LEWIS GROUP UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

Lewis Group Ltd

Lewis Group Limited
("Lewis" or "the Group")
Registration number 2004/009817/06
Share code: LEW ISIN: ZAE000058236

- LISTED 4 OCTOBER
- REVENUE UP BY 11%
- OPERATING MARGIN INCREASED TO 22.8%
- OPERATING PROFIT UP BY 25%
- HEADLINE EARNINGS UP BY 55%
- FURTHER IMPROVEMENT IN QUALITY OF DEBTORS' BOOK
- INTERIM DIVIDEND 61 CENTS PER SHARE

GROUP INCOME STATEMENT

	Notes	6 months ended Sept 2004 Rm Unaudited	% change	6 months ended Sept 2003 Rm Unaudited	12 months ended Mar 2004 Rm Audited
Revenue	3	**1 185.0**	10.9%	1 068.4	2 274.7
Cost of sales		**(494.3)**		(431.6)	(919.6)
Gross profit		**690.7**		636.8	1 355.1
Bad and doubtful debts	4	**(37.6)**		(73.7)	(115.1)
Depreciation		**(21.1)**		(21.0)	(38.7)
Employment costs		**(194.5)**		(172.6)	(367.8)
Occupancy costs		**(43.1)**		(40.3)	(83.4)
Other operating costs		**(124.5)**		(113.1)	(244.5)
Operating profit		**269.9**	24.9%	216.1	505.6
Investment income		**20.6**		25.4	34.9
Profit before finance costs		**290.5**	20.3%	241.5	540.5
Finance costs		**(30.4)**		(75.2)	(141.7)
Profit before tax		**260.1**	56.4%	166.3	398.8
Tax		**(78.4)**		(49.7)	(111.5)
Net profit attributable to ordinary shareholders		**181.7**	55.8%	116.6	287.3

RECONCILIATION OF HEADLINE EARNINGS

	Sept 2004	% change	Sept 2003	Mar 2004
Net profit attributable to ordinary shareholders	**181.7**		116.6	287.3
Adjusted for				
Amortisation of negative goodwill	**–**		–	(1.0)
Profit on disposal of property, plant and equipment	**(1.9)**		(1.4)	(3.1)
Loss on disposal/impairment of available-for-sale assets	**1.0**		1.6	3.5
Taxation effect	**0.4**		0.3	0.9
Headline earnings	**181.2**	54.7%	117.1	287.6
Number of Lewis Group Ltd ordinary shares (000)				
In issue	**100 000**		100 000	100 000
Weighted average	**100 000**		100 000	100 000
Fully diluted weighted average	**100 000**		100 000	100 000
Earnings per share (cents)	**181.7**	**55.8%**	**116.6**	**287.3**
Headline earnings per share (cents)	**181.2**	**54.7%**	**117.1**	**287.6**

GROUP BALANCE SHEET

	Notes	Sept 2004 Rm Unaudited	Sept 2003 Rm Unaudited	Mar 2004 Rm Audited
Assets				
Non-current assets				
Property, plant and equipment		**111.7**	113.6	115.4
Negative goodwill		**–**	–	(4.2)
Investments – insurance business		**158.1**	135.1	146.2
		269.8	248.7	257.4
Current assets				
Investments – insurance business		**342.8**	303.5	296.7
Inventories		**173.0**	156.5	155.3
Trade and other receivables	5	**1 741.9**	1 715.9	1 751.7
Cash deposits and cash on hand		**58.4**	179.8	358.8
		2 316.1	2 355.7	2 562.5
Total assets		**2 585.9**	2 604.4	2 819.9
Equity and liabilities				
Capital and reserves				
Shareholders' equity and reserves		**1 883.1**	1 132.1	1 310.0
Non-current liabilities				
Interest-bearing borrowings		**1.9**	682.3	683.8
Deferred tax		**21.7**	44.4	28.1
Retirement benefits		**37.8**	35.5	36.0
		61.4	762.2	747.9
Current liabilities				
Trade and other payables		**241.9**	230.9	207.4
Tax		**40.8**	24.7	82.4
Current portion of interest-bearing borrowings		**8.2**	415.5	472.2
Overdrafts and short-term interest-bearing borrowings		**350.5**	39.0	–
		641.4	710.1	762.0
Total equity and liabilities		**2 585.9**	2 604.4	2 819.9

GROUP CASH FLOW STATEMENT

	Notes	6 months ended Sept 2004 Rm Unaudited	6 months ended Sept 2003 Rm Unaudited	12 months ended Mar 2004 Rm Audited
Cash flow from operating activities				
Cash flow from trading	7	**292.1**	267.6	535.9
Working capital movement	8	**25.2**	(20.0)	(27.0)
Cash generated from operations		**317.3**	247.6	508.9
Dividends and interest received		**26.8**	23.4	49.5
Finance costs		**(305.4)**	(2.2)	(18.9)
Tax paid		**(128.3)**	(73.2)	(99.2)
Cash (utilised by)/retained from operating activities		**(89.6)**	195.6	440.3
Net cash flow from investing activities		**(56.6)**	(32.8)	(59.0)
Net cash flow from financing activities		**(504.7)**	(5.8)	(6.3)
Net (decrease)/increase in cash and cash equivalents		**(650.9)**	157.0	375.0
Cash and cash equivalents at beginning of period		**358.8**	(16.2)	(16.2)
Cash and cash equivalents at end of period		**(292.1)**	140.8	358.8

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital and premium Rm	Non-distributable reserves Rm	Distributable reserves Rm	Total Rm
Balance at 30 September 2003	300.9	23.8	807.4	**1 132.1**
Net profit attributable to ordinary shareholders	–	–	170.7	**170.7**
Fair value adjustments of available-for-sale investments	–	16.8	–	**16.8**
Loss on disposal of available-for-sale investments recognised	–	1.5	–	**1.5**
Transfer to contingency reserve	–	1.1	(1.1)	**–**
Foreign currency translation reserve movement	–	(11.1)	–	**(11.1)**
Balance at 31 March 2004	300.9	32.1	977.0	**1 310.0**
Negative goodwill derecognised in terms of AC 140	–	–	4.2	**4.2**
Restated balance at 1 April 2004	300.9	32.1	981.2	**1 314.2**
Net profit attributable to ordinary shareholders	–	–	181.7	**181.7**
Fair value adjustments of available-for-sale investments	–	10.4	–	**10.4**
Loss on disposal of available-for-sale investments recognised	–	0.8	–	**0.8**
Transfer to contingency reserve	–	0.4	(0.4)	**–**
Shares issued as part of capital and debt restructure	376.0	–	–	**376.0**
Balance at 30 September 2004	676.9	43.7	1 162.5	**1 883.1**

GROUP SEGMENT REPORT

	6 months ended Sept 2004 Rm Unaudited	6 months ended Sept 2003 Rm Unaudited	12 months ended Mar 2004 Rm Audited
Business Grouping			
Revenue			
Merchandise	**1 017.4**	905.4	1 942.1
Insurance	**167.6**	163.0	332.6
Total	**1 185.0**	1 068.4	2 274.7
Operating profit			
Merchandise	**212.3**	162.1	400.5
Insurance	**57.6**	54.0	105.1
Total	**269.9**	216.1	505.6
Geographic			
Revenue			
South Africa	**1 052.9**	947.6	2 026.6
Other	**132.1**	120.8	248.1
Total	**1 185.0**	1 068.4	2 274.7

NOTES TO THE GROUP INTERIM FINANCIAL STATEMENT

1. **Basis of accounting**

These consolidated interim financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and are consistent with those applied for the year ended 31 March 2004 and the period ended 30 September 2003, except for the treatment of negative goodwill. Previously recognised negative goodwill has been treated in accordance with the transitional provisions of AC 140 and derecognised to retained income on 1 April 2004.

2. **Holding company**

In anticipation of the listing Lewis Group Limited acquired the entire issued share capital of Lewis Stores (Pty) Ltd from the GUS plc group and, in return, issued its entire share capital to the GUS plc group. The shares were issued at the IPO price of R28 per share and the effect of the transaction was to interpose Lewis Group Limited as the holding company. The restructuring affected the share capital of Lewis Group Limited, but it had no impact on the consolidated Lewis Group, from a Lewis shareholders' point of view. The shareholders' equity and reserves, and the results disclosed are those of Lewis Stores (Pty) Ltd and its subsidiaries.

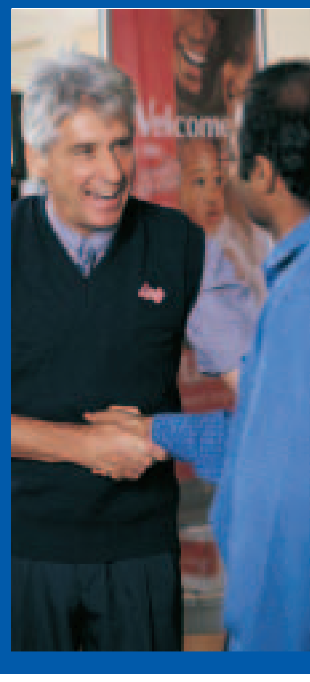
	Sept 2004 Rm Unaudited	Sept 2003 Rm Unaudited	Mar 2004 Rm Audited
3. **Revenue**			
Merchandise sales	**632.5**	547.3	1 190.4
Finance charges earned	**292.5**	285.7	602.1
Insurance premiums earned	**167.6**	163.0	332.6
Services rendered	**92.4**	72.4	149.6
	1 185.0	1 068.4	2 274.7
4. **Bad and doubtful debts**			
Bad debts, bad debt recoveries and repossession losses	**48.1**	55.4	131.2
Movement in impairment provision	**(10.5)**	18.3	(16.1)
	37.6	73.7	115.1
5. **Trade and other receivables**			
Instalment sale receivables	**2 599.5**	2 595.3	2 630.4
Debtors' impairment provision	**(398.6)**	(430.5)	(409.1)
Provision for unearned finance charges, unearned insurance premiums and unearned maintenance income	**(508.9)**	(489.9)	(511.9)
Net instalment sale receivables	**1 692.0**	1 674.9	1 709.4
Other receivables	**49.9**	41.0	42.3
	1 741.9	1 715.9	1 751.7

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

6. **Material capital commitments**

There were no material capital commitments contracted for or authorised and contracted at the end of the periods under review.

	Sept 2004	Sept 2003	Mar 2004
7. **Cash flow from trading**			
Operating profit	**269.9**	216.1	505.6
Adjusted for:			
Depreciation and amortisation	**21.1**	21.0	37.7
Profit on sale of property, plant and equipment	**(1.9)**	(1.4)	(3.1)
Movement in debtors' provisions	**(13.5)**	18.2	(16.1)
Movement in retirement benefit provisions	**1.8**	1.8	2.3
Movement in other provisions	**14.7**	11.9	9.5
	292.1	267.6	535.9
8. **Working capital movement**			
Increase in inventory	**(19.1)**	(36.4)	(28.9)
Decrease/(increase) in trade and other receivables	**23.4**	(41.1)	(28.6)
Increase in trade and other payables	**20.9**	57.5	30.5
	25.2	(20.0)	(27.0)





KEY RATIOS FOR THE GROUP

	6 months ended Sept 2004	6 months ended Sept 2003	12 months ended Mar 2004
Operating efficiency ratios			
Gross profit %	**58.3%**	59.6%	59.6%
Operating margin %	**22.8%**	20.2%	22.2%
Number of stores	**472**	446	465
Revenue per store (Rm)	**2.5**	2.4	4.9
Operating profit per store (Rm)	**0.6**	0.5	1.1
Number of employees	**5 825**	5 650	5 776
Revenue per employee (R)	**203 433**	189 097	393 819
Operating profit per employee (R)	**46 335**	38 248	87 535
Trading space (sqm)	**206 786**	197 647	205 793
Revenue per sqm (R)	**5 730**	5 405	11 053
Operating profit per sqm (R)	**1 305**	1 093	2 457
Stock turn (times) (annualised)	**5.0**	4.7	5.1
Current ratio	**3.6**	3.3	3.4
Credit ratios			
Cash sales % of total sales	**23%**	17%	18%
Bad and doubtful debt charge as percentage of gross debtors' book	**1.4%**	2.8%	4.4%
Debtors impairment provision as a % of gross instalment receivables	**15.3%**	16.6%	15.6%
Total debtors' provisions as a % of gross instalment receivables	**34.9%**	35.5%	35.0%
Decline rate %	**20.4%**	23.5%	22.3%
Average age of book (months)	**13**	15	14
Arrear % (full contractual)	**29.4%**	29.6%	28.2%
Shareholder ratios			
Net asset value per share (cents)	**1 883**	1 132	1 310
Gearing ratio	**16.0%**	84.5%	60.9%
ROE (annualised, average shareholders' equity)	**22.8%**	21.8%	24.8%
ROCE (annualised, average capital employed)	**17.2%**	15.6%	17.0%

Note: all ratios based on figures at end of period unless otherwise disclosed.

COMMENTARY

Lewis listed on the JSE Securities Exchange, South Africa, on 4 October 2004 at a listing price of R28.00 per share. Prior to listing, Lewis Stores (Pty) Ltd was a wholly-owned subsidiary of GUS plc, a FTSE 100 company listed on the London Stock Exchange.

Founded in 1934, the Lewis brand has become the largest single brand, by number of stores, in the southern African retail furniture industry. We are a leading retailer in southern Africa, selling furniture, household and electrical goods mainly on credit.

Lewis is pleased to announce its maiden interim results as a listed company for the six-month period ended 30 September 2004.

TRADING ENVIRONMENT

Consumer and retail confidence was buoyant during the period. The favourable macro-economic environment was driven by low interest and inflation rates, low household debt and a strong rand which impacted favourably on imported goods. All these factors increased the affordability of the merchandise for consumers.

The growth in the middle-income consumer group, Lewis's main target market, together with past income tax cuts, above-inflation wage increases, the housing boom and the effects of delivery of water and electricity infrastructure to previously unserviced segments of the population have further benefited merchandise sales.

FINANCIAL OVERVIEW

In the six months ended 30 September 2004, revenue increased by 11% to R1 185 million. Merchandise sales grew by 16% to R633 million.

Operating profit grew by 25% to R270 million. After investment income, profit before finance costs increased by 20% to R291 million.

The tax rate for the period was 30.1% compared with 29.9% in the same period last year.

Headline earnings increased by 55% to R181.2 million. The increase in headline earnings resulted from lower finance costs due to the capital restructuring shortly before the date of the IPO, lower bad and doubtful debt charges flowing from further improvements in the quality of the debtors' book, and positive trading.

Cash generated by operations grew by 28% to R317 million and gearing dropped from 85% to 16%.

Income statement

Revenue increased by 11% to R1 185 million. This was driven by merchandise sales which grew by 16% to R633 million (10% on a like-for-like basis). The Lewis chain grew its merchandise sales by 11% to R558 million, Best Electric grew sales by 18% to R55 million and Lifestyle Living, which was acquired in October 2003, posted merchandise sales of R20 million. Cash sales increased to 23% of merchandise sales compared to 17% in the corresponding period.

Insurance premiums and finance charges earned grew marginally by 2.8% and 2.4% to R168 million and R293 million respectively. The growth of both of these lines of revenue was slower than the growth in merchandise sales due to a lower proportion of sales on credit during the period. Finance charges earned were affected by the decrease in interest rates.

Gross profit increased by 8.5% to R691 million and the gross profit margin decreased from 59.6% to 58.3% mainly as a result of the lower finance charges earned. The merchandise margin remained at similar levels to the corresponding period.

Operating costs, excluding bad and doubtful debts, increased by 10% to R383 million, with approximately half of this increase due to the inclusion of Lifestyle Living in the current period's results. Excluding the Lifestyle Living costs, operating costs increased in line with inflation, despite the higher growth in revenue. This has been achieved through a continued focus on cost controls and improving efficiencies.

Bad and doubtful debt charges declined by R36 million as a result of continuing improvements to Lewis's credit management system – credit granting and debt collection – combined with the current favourable South African credit environment. Of the R36 million reduction in bad debts, R29 million can be attributed to a reduction in the debtors impairment provision.

Operating profit for the period was R270 million, a growth of 25%. Lewis's operating margin increased from 20.2% to 22.8%, aided by the tight control on costs and reduction in bad debts.

Finance costs declined by R45 million as a result of the capital restructuring and lower interest rates.

Balance sheet

Insurance investments, both long and short-term, have increased by 13% in value since the year-end mainly as a result of the improved investment environment.

The increase in merchandise sales and inclusion of Lifestyle Living resulted in an 11% increase in the inventory levels from the corresponding period; this was partly funded by a 5% increase in trade and other payables. Stock turn of 5.0 times, on an annualised basis, has increased slightly from September 2003.

Net instalment sale receivables increased by 1% to R1 692 million. The lower increase in net instalment sale receivables relative to revenue growth is due to an increase in the proportion of cash sales and an improvement in debt collection. Total debtors provisions have dropped from 35.5% at September 2003 to 34.9% of gross instalment receivables at the end of the reporting period and, at the same time, the impairment provision has decreased from 16.6% to 15.3% of gross instalment debtors.

In anticipation of the listing, Lewis Stores (Pty) Ltd's balance sheet was restructured. Prior to the restructuring, Lewis had an inter-company loan with the GUS plc group of R1 175 million bearing interest at Prime. During July 2004, the entire loan was repaid with R376 million of the loan being capitalised, R328 million being refinanced from local borrowings at lower interest rates and the remaining balance being repaid out of existing cash resources.

Cash flow

Lewis continued to generate significant cash with cash flow generated by operations increasing by 28% to R317 million. The improved cash flow was as a result of increased operating profits, the improved rate of debt collection and increased cash sales.

Interest payable to GUS of R298 million, including accrued interest from prior years, was paid in the current period and this combined with higher tax payments caused a cash outflow from operating activities of R89.6 million.

The R505 million cash outflow from financing activities is attributable mainly to the capital repayment of the GUS loan utilising existing cash resources and overdraft facilities.

OPERATIONAL REVIEW

Sales were strong in both the furniture and electrical categories. The electronics section (TVs, home theatre and DVDs) although achieving substantially more unit sales, was affected by price deflation.

During the period two new Lewis stores were opened and two closed resulting in 400 stores at period end. Best Electric comprised 55 stores after opening nine new stores and closing one. The Lifestyle Living chain was successfully migrated onto the Lewis systems. During the period one of the 18 stores was closed. The Lifestyle portfolio of stores is currently being evaluated, in line with the strategy at acquisition.

The annual "Markinor and Sunday Times top brand review" placed the Lewis brand in second position, in the category of consumer awareness of furniture retail brands. This rating was the same as in the prior year.

In addition, Lewis was rated no.1 by manufacturers and suppliers in the category 'White/electrical goods retailers/wholesalers' in the Professional Management Review award (PMR) for 2004.

Group revenue and operating profit per square metre increased, from the corresponding six month period, by 6% to R5 700 and 19% to R1 300 per square metre respectively, and revenue and operating profit per employee increased by 8% to R203 000 and 21% to R46 000 per employee respectively.

STRATEGY

Lewis has continued to focus on its key strategic business initiatives of:

- generating revenue growth through:
  - increasing sales from existing stores using innovative merchandising and marketing strategies;
  - expanding the store base;
- driving operational efficiencies; and
- delivering on its customer-focused business model which is based on convenience, choice, credit and loyalty.

Over the year from 30 September 2003, the Group increased its number of stores from 446 to 472, adding 9 000 sqm (4.7%) of trading space.

New merchandise ranges continue to be added in response to our customers' demands and the changing customer demographics.

Operating profit margins increased from 20.2% to 22.8%, driven mainly by further improvements in the quality of the debtors' book, improved efficiencies and cost savings.

Lewis's listing has had an excellent motivational effect on the business with all staff members, employed at the IPO date, receiving an allocation of shares which will be funded by the GUS plc group.

PROSPECTS

Revenue and merchandise sales have, since September 2004, continued to show real growth in line with our expectations, despite the high base in the prior year. While the lower interest rate environment and the slight shift towards cash sales will affect income earned from finance charges, the board is confident of delivering meaningful headline earnings growth for the full year ending 31 March 2005.

DECLARATION OF INTERIM DIVIDEND NO. 1

In terms of the board's dividend policy of three-times-cover, an interim dividend of 61.0 cents per share has been declared for the six months ended 30 September 2004. In accordance with settlement procedures of STRATE, the following dates will apply to the interim dividend:

Last day to trade cum dividend	Friday, 21 January 2005
Trading ex dividend commences	Monday, 24 January 2005
Record date	Friday, 28 January 2005
Dividend payment date	Monday, 31 January 2005

Share certificates may not be dematerialised or rematerialised between Monday, 24 January 2005 and Friday, 28 January 2005 both dates inclusive.

DIRECTORATE

David Nurek, Alan Smart and David Tyler, who were previously board members of the wholly-owned operating company, Lewis Stores (Pty) Ltd, were appointed to the Lewis board along with Hilton Saven and Ben van der Ross during the period. All the directors were appointed effective 22 June 2004 except David Nurek who was appointed effective 15 July 2004.

For and on behalf of the board

DM Nurek	**AJ Smart**
Non-Executive Chairperson	*Chief Executive Officer*

Cape Town
15 November 2004

Directors: *Executive:* AJ Smart (Chief Executive Officer)
Non-Executive: DM Nurek* (Chairperson), H Saven*, B van der Ross*, DA Tyler†
* Independent, † British
Company Secretary: A Meerburg
Registered office: 53A Victoria Road, Woodstock, 7925
Transfer secretaries: Computershare Investor Services 2004 (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001. PO Box 61051, Marshalltown, 2107
Auditors: PricewaterhouseCoopers Inc.
Sponsor: UBS South Africa (Pty) Ltd

These results are also available on our website:
www.lewisgroup.co.za