2.05
1 001 – 10 000 shares	1 661	26.96	4 783 660	4.88
10 001 – 100 000 shares	270	4.38	8 690 497	8.86
100 001 – 1 000 000 shares	104	1.69	30 254 082	30.85
1 000 001 shares and over	16	0.26	52 320 207	53.36
Total	6 161	100.00	98 057 959	100.00
DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2011				
Public	6 150	99.82	87 669 588	89.40
Pension funds			26 405 316	26.93
Unit trusts/mutual funds			25 915 860	26.43
Managed funds			16 628 634	16.96
Insurance companies			7 825 245	7.98
Other			10 894 533	11.1
Non-public	11	0.18	10 388 371	10.60
Lewis Stores (Proprietary) Limited	1	0.02	9 216 928	9.40
Lewis Employee Incentive Scheme Trust	1	0.02	603 915	0.62
Directors:				
Lewis Group Limited	5	0.08	466 428	0.48
Lewis Stores (Proprietary) Limited	4	0.06	101 100	0.10
	6 161	100.00	98 057 959	100.00

MAJOR SHAREHOLDINGS AS AT 31 MARCH 2011

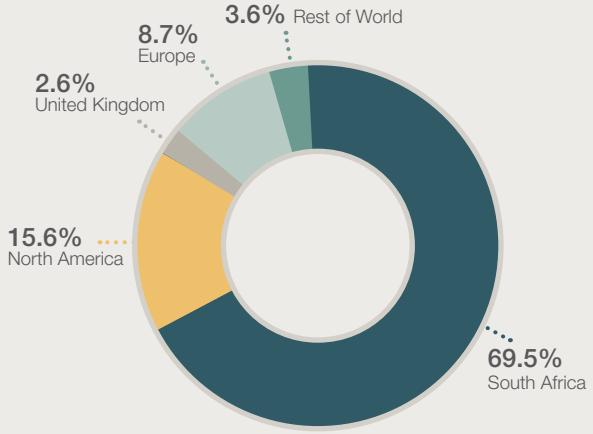
According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 140A of the Companies Act of 1973, the following entities owned in excess of 3% of the company's shares as at 31 March 2011:

	%
Beneficial shareholders	
Government Employee Pension Fund	17.43
Lewis Stores (Proprietary) Limited	9.40
TriAlpha Oceana Concentrated Opportunity Fund	3.37
Lewlef Investments (Proprietary) Limited	3.06
By fund manager	
Public Investment Corporation	12.61
Sanlam Investment Management	10.53
Old Mutual Investment Group	4.06
AXA Financial SA	4.02
Abax Investments	3.91
TriAlpha Asset Management Limited	3.37
Metropolitan Asset Managers	3.34
Dimensional Fund Advisers	3.07
GEOGRAPHICAL ANALYSIS OF SHAREHOLDERS	
Beneficial shareholders	
South Africa	69.44
North America	15.60
United Kingdom	2.59
Europe	8.73
Rest of World	3.64
	100.00
By fund manager	
South Africa	67.27
North America	17.20
United Kingdom	2.45
Europe	6.59
Rest of World	6.49
	100.00

DISTRIBUTION OF SHAREHOLDERS



GEOGRAPHICAL: BY BENEFICIAL OWNER



shareholders' calendar

Financial year-end	31 March 2011
Final profit announcement	23 May 2011
Final dividend declared	23 May 2011
Annual report	30 June 2011
Last day to trade "cum" dividend	15 July 2011
Date trading commences "ex" dividend	18 July 2011
Record date	22 July 2011
Date of dividend payment	25 July 2011
Annual general meeting	12 August 2011
Interim profit announcement	14 November 2011

notice of annual general meeting

LEWIS GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2004/009817/06)
Share code: LEW
ISIN: ZAE000058236
("Lewis Group" or "the company")

Notice is hereby given that the seventh annual general meeting of shareholders ("AGM") of Lewis Group Limited for the year ended 31 March 2011 will be held at Lewis Group head office, 53A Victoria Road, Woodstock, Cape Town at 10:00 on Friday, 12 August 2011. **Registration will start at 9:15.**

The board of directors of the company determined that the record date for the purpose of determining which shareholders of the company are entitled to participate in and vote at the AGM is 29 July 2011.

The purpose of the annual general meeting is for the following business to be transacted:

1. **Presentation of Directors' Report**
2. **Presentation of Audit Committee Report**
3. **Ordinary resolution number 1**

   Adoption of annual financial statements

   Explanatory note
   In terms of the transitional provisions of the Companies Act No. 71 of 2008, as amended ("the Companies Act"), the financial statements will be presented for adoption by shareholders. The purpose of this ordinary resolution is to adopt the annual financial statements of the company and its subsidiaries, which annual financial statements are set out on pages 60 to 109 of the document of which this Notice of Annual General Meeting forms part (the Integrated Annual Report).

   "Resolved that the audited annual financial statements of the company and its subsidiaries for the year ended 31 March 2011 accompanying this notice be accepted and adopted."

4. **Ordinary resolution number 2**

   Election of directors

   Explanatory note
   The election of each director who, among other things, retires by rotation is required at the company's AGM. The election will be conducted by a series of separate votes in respect of each candidate.

   Fatima Abrahams, Hilton Saven and Alan James Smart offer themselves for re-election.

   Fatima Abrahams (48)

   Hilton Saven (58)

   Alan James Smart (66)

   Brief CV's of the directors are on pages 18 to 19.

   Election of Fatima Abrahams as director

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

   Election of Hilton Saven as director

   4.2 "Resolved that Hilton Saven be and is hereby elected as director of the company."

   Election of Alan Smart as director

   4.3 "Resolved that Alan Smart be and is hereby elected as director of the company."

5. **Ordinary resolution number 3**

   Election of members of the Audit Committee

   Explanatory note
   In terms of the Companies Act, at each annual general meeting an Audit Committee comprising at least three members must be elected. It is proposed that the current members of the Audit Committee be re-elected for the ensuing year. The election of each member of the Audit Committee will be voted on separately.

   Brief CV's of the members are on pages 18 to 19.

   Election of Fatima Abrahams as member of the Audit Committee

   5.1 "Resolved that Fatima Abrahams be and is hereby elected as a member of the Audit Committee".

   Election of Zarina Bibi Mahomed Bassa as member of the audit committee.

   5.2 "Resolved that Zarina Bibi Mahomed Bassa be and is hereby elected as a member of the Audit Committee."

   Election of Myra Sizakele Pinkie Marutlulle as member of the Audit Committee

   5.3 "Resolved that Myra Sizakele Pinkie Marutlulle be and is hereby elected as a member of the Audit Committee."

   Election of Hilton Saven as member of the Audit Committee

   5.4 "Resolved that Hilton Saven be and is hereby elected as a member of the Audit Committee."

   Election of Benedict James van der Ross as member of the Audit Committee

   5.5 "Resolved that Benedict James van der Ross be and is hereby elected as a member of the Audit Committee."

6. **Ordinary resolution number 4**

Approval of reappointment of auditors

Explanatory note
In terms of the Companies Act, the company must each year at its AGM appoint an external auditor. The group's current external auditor is PricewaterhouseCoopers Inc., which has indicated that Mr Zuhdi Abrahams being a director of the firm and a registered auditor, will undertake the audit. The group's Audit Committee has recommended that the firm and the designated auditor be reappointed for the ensuing period.

"Resolved that the firm PricewaterhouseCoopers Inc. and Zuhdi Abrahams as the designated auditor be reappointed for the ensuing year."

7. **Non-binding advisory vote number 5**

Approval of the company's remuneration policy

Explanatory note
In terms of principle 2.27 of the King Report on Corporate Governance in South Africa, 2009 ("King III Report"), the company's remuneration policy should be tabled to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation. Accordingly, the shareholders are requested to endorse the company's remuneration policy set out on page 34, by way of a non-binding advisory vote.

"Resolved that the company's remuneration policy accompanying this notice be accepted and approved."

8. **Special resolution number 1**

Approval of directors' fees

Explanatory note
In terms of section 66(8) of the Companies Act the company may pay remuneration to its directors for their service as directors. Section 66(9) requires the remuneration to be paid in accordance with a special resolution approved by shareholders within the previous two years.

The effect of the special resolution is the directors will be entitled to the fees paid for the period from 1 April 2011 until 30 June 2012, such fees to be paid in five instalments at the end of each quarter. The fees include an annual increase as well as an adjustment for the extended period of 15 months.

"Resolved that the fees of the directors as reflected below be approved for the period from 1 April 2011 until 30 June 2012:

Chairman	R531 250
Director	R250 000

If a member of the Audit Committee, the following additional amount:

Chairman	R256 250
Member	R112 500

If a member of the Risk Committee, the following additional amount:

Chairman	R122 500
Member	R75 000

If a member of the Remuneration Committee, the following additional amount:

Chairman	R122 500
Member	R60 000

If a member of the Nomination Committee, the following additional amount:

Chairman	R81 250
Member	R33 750

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

Chairman	R81 250
Member	R33 750

Invitation fee

All non-executive directors who attend the committee meetings by invitation at the request of the board shall be eligible to receive the same fee as if they were a member of the committee."

9. **Special resolution number 2**

General approval to provide financial assistance

Explanatory note
The reason for this special resolution is to provide general authority for the company to provide financial assistance to its subsidiaries and other related and interrelated companies and corporations.

Section 45 of the Companies Act provides, inter alia, that any financial assistance to related or interrelated companies and corporations, including, inter alia, to subsidiaries of the company, must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the board of directors must be satisfied that –

- immediately after providing the financial assistance, the company would satisfy the

notice of annual general meeting

solvency and liquidity test, as defined in section 4 of the Companies Act; and

- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The company, when the need arises, provides loans to and/or guarantees loans or other obligations of subsidiaries. The company requires the ability to continue providing financial assistance, if and when necessary, to its current and future subsidiaries and/or any other company or corporation that is or becomes related or interrelated, in accordance with section 45 of the Companies Act.

In the circumstances and in order to, inter alia, ensure that the company's subsidiaries and other related and interrelated companies and corporations have access to financing and/or financial backing from the company, it is necessary to obtain the approval of shareholders, as set out in special resolution number 2.

The passing of this special resolution will have the effect of allowing the directors of the company to authorise the company to provide direct or indirect financial assistance to the company's subsidiaries and other related and interrelated companies and corporations to allow such companies or corporations to have access to financing and/or financial backing from the company.

"Resolved that the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or interrelated to the company for any purpose or in connection with any matter. The financial assistance may be provided at any time during the period commencing on the date of the adoption of this resolution and ending 2 (two) years after such date."

10. Ordinary resolution number 6

Directors' authority to implement company resolutions

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

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

GENERAL INSTRUCTIONS AND INFORMATION

1. On the date that the Companies Act came into effect, the memorandum of association and articles of association of the company automatically converted into the company's memorandum of incorporation. Accordingly, where the term "memorandum of incorporation" is used in this Notice of AGM, it refers to the company's memorandum of incorporation, which currently comprises the company's memorandum of association and its articles of association.

2. Unless otherwise specifically provided in this Notice of AGM, for any of the ordinary resolutions to be adopted, 50% of the voting rights plus one vote exercised on each such ordinary resolution must be exercised in favour thereof. For any special resolutions to be adopted, 75% of the voting rights plus one vote exercised on each special resolution must be exercised in favour thereof.

3. In accordance with section 63(1) of the Companies Act, participants at the AGM will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly provide a copy of their identity document, passport or driver's licence at the AGM for verification.

4. The company intends to make provision for shareholders of the company, or their proxies, to participate in the AGM by way of electronic communication. Should you wish to participate in the AGM by way of electronic communication, you are required to give notice of such proposed participation to the Company at its registered office by no later than 12:00 on 29 July 2011. Such notice must be accompanied by the following:

   a. if the shareholder is an individual, a certified copy of his identity document and/or passport;

   b. if the shareholder is not an individual, a certified copy of the resolution adopted by the relevant entity authorising the representative to represent the shareholder at the AGM and a certified copy of the authorised representative's identity document and/or passport;

   c. a valid e-mail address and/or facsimile number for the purpose of receiving notice of the manner in which the electronic participation will be conducted.

   If you provide the company with the aforesaid notice and documents, the company shall use its reasonable endeavours to notify you of the relevant details of the electronic communication through which you can participate in the AGM.

5. All shareholders are encouraged to attend, speak and vote at the AGM and are entitled to appoint a proxy to attend, speak and vote at the meeting in place of the shareholder. The proxy duly appointed to act on behalf of a shareholder, need not also be a shareholder of the company.
6. On a show of hands, every shareholder of the company present in person or represented shall have one vote only. On a poll, every shareholder present in person, by proxy or represented shall have one vote for every share held.
7. If you hold certificated shares (i.e. have not dematerialised your shares in the company) or are registered as an own name dematerialised shareholder (i.e. have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name in the company's sub-register) then:
    - you may attend and vote at the AGM; alternatively
    - you may appoint a proxy to represent you at the AGM by completing the attached form of proxy and, for administrative reasons, returning it to the company's transfer secretaries (Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)) or lodging it at the registered office of the company by no later than 24 hours prior to the time appointed for the holding of the meeting; and/or
    - you may participate in the AGM by way of electronic participation in accordance with paragraph 4 above.
8. Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE Limited's electronic settlement system, Share Transactions Totally Electronic ("STRATE")) held through a CSDP or broker (or their nominee) and are not registered as an "own name dematerialised shareholder" then you are not a registered shareholder of the company; your CSDP or broker (or their nominee) would be. Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:
    - if you wish to participate in the AGM (either by being physically present at the meeting or by way of electronic participation in accordance with paragraph 4 above) you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
    - if you are unable to attend the AGM but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the AGM and/or request it to appoint a proxy. You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker, as the case may be, within the time period required by your CSDP or broker, as the case may be.
    - CSDPs, brokers or their nominees, as the case may be, recorded in the company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the company, vote by either appointing a duly authorised representative to attend and vote at the AGM (either by being physically present at the meeting or by way of electronic participation in accordance with paragraph 4 above) or by completing the attached form of proxy in accordance with the instructions thereon and for administrative purposes, returning it to the company's transfer secretary (Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)) or lodging it at the registered office of the company, for administrative reasons, not less than 24 hours prior to the time appointed for the holding of the meeting.
9. Shareholders of the company that are companies, that wish to participate in the AGM, may authorise any person to act as its representative at the AGM.

By order of the board

M G McConnell
Company Secretary

8 June 2011

notes

form of proxy

Lewis Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2004/009817/06)
Share code: LEW ISIN: ZAE000058236
("Lewis Group" or "the company")

For use at the annual general meeting of the company to be held at Lewis Group head office, 53A Victoria Road, Woodstock, on Friday, 12 August 2011 at 10:00 ("the annual general meeting").

Not to be used by beneficial holders of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless you are recorded on the sub-register as an "own name" dematerialised shareholder ("own name dematerialised shareholder"). Generally, you will not be an own name dematerialised shareholder unless you have specifically requested the CSDP to record you as the holder of the shares in your own name in the company's sub-register.

Only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the company's sub-register as the holder of dematerialised ordinary shares.

I/We (block letters), _____

Of (address) _____

Telephone: (Work) _____ Telephone: (Home) _____

being the holder/s of _____ ordinary shares in the company, hereby appoint (see instruction overleaf)

1. _____ or failing him/her

2. _____ or failing him/her

3. the chairperson of the annual general meeting,

as my/our proxy to attend, speak and vote (or abstain from voting) and act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and if deemed fit passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the company registered in my/our name/s in accordance with the following instructions (see instruction overleaf).

	Insert an "X"		
	In favour of	Against	Abstain
Ordinary resolution 1 Approval of annual financial statements			
Ordinary resolution 2.1 Election of Fatima Abrahams as director			
Ordinary resolution 2.2 Election of Hilton Saven as director			
Ordinary resolution 2.3 Election of Alan James Smart as director			
Ordinary resolution 3.1 Election of Fatima Abrahams as a member of the Audit Committee			
Ordinary resolution 3.2 Election of Zarina Bibi Mahomed Bassa as a member of the Audit Committee			
Ordinary resolution 3.3 Election of Myra Sizakele Pinkie Marutlulle as a member of the Audit Committee			
Ordinary resolution 3.4 Election of Hilton Saven as a member of the Audit Committee			
Ordinary resolution 3.5 Election of Benedict James van der Ross as a member of the Audit Committee			
Ordinary resolution number 4 Approval of reappointment of auditors			
Non-binding advisory vote number 5 Approval of the company's remuneration policy			
Special resolution number 1 Approval of directors' fees			
Special resolution number 2 General approval to provide financial assistance			
Ordinary resolution number 6 Directors' authority to implement company resolutions			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the company, insert the number of shares held in respect of which you desire to vote (instruction overleaf).

Signed at _____ on _____ 2011

Signature/s _____
(Authority of signatory to be attached if applicable – see instruction overleaf)

Assisted by _____
(where applicable)

Telephone number: _____
Please read the notes on reverse side.

form of proxy

INSTRUCTIONS ON SIGNING AND LODGING THE PROXY FORM:

1. A certificated or own name dematerialised shareholder or CSDP or broker registered in the company's sub-register may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter. If no proxy is inserted in the spaces provided, then the chairperson shall be deemed to be appointed as the proxy to vote or abstain as the chairperson deems fit.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the proxy will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. Proxy forms should be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), or lodged with the company secretary to be received, for administrative reasons, by no later than 10:00 on Thursday, 11 August 2011.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting. CSDPs or brokers registered in the company's sub-register voting on instructions from owners of shares registered in the company's sub-sub-register, are requested that they identify the owner in the sub-sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the company's secretary together with this form of proxy.
6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, for which purpose seniority will be determined by the order in which the names appear on the register of shareholders in respect of the joint holding.
7. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such member wish to do so.
8. The completion of any blank spaces overleaf need to be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
9. The chairman of the annual general meeting may in his absolute discretion reject or accept any proxy form which is completed other than in accordance with these notes.
10. If required, additional forms of proxy are available from the secretary of the company.
11. Shareholders which are a company or body corporate may by resolution of their directors, or other properly authorised body, authorise any person to act as their representative. The representative will be counted in the quorum and will be entitled to vote on a show of hands or on a poll.
12. The shareholder's proxy may delegate his/her authority to act on the shareholder's behalf to another person, subject to any restriction set out in the proxy form.
13. The appointment of the proxy or proxies will be suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any of the shareholder's rights as a shareholder at the annual general meeting.
14. The appointment of a proxy is revocable unless the shareholder expressly states otherwise in the proxy form.
15. As the appointment of the shareholder's proxy is revocable, the shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to the company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on the shareholder's behalf as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the company and the proxy as aforesaid.
16. If the proxy form has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Companies Act to be delivered by the company to the shareholder will be delivered by the company to the shareholder or the shareholder's proxy or proxies, if the shareholder has directed the company to do so, in writing and paid any reasonable fee charged by the company for doing so.
17. The shareholder's proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder at the annual general meeting, but only as directed by the shareholder on the proxy form.
18. The appointment of the shareholder's proxy remains valid only until the end of the annual general meeting or any adjournment or postponement thereof or for a period of one year, whichever is shortest, unless it is revoked by the shareholder before then on the basis set out above.

REGISTRATION NUMBER
2004/009817/06

REGISTERED ADDRESS
53A Victoria Road, Woodstock, 7925

POSTAL ADDRESS
PO Box 43, Woodstock, 7915

AUDITORS
PricewaterhouseCoopers Inc.
Cape Town

ATTORNEYS
Edward Nathan Sonnenbergs

BANKERS
ABSA Bank Limited
First National Bank of Africa Limited
Investec Bank Limited

www.lewisgroup.co.za