Lewis
Group Ltd

INTEGRATED ANNUAL REPORT

2020

01 Overview

Review of 2020 financial year

Solid trading and operational performance impacted by COVID-19 and lockdown

Revenue up
5.2%
to R6.5 billion

Merchandise sales up
4.7%
to R3.7 billion

Operating cost growth, excluding debtor costs, well controlled at
4.3%

Debtor costs up
37.8%

Operating profit down
42.7%
to R254 million

Headline earnings per share down
30.8%
to 260 cents

Total dividend
185 cents
per share
(2019: 234 cents)

Robust balance sheet and strong cash flow generation

Introducing the integrated report

Introducing the report

Lewis Group has pleasure in presenting its 2020 Integrated Report which provides insight into how the group aims to create and protect value for shareholders and other stakeholders in the short, medium and long-term through its proven business model and diversification strategy.

Shortly before the end of our 2020 financial year, South Africa entered into a national lockdown in response to the outbreak of the COVID-19 pandemic. While the lockdown was aimed at curbing infection rates and the inevitable spread of the virus, the forced closure of the economy has had a profound financial and social impact.

The furniture retail sector was severely impacted by the trading restrictions imposed during the lockdown. The effect of the lockdown on the group's operations, performance and stakeholders is covered in Response to COVID-19 on page 4 and addressed throughout the Integrated Report.

Owing to the impact of the lockdown on our financial year-end reporting and auditing processes, the group utilised the extension granted by the Financial Sector Conduct Authority and delayed the publication of the audited annual financial statements and the Integrated Report.

Reporting scope and boundary

The report covers material information relating to the integrated performance and activities of the Lewis Group, which includes the main operating company, Lewis Stores (Proprietary) Limited, and its subsidiaries (the group) for the period 1 April 2019 to 31 March 2020, unless otherwise indicated. The companies operate in South Africa, where 85.1% of the revenue is generated, as well as Namibia, Botswana, Eswatini and Lesotho.

The reportable segments are:

- Traditional retail which comprises the credit-focused brands of Lewis, Best Home and Electric, and Beares; and
- Cash retail comprising the UFO chain.

The principle of materiality has again been applied in preparing the content and disclosure in this report. Materiality is determined by the board and includes internal and external issues that could positively or negatively affect the group's ability to create value over time and are likely to have a material impact on strategy, revenue and profitability. This excludes the disclosure of price-sensitive information or detail that could compromise the group's competitive position.

Governance and compliance

The Integrated Report reflects the group's commitment to good corporate governance, underpinned by the reporting principles of accountability, transparency, balance and materiality.

Reporting complies with the requirements of the Companies Act and the JSE Listings Requirements while financial reporting complies with International Financial Reporting Standards. The King Code on Corporate Governance (King IV) has been applied throughout the reporting period. The group's application of the 16 principles of the code is outlined in the King IV Report available on www.lewisgroup.co.za.

The guiding principles of the Integrated Reporting Framework of the International Integrated Reporting Council have been applied in the preparation of this report.

Assurance

The content of the Integrated Report has been reviewed by the board and has not been independently assured. The group's external auditor, PricewaterhouseCoopers, has provided assurance on the annual financial statements and expressed an unqualified audit opinion. The auditor has also reviewed the accuracy of the financial information extracted from the annual financial statements that appears in the Integrated Report.

The non-financial and sustainability-related information in the report has been approved by the board's social, ethics and transformation committee. Accredited service providers have verified selected non-financial indicators, including the B-BBEE rating. Management has verified the processes for measuring all other non-financial information.

Directors' approval

The board acknowledges its responsibility to ensure the integrity of the Integrated Report. The directors collectively confirm the Integrated Report addresses all material issues, the strategy, integrated performance as well as the group's prospects.

The audit committee has oversight for the preparation of the Integrated Report and recommended the report for approval by the board of directors. The 2020 Integrated Report was unanimously approved by the board on 14 September 2020.

Hilton Saven
Independent non-executive chairman

Johan Enslin
Chief executive officer

Response to COVID-19

The health and safety of our employees and customers has been paramount throughout the COVID-19 pandemic while ensuring business continuity for the benefit of our stakeholders.

MARCH | APRIL | MAY | JUNE

EMPLOYEES

National lockdown commences and all offices and stores closed from 27 March.

- Crisis management team established to manage workplace impacts and risks of COVID-19 >
- Employees working from home >

MARCH:
- Business continuity plans initiated
- Travel restrictions imposed
- Unemployment Insurance Fund COVID-19 Temporary Employer/Employee Relief Scheme benefit scheme initiated

APRIL:
- Account collections team assist customers to make monthly instalment payments

MAY–JUNE:
- COVID-19 tests for employees with private laboratories covered by employer >

MAY:
- Operational employees return to work

JUNE:
- Continued focus on safety of employees through supply of PPE and ongoing travel restrictions >
- Training courses being conducted by e-learning >

CUSTOMERS

All stores closed from the start of national lockdown on 27 March.

APRIL–JUNE:
- Electronic payment platforms established to enable account payments to be made at national food and clothing retailers during lockdown >
- Proactive communication with customers on potential insurance claims for loss of income and loss of employment >

MAY:
- E-commerce restrictions relaxed under lockdown level 4 from 18 May
- Full range of products across all group brands available on e-commerce platforms

JUNE:
- All SA stores reopened to customers on 1 June under level 3 lockdown restrictions
- Ongoing focus on safety of customers in stores >

SHAREHOLDERS

Lockdown results in group losing significant sales and account payments over March month-end trading period.

APRIL–JUNE:
- Business model continues to prove resilient during lockdown restrictions >
- Strong balance sheet ensures no borrowings required during lockdown while stores are not trading >

MAY–JUNE:
- Focus on cash preservation and cost control >

MAY:
- Regulatory extension for the publishing of annual results utilised owing to impact of lockdown on reporting and auditing processes

JUNE:
- Strategy unchanged >
- Flexibility to adapt short-term plans in response to COVID-19 challenges of employment >
- Dividend payout

SUPPLIERS

Honouring merchandise orders.

Payment holiday afforded to B-BBEE supplier development partners.

> *Ongoing*

Chairman's report

It will be reassuring to shareholders that the strength of the group's balance sheet and cash position ensured that we did not need to access any bank funding during the lockdown period, despite the significant decline in cash flow when all stores were closed for over two months.

The outbreak of the global COVID-19 pandemic and the declaration of a state of disaster in our country to restrict the spread of the virus has had a crippling effect on our economy and the financial well-being of millions of South Africans.

The months following Lewis Group's financial year end in March 2020 have therefore been the most challenging many of us have ever experienced in the business environment.

Lewis Group's management team under the leadership of Johan Enslin is to be commended for their swift and decisive response to the pandemic and the impact of the related national lockdown on the business.

Effective governance and risk management practices, together with information technology security protocols, were implemented to enable our people to work in a virtual environment. The health and safety of employees and customers have been paramount throughout the pandemic.

Robust business continuity plans, cash preservation measures, tight cost management and well executed operational strategies have ensured that the group survived the crisis.

We acknowledge the widespread human and financial suffering brought about by the pandemic and the restrictions on economic activity in our country, and extend our thoughts to those who have lost loved ones to COVID-19.

Financial performance impacted by COVID-19

The group traded strongly throughout the year until the start of the national lockdown, a mere four days before our financial year end.

The loss of these trading days over the all-important March month end had a significant impact, not only in terms of lost sales and account collections, but also a R123.2 million increase in the debtors impairment provision as a result of these lost collections due to store closures.

COVID-19 adjustments reduced the group's profit before taxation by R339.3 million and the detailed analysis of the impact on the group's performance is included in the Chief financial officer's report on pages 42 to 44.

The R223.5 million impact on headline earnings resulted in a 33.7% decline to R204.5 million while headline earnings per share declined by 30.8% to 260 cents.

Despite the effects of the pandemic and the resultant lower earnings, the board demonstrated its confidence in the group's trading and financial prospects by declaring a total dividend of 185 cents per share for the year. The dividend is 20.9% lower than the prior year and represents a dividend payout ratio of 79%.

Chairman's report continued

Cash generated from operations totalled R636 million and the group's gearing ratio was 12% at year end.

The group returned a further R100 million to shareholders through share buy-backs. We will again be seeking shareholder approval to continue the buy-back programme at the forthcoming annual general meeting in October 2020. The director's commitment to the share buy-back programme is evidence of the potential that the board recognises to create value for shareholders.

It will be reassuring to shareholders that the strength of the group's balance sheet and cash position ensured that we did not need to access any bank funding during the lockdown period, despite the significant decline in cash flow when all stores were closed for over two months.

Board and governance

As a group and as a board we are committed to transformation and furthering the principles of broad-based black economic empowerment. The board's diversity policy includes voluntary targets to achieve 25% female and black director representation. Currently 38% of the directors are female and 38% are black in terms of the Broad-based Black Economic Empowerment Act. However, we consider board diversity in a broader context and also aim to achieve a balance in terms of age, board tenure, culture, skills and experience.

We have a healthy mix of recently appointed and longer serving directors which stimulates debate and ensures continuity in our independent oversight. The board is diverse in its composition and experience which ensures that the interests of all stakeholder groups are addressed in the boardroom.

We welcomed Tapiwa Njikizana as an independent non-executive director in August 2019. Tapiwa, 44, is a chartered accountant and an experienced non-executive director who is also active in industry regulatory bodies, including the JSE Financial Reporting Investigation Panel and the accounting practice committee of the SA Institute of Chartered Accountants. Based on his experience and background he has been appointed to our audit, risk, remuneration and nominations committees.

King IV recommends that the chairman of the board should not serve as a member of the audit committee and accordingly I stood down from the committee in October 2019. Independent non-executive director Daphne Motsepe was appointed to the audit committee in November 2019.

Alan Smart, who had a 51-year association with the group, retired from the board with effect from 2 April 2020, shortly after the year end, after serving as a non-executive for 11 years.

Remembering Alan Smart

Sadly, Alan Smart passed away in April 2020 at the age of 74 after a brief and brave battle with cancer.
He started his career with Lewis in 1969 and held various financial and operational positions including credit director and joint managing director before being appointed as group chief executive officer in 1991.
Alan retired in 2009 after serving Lewis with great distinction over four decades. He was a doyen of the furniture industry and steered the group through its transition to a public company and the listing on the JSE.
As a non-executive director he made a tremendous contribution to board and committee affairs with his extensive knowledge of the business and the credit retail sector.

Alan's embracing personality, warmth, wisdom and sense of humour will be missed by all who knew him.

Appreciation

Thank you to the executive team for their committed leadership over the past year and during the ensuing months of the national lockdown. I also extend my appreciation to our management and staff across the country and in our neighbouring countries for their continued loyalty and hard work.

My fellow directors provide insightful guidance and counsel while executing their oversight responsibilities and I thank them for their continued support.

The benefit of effective stakeholder relationships has been evident throughout the COVID-19 pandemic and I thank our shareholders, customers, regulators, suppliers and business associates for their engagement and support during this time.

Hilton Saven
Independent non-executive chairman

02

Creating value for stakeholders

Group profile

Lewis Group is a leading retailer of household furniture and electrical appliances through its trading brands Lewis, Best Home and Electric, Beares and United Furniture Outlets (UFO).

Founded in Cape Town in 1934, the Lewis Group has been listed on the JSE Limited since 2004. The group employs 8 248 permanent staff and is a strong supporter of the local furniture manufacturing sector.

The group has 794 stores across all metropolitan areas and in rural South Africa, as well as a significant footprint in neighbouring African countries.

As South Africa's largest furniture chain **Lewis** is a household name in furniture retailing. In the past 12 years the group has expanded its offering beyond the Lewis chain by developing the Best Home and Electric brand and acquiring established retail chains with good growth prospects.

Best Home and Electric was established in 2008, selling home appliances as well as furniture ranges.

In 2014 the group embarked on a strategy of diversifying across income groups, market segments, retail channels and product mix, acquiring the long-established **Beares** brand.

2018 saw further diversification with the acquisition of **UFO**, a cash retailer of luxury furniture targeting the higher income market.

African presence

Lewis was one of the first South African retailers to expand into Southern African countries from the late 1960s. In 2016 the group acquired a portfolio of 56 stores in Botswana, Lesotho, Namibia and Eswatini which doubled the store presence outside of South Africa. There are currently 125 stores outside South Africa which collectively accounted for 14.9% of group revenue in the current financial year.

Credit management

Credit is offered to customers in the traditional retail brands of Lewis, Beares and Best Home and Electric. Credit is granted centrally at head office to ensure that credit risk policies are consistently applied and to remove subjectivity in the credit granting process. Stores are responsible for cash collections and payment follow-up with customers.

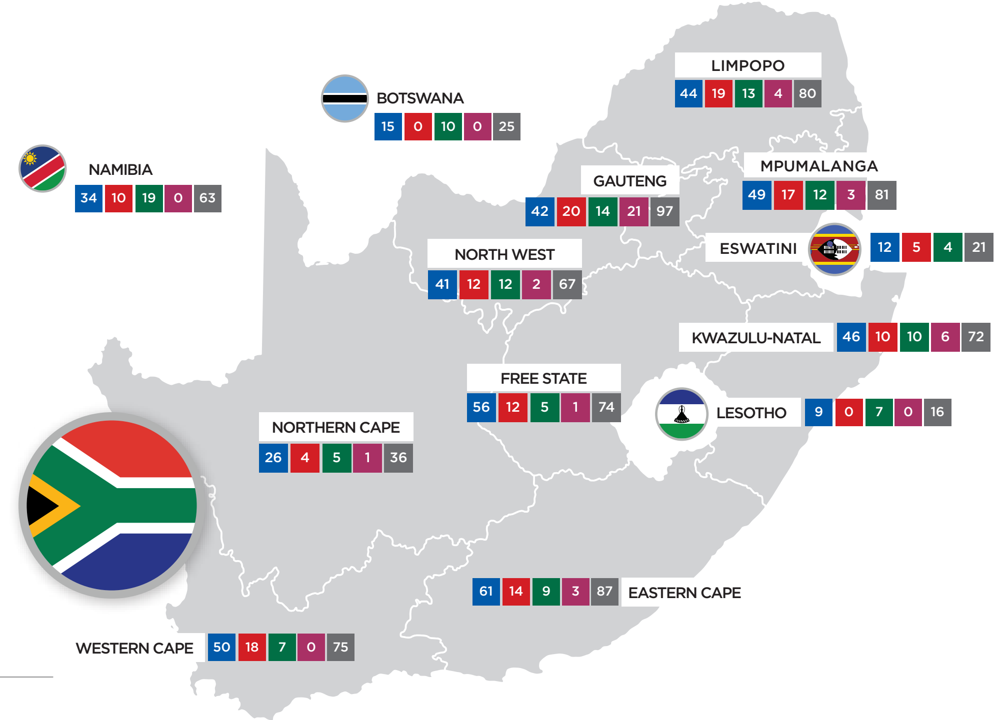
The group has a credit customer base of 595 919 active customers and credit sales accounted for 56.9% of total sales in the reporting period.

Customers purchasing merchandise on credit are offered insurance cover through Monarch Insurance, the group's short-term insurance subsidiary.

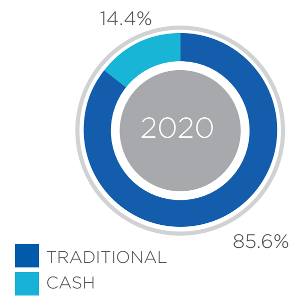
Customer commitment

The group is committed to service excellence and offering quality, exclusive merchandise. High levels of repeat sales to existing customers are evidence of service satisfaction, trust and customer loyalty. As part of the commitment to service excellence, Lewis strives to be an integral part of the communities in which it operates. Shoppers in the traditional retail brands are served by staff from their local communities, with stores being located close to the places where customers live, work and shop. Convenient store locations make it easy for credit customers to pay their accounts in-store and the regular engagement with customers creates further sales opportunities.

Geographic footprint



Sales contribution from segments %



Totals stores	Lewis	Best Home and Electric	Beares	UFO	
In South Africa	415	126	87	41	669
Outside South Africa	70	15	40	0	125
Stores – 31 March 2020	485	141	127	41	794
Stores – 31 March 2019	489	138	121	36	784

Brand profiles

Brand	Target market*	Retail channel	Product offering	
Lewis	LSM 4–7	**415 stores in SA** **70 stores outside SA** Average store size 321m^2	Focus mainly on credit sales of household furniture, electrical appliances and home electronics. On average 90% of merchandise deliveries are completed within 24 hours of the sale.	Traditional retail
Best Home and Electric	LSM 4–7	**126 stores in SA** **15 stores outside SA** Average store size 130m^2		
Beares	LSM 7–9	**87 stores in SA** **40 stores outside SA** Average store size 377m^2		
UFO	LSM 9+	**41 stores in SA** Average store size 678m^2	Cash sales of exclusive and luxury household furniture, including lounge, dining room and bedroom ranges.	Cash

* *Based on Living Standards Measure*

Business model

Purpose

Lewis Group retails furniture, home appliances, electronic goods and homeware through multiple channels across all income groups

Customer offer

Providing quality, exclusive and differentiated merchandise ranges on credit and cash in South Africa and neighbouring countries

Customer offering

Traditional retail

Lewis welcome home

Beares Really Cares about You!

Best Home and Electric

Cash retail

UFO Furniture

Monarch Insurance Company Ltd.

Business functions

SUPPLY CHAIN

- Merchandise is delivered directly by suppliers to stores.
- For the traditional retail brands the business does not operate distribution centres or centralised warehouses.
- The business offers an optional delivery service.
- Stores are responsible for deliveries to customers in the traditional business.
- In the traditional business, 90% of the deliveries are completed within 24 hours of sale.
- Third-party logistics providers cater for cash retail deliveries.

Refer to Merchandise, supply chain and stores report on pages 35 to 37

STORES

- Stores are accountable for all aspects of the customer relationship.
- Strong relationships are developed with customers over the lifetime of a contract.
- Customers in the traditional retail business are serviced by staff from their own communities in their own language.
- Traditional retail stores are located close to where customers work, shop and live.

Refer to Merchandise, supply chain and stores report on pages 35 to 37

CREDIT

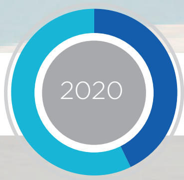
- Credit is granted centrally to ensure credit policies are consistently applied.
- Applications are completed electronically at stores and submitted to head office for approval.
- Advanced credit risk scorecards are applied.
- Credit policies determine the credit worthiness, term and deposit required from customers.
- The compliance call centre ensures that all critical elements of the contract have been explained to the customer.
- Stores are responsible for collections and follow-up of defaulting customers.

Refer to Managing credit risk report on pages 38 to 40

INSURANCE

- Monarch, the group's insurer underwrites customer protection insurance offered to customers purchasing goods on an instalment sale basis.
- The insurance product offered is optional and provides cover to the group's credit customers in the event of death, disability, loss of income, or loss or damage to the goods purchased.

Salient features



Strategy and targets

Lewis Group's strategy is to offer exclusive merchandise to customers across all market segments and income groups in Southern Africa, focusing on the retailing of furniture, home appliances, electronic goods and homewares on credit and cash.

Diversification strategy

The group adopted a strategy to diversify the business and reduce the reliance on credit sales. In 2014, the group acquired the Beares brand with a focus on a higher target market and a higher proportion of cash sales than the traditional retail brands. Beares currently trades out of 127 stores.

In 2017, through acquisition, the group doubled its store base outside of South Africa to 116 stores in Botswana, Lesotho, Eswatini and Namibia. Stores outside South Africa now account for 14.9% of the group's revenue.

The acquisition of cash retailer United Furniture Outlets (UFO) in 2018 enabled the group to target a higher income customer market and increase cash sales. UFO contributed 14.4% of total group sales in the reporting period, increasing the cash: credit sales mix to 43.1%: 56.9%.

Medium-term growth strategies are developed by executive management and reviewed and approved by the board. These growth strategies are developed by considering internal and external factors, risks and opportunities, resources and relationships, and key interdependencies. The strategy is further supported by detailed business plans and budgets, information technology solutions, human capital requirements and operational policies and procedures.

Material issues and risks that could impact on the group's strategy, its stakeholders and its ability to sustain growth are reviewed on a continuous basis as part of the strategic planning process (refer to Material issues and risks report on pages 14 to 17). Action plans are developed to achieve the strategic objectives and also to manage the material impacts on the group.

Strategy unchanged for COVID-19

While COVID-19 continues to have a significant impact on the business, the group's core strategy is unchanged and has been consistently applied throughout the crisis. Management remains flexible in the execution of the strategy and continually adapts and adjusts its shorter-term operating plans in response to specific COVID-19 related challenges and opportunities.

The group's medium-term operational and financial targets have been adjusted taking account of the impact of COVID-19 as well as the expected impact into the future. Targets for the 2021 financial year are presented to provide guidance to investors on the group's short-term performance expectations. Owing to the uncertainty posed by COVID-19, management will review these targets regularly and communicate changes to investors at results presentations.

Strategic focus areas, performance indicators and targets

			Targets		
Strategic focus areas	**Performance indicators (%)**	**Achieved 2020**	**2020**	**2021**	**Medium term**
Merchandising and supply chain	Gross profit margin	41.0	38 – 42	38 – 42	38 – 42
Credit management	Debtor costs as a percentage of debtors at gross carrying value	17.6	13 – 17	15 – 18	13 – 16
	Satisfactory paid customers	70.5	70 – 72	64 – 67	70 – 72
Operational management	Operating profit margin – based on revenue	3.9	7 – 10	5 – 7	10 – 15
	Operating profit margin – based on sales	6.9	12 – 17	8 – 12	17 – 25
	Credit sales as a percentage of total sales	56.9	56 – 60	56 – 60	56 – 60
	Increase in operating costs (excluding debtor costs)	4.3	6 – 8	3 – 5	4 – 6
Capital management	Gearing	12.0	Below 15	Below 15	Below 25

Material issues and risks

The directors have identified material issues which could significantly impact the group's ability to deliver its strategy and create sustainable value for stakeholders.

These material issues are reviewed by the board and executive management annually as part of the group's strategic planning process, while the key risks are monitored by the board's risk committee.

In determining these material issues the directors consider several internal and external factors, including the group's strategy, the trading and economic environment, competitor landscape, external opportunities and threats, legislation and regulation, and the needs, expectations and concerns of the group's primary stakeholders.

Following the outbreak of COVID-19 the directors have reviewed the material issues to ensure these align with the significant impact of the pandemic on the group's business.

1 COVID-19 pandemic

The COVID-19 pandemic and related lockdown resulted in severe trading restrictions for the retail sector and continues to have a significantly adverse impact on the state of the economy and the financial position of many South Africans.

The group aims to limit the impact of the pandemic on the business operations and ensure the health and safety of staff and customers.

RELATED RISKS

- Change in shopping patterns with consumers reluctant to visit stores to avoid contracting the virus
- Potential disruption of the merchandise supply chain on local and imported merchandise owing to logistical challenges and factory closures
- Customers in the lower to middle income target market of the group's traditional brands are vulnerable to the rising levels of unemployment in the country due to the impact of COVID-19
- Store closures and trading disruption owing to staff infections
- Consumer spending contracting further in a post COVID-19 recessionary environment
- An increase in death claims and loss of income claims together with a possible increase in unpaid premiums
- Travel restrictions on operational management and collections staff resulted in limited levels of supervisory oversight and the inability to execute our collection model

RISK MITIGATION

- Crisis management team comprising senior executives established to manage workplace impacts and risks
- World Health Organisation and National Institute for Communicable Diseases protocols maintained across all stores and offices
- Effective business continuity plans for working remotely during period of extended lockdown
- Focus on cash preservation
- Tight cost management
- Discounted fees negotiated with suppliers and service providers during period when stores were closed
- Electronic payment platforms established for customer account payments during lockdown
- Robust balance sheet and low gearing ensured the group was resilient to the decline in cash flow when stores were closed

2 Retail trading conditions

The macro-economic environment in South Africa has a significant impact on the group's operations and the current weak trading conditions can impact both sales and collections across the trading brands.

RELATED RISK

- Constrained consumer spending and weak consumer sentiment as a result of poor economic conditions

RISK MITIGATION

- The group's store-based business model has proven resilient through multiple economic downturns including the first four months of the lockdown period
- The amendments to the affordability assessment regulations of the National Credit Regulator enabling self-employed and informally employed individuals to again apply for credit, will continue to benefit sales
- The growth rate in other revenue is expected to move closer to the growth in credit sales over the medium term.
- The group's diversification strategy is expected to continue to support sales growth, with UFO, the group's cash business, continuing to perform well
- Industry consolidation and store closures by competitors creates the opportunity for the group's brands to increase market share

3 Credit risk management

Effective credit risk management aims to optimise the quality of the debtors' book by reducing debtor costs through improved collections and lower bad debts.

RELATED RISKS

- Inability to manage credit risk could result in higher bad debts, slower collections, limited new account growth and fewer customers being able to buy on credit
- External factors such as the COVID-19 pandemic, high levels of unemployment and tough economic conditions in the countries of operation could impact on the group maintaining the optimal quality of the debtors' book

RISK MITIGATION

- Ensuring continued focus on collections productivity and efficiency to increase collection rates and reduce bad debts
- Expanded strategy to convert more customers to the AEDO (Authenticated Early Debit Order) collection service
- Adjusting credit risk policies and rules to mitigate risks
- Focus on increasing satisfactory paying customers

Material issues and risks continued

4 Capital management

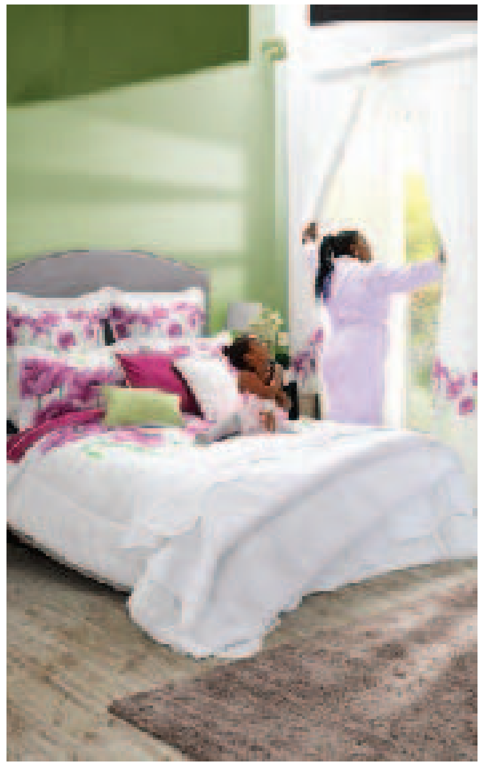
The efficient management of capital, financial risks and liquidity is key to the group's financial stability and to improving returns to shareholders.

RELATED RISKS

- Inefficient capital management could impact on profitability and returns to shareholders
- Volatility of exchange rate impacting on margin, pricing and merchandise planning

RISK MITIGATION

- Ensure access to capital at all times
- Ensure efficient allocation of capital
- Continued investment in organic growth and in the debtors' book
- Return funds to shareholders through dividend payments
- Continue the share buy-back programme at levels that are earnings enhancing
- Limit borrowings to ensure group's gearing remains low
- Manage currency exposure and risk, and hedge against currency fluctuations



5 Information technology

Leading information technology systems are critical to protect the group against the threat of cyber crime and limit the risk of breaches of data security and customer privacy, and avoid business interruption due to the unavailability of key operating systems.

RELATED RISKS

- Cyber risk could result in the breach of personal information, identity theft, loss of intellectual property and financial loss
- Legal liability and reputational damage arising from breaches in cyber security
- Business interruption owing to the unavailability of main operating systems and disruption to critical services could impact on revenue and profitability
- Loss of data as a result of the exposure of systems to mobile devices and other interfacing systems
- Unauthorised access to sensitive corporate data and customers' personal information
- Increased security risk from remote working and learning

RISK MITIGATION

- Monitor IT governance processes across the business through the IT steering committee
- Maintain and enhance the group's information security management system (ISMS)
- Self-assessment undertaken of ISMS information security practices
- Policies implemented to address data security risks and cyber security solutions
- Automated blocking of cyber threats by global specialists in cyber defence
- Adequate cyber insurance cover
- Business continuity and disaster recovery capability enhanced by upgrading storage and computer processing capacity at disaster recovery site

6 People

Attracting, motivating and retaining scarce and skilled retail and financial services talent is key to the sustainability of the group and the delivery of its strategic objectives.

RELATED RISKS

- Inability to attract, motivate, develop and retain competent people
- Skills shortage in retail and financial services sectors increases employee mobility
- Loss of key people and challenge of attracting and retaining staff in current climate
- Incentive schemes not attractive owing to share price underperformance affecting the long-term incentive schemes
- High levels of turnover

RISK MITIGATION

- Improve talent management
- Focus on remuneration retention schemes
- Ensure competitiveness of remuneration packages for key staff
- External salary benchmarking surveys undertaken to ensure remuneration is competitive
- Enhance recruitment and selection practices and appoint internal succession candidates to vacant posts where possible
- Enhance transformation through black economic empowerment to improve diversity at all levels in the group
- Investment in leadership training and development
- Implementing mentoring and coaching programmes

7 Regulation

Ensure compliance with relevant legislation and regulation and limit impact of legislative changes on margins and profitability.

RELATED RISKS

- Legal sanctions for regulatory non-compliance could result in material financial loss and reputational damage
- Changes in legislation and regulation could adversely affect margins and profitability
- Inability to respond effectively to ongoing regulatory changes

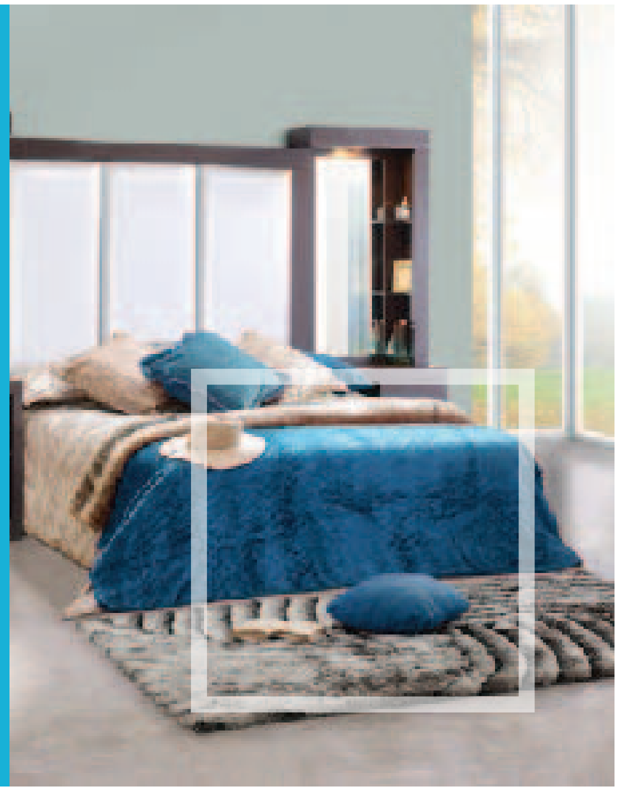
RISK MITIGATION

- Monitor compliance with regulations and legislation through in-house legal and compliance teams
- Mitigation measures and disciplinary processes implemented to ensure regulatory compliance in selling of financial products
- Engage with regulators on proposed legislative changes
- Ensure business is operating efficiently and identify alternate sources of revenue should legislative changes impact margins and profitability
- Focus on complying with licensing and related requirements of the new Insurance Act

Investment case

Lewis Group offers equity investors exposure to the full spectrum of South Africa's retail customer market through its well-established traditional brands operating in the low to middle income credit market and upper income cash customers through UFO.

While trading conditions and performance may be impacted in the short-term by COVID-19, the board believes that the business model has the resilience to absorb the short-term volatility.



The following factors motivate an investment case for Lewis Group and should support long-term returns for shareholders.

Favourable positioning even in challenging retail environment

- Focus across all brands is on the retailing of furniture, home appliances, electronic goods and homewares
- Decentralised store-based business model is resilient to current economic downturn
- Brands are positioned to gain market share in the changing competitive landscape with widespread store closures across the industry
- Traditional retail brands operate in a growth segment of the South African population

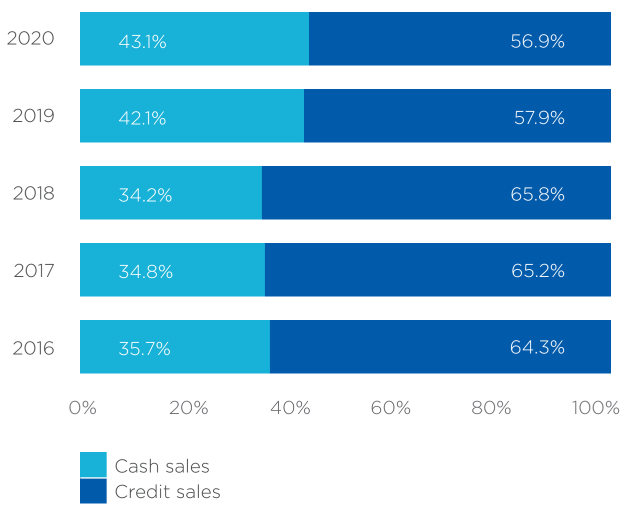
Strong balance sheet and effective capital management strategy

- Gearing ratio of -5.6% (12% post IFRS 16)
- Active capital management strategy enhancing returns to shareholders through dividend payouts and share buy-back programme
- Strong cash position enabled the group to withstand the trading restrictions during lockdown without having to utilise external funding

Exposure across income segments

- Lewis and Best Home and Electric target low to middle income credit and cash customers
- Beares targets middle income credit and cash customers
- Cash retailer UFO targets the higher income market segment

Cash/credit sales mix



Extensive retail presence

- National coverage with 669 stores across urban and rural areas in South Africa
- Expansion in past two years into the higher income segment with UFO chain comprising 41 stores
- Exposure to other African markets with 125 stores in Namibia, Botswana, Lesotho and Eswatini

Customer loyalty and engagement

- Loyal customer base with a significant volume of sales generated from existing customers
- High levels of brand awareness and trust with customers
- Traditional retail stores conveniently located close to places where target customers live and work
- UFO stores located in high footfall areas where higher end customers shop

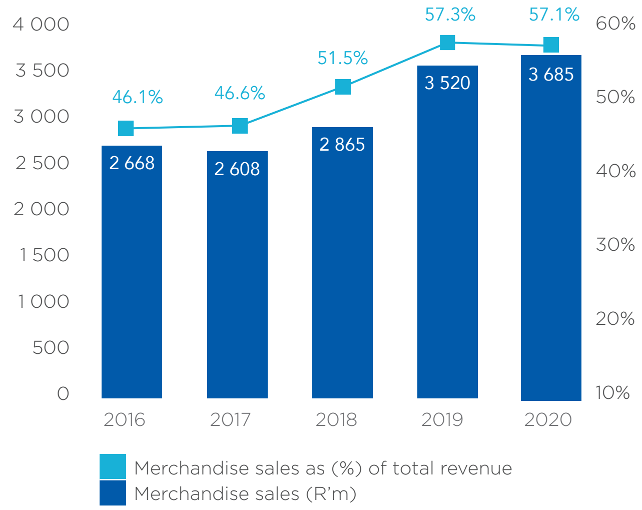
Differentiated and exclusive merchandise

- Differentiated, exclusive and quality product ranges across all brands
- Focus on selling higher margin furniture and appliance product categories
- Products sourced locally and offshore that appeal to the needs of specific income target markets serviced by the group's brands

Proven credit risk management

- Credit offered across traditional retail brands to facilitate sales growth
- Extensive experience in managing credit risk in the lower to middle income market
- Centralised credit approval and granting ensures consistent credit risk management
- Decentralised cash collections process at stores benefits collection rates

Merchandise sales



Sustainability report

Lewis Group recognises its responsibility as a company which forms part of society and which not only has rights but responsibilities towards society and the environment in which it operates.

Introduction

Sustainability for Lewis Group, as a company which has operated for over 80 years, means creating value for stakeholders by:

- Offering affordable, exclusive and quality household goods for customers
- Supporting our employees, customers and communities
- Creating long-term value for shareholders
- Ensuring that the business model remains sustainable

This report focuses on environmental and social aspects of sustainability. The detailed corporate governance report is available on the website on www.lewisgroup.co.za

Response to COVID-19

In the days leading up to the declaration of a national state of disaster, Lewis Group established a crisis management committee to deal with its response to the pandemic. The safety and well-being of employees and customers was the main priority of the business from the outset. Measures put in place when the national lockdown was declared on 23 March 2020 to the easing of the restrictions to lockdown level 3 include:

- The procurement of personal protective equipment including masks, shields and hand sanitisers;
- Ensuring that office-based employees had the necessary tools to work remotely;
- Private transport was provided for employees who had to be onsite and who used public transport;
- Strict protocols with a focus on health and safety were introduced onsite;
- Systems were put in place to enable customers to pay their accounts at national food and clothing retailers;
- Customer communication was sent regarding potential loss of income or loss of employment claims;
- No existing orders from suppliers were cancelled;
- Leniency on payments of loans to enterprise development partners; and
- Lewis Group also made donations to various care homes and Non-profit organisations.

Environment

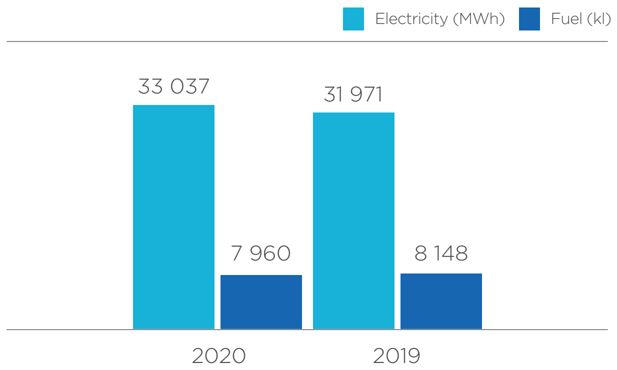
The group recognises the need to introduce and maintain environmentally sustainable business practices to ensure that it meets its responsibilities in sustaining the environment in which it operates.

The group's environmental practices will evolve, guided by environmental principles, economic drivers and the commitment to be a responsible corporate citizen. The business is committed to aligning its sustainability reporting with the United Nations Sustainable Development Goals over the next five years.

Practices are guided by the group's environmental policy and the environmental management system.

The group, as part of tracking its carbon footprint, monitors electricity and fuel consumption throughout the business. Further performance indicators will be identified and monitored in the next two years.

Environmental performance indicators



Carbon footprint

The group's carbon footprint has been calculated in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).*

Scope 1 emissions are emissions from company operations, which in the case of the Lewis Group comprise fuel combustion in all company-owned vehicles.

Scope 2 emissions are associated with the use of electricity consumed at the group's stores and head office.

Scope 3 emissions are those from external suppliers or customer operations and other activities including business travel and employee commuting. Only selected scope 3 emissions were quantified in this assessment.

The group's total scope 1 and 2 carbon footprint is estimated as 48 476 tonnes CO_2e for the financial year, with South African operations contributing 90% to this total. The results show an increase in emissions of 6.6% with a 2% decrease in scope 1 (fuel) emissions and a 13% increase in scope 2 (electricity) emissions compared to 2019 levels. The reduction in scope 1 emissions is due to a reduction in fuel purchased. The increase in scope 2 emissions is attributed to a slight increase in electricity consumption due to a net increase in store numbers and, more significantly, the increase in South Africa's grid emissions factor. Plans were introduced to roll out LED lighting in all stores across the group and the project is expected to be completed in 2021.

Scope 3 fuel- and energy-related activities increased by 4% as a result of increased electricity use across the Lewis Group. Upstream transportation and distribution increased from 5 758 tCO_2eq in 2019 to 7 329 tCO_2eq in 2020 as a result of an increase in stock moved. Emissions from air travel decreased by 37%, due to significantly less international flights. Car hire emissions also decreased as a result of less frequent travel.

Employee commuting emissions increased proportionally with increased employee numbers.

Human resources

The development of core sales and branch manager skills, including trainee branch managers, is a priority for the group.

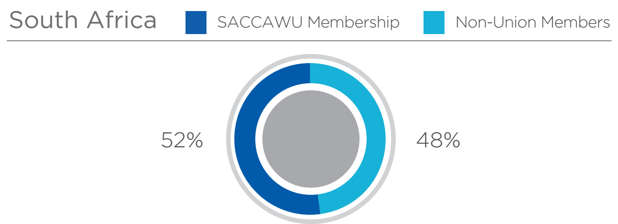
The group's human resources strategy 2018 to 2020 has focused on achieving the following objectives:

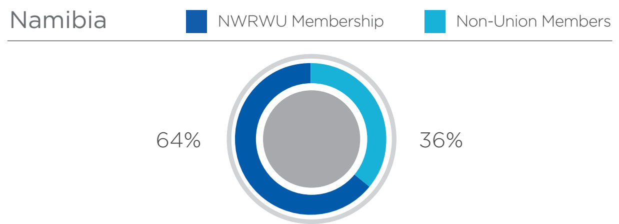
- Drive talent management through talent sourcing, talent development and reward management
- Create a high-performance culture through performance management, mentoring and coaching
- Deliver operational excellence through an HR information system as well as the development, monitoring and reporting on HR process metrics and trends.

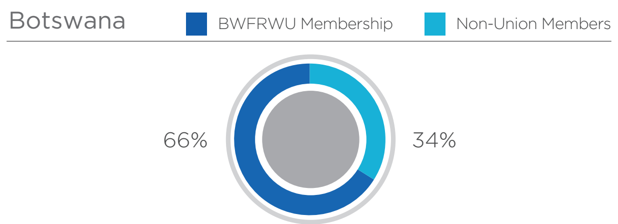
At year end the total number of employees was 8 248, with 6 864 in South Africa and 1 384 in the group's operations in the rest of Africa.

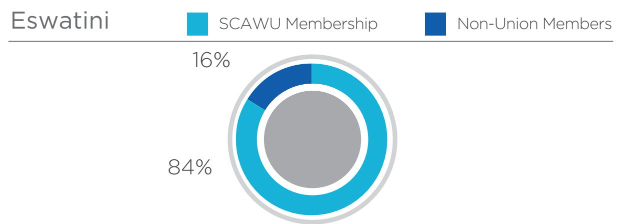
Employees represented by trade unions

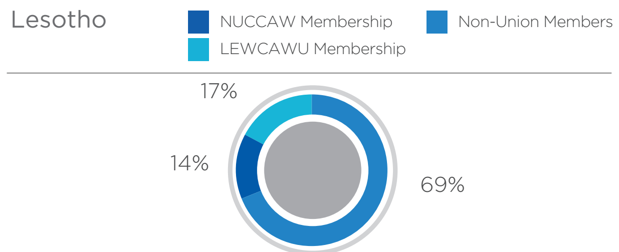
Trade union recognition agreements are in place with the following trade unions:











South Africa	South African Commercial Catering and Allied Workers Union (SACCAWU)
Namibia	Namibian Wholesale and Retail Union (NWRWU)
Lesotho	National Union of Commerce Catering and Allied Workers (NUCCAW) Lesotho Wholesalers Catering and Allied Workers Union (LEWCAWU)
Botswana	Botswana Wholesale Furniture and Retailers Workers Union (BWFRWU)
Eswatini	Swaziland Commercial and Allied Workers Union (SCAWU)

Sustainability report continued

Black economic empowerment

The group supports the principles and objectives of Broad-Based Black Economic Empowerment (B-BBEE) contained in the 2015 Amended Codes of Good Practice on B-BBEE. The board acknowledges its oversight role in driving transformation and empowerment across all elements of the B-BBEE scorecard.

In 2019 the group obtained a level 8 B-BBEE rating and committed to improving the level of compliance. The ownership element of the scorecard has proved challenging as over 57% of the group's shares are held by international shareholders.

The group made significant progress by moving from a level 8 to a level 6 contributor within a period of 12 months by pursuing key strategic initiatives especially on the Management control and Enterprise and supplier development elements. Lewis Group achieved full points and met the targets for both "Exercisable voting rights of black female board members" and "Black female employees in the junior management" as a percentage of junior management. This rating was verified by AQRate, an accredited empowerment rating agency.

Similarly, Lewis Group has shown support for local supplier industries as well as increasing its preferential procurement spend. This resulted in a significant increase in the score for this element.

BEE element	Weighting	2020	2019	2018
Equity ownership	25	**7.83**	6.93	8.50
Management control	19	**11.30**	8.63	8.39
Skills development	20	**16.71**	14.96	19.68
Enterprise and supplier development	40	**37.68**	30.60	30.30
Socio-economic development	5	**5.00**	5.00	5.00
Total score		**78.52**	66.12	71.87
B-BBEE status		**Level 6**	Level 8	Level 7

Employment equity

The group's employment equity plan focuses on increasing the representation of designated groups, mainly in the senior management and professionally qualified 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 is committed to ensuring that the group's employee profile is representative of the customer base it serves and the communities in which it trades. Black staff account for 95% of the staff complement, with females comprising 58%.

The employment equity profile of the workforce in South Africa (excluding neighbouring countries) at 31 March 2020 is contained in the following tables.

	Female					Male					
Occupational levels	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	Grand total
Top management					**–**		2		4	**6**	**6**
Senior management	7	6	2	15	**30**	7	2	1	25	**35**	**65**
Middle management	26	27	7	29	**89**	49	28	3	53	**133**	**222**
Junior management	379	111	15	71	**576**	242	68	5	36	**351**	**927**
Semi-skilled	2 338	631	31	78	**3 078**	1 827	404	10	16	**2 257**	**5 335**
Unskilled	3	1			**4**		3			**3**	**7**
Non-permanent	151	50		6	**207**	66	27		2	**95**	**302**
Grand total	2 904	826	55	199	**3 984**	2 191	534	19	136	**2 880**	**6 864**

Training, talent and skills development

The group's training and development programmes are geared towards creating opportunities for all employees from basic sales and product knowledge to training key talent for branch managers and management positions over time.

The group's training department is accredited with the Wholesale and Retail Sector Education and Training Authority and offers a range of classroom based and e-learning programmes in all aspects of retail, management and leadership training.

As part of the commitment to staff development, a central learning and development centre in Bloemfontein is used for the development of management for store operations in the five countries in which the group operates. Key outputs from the group's training and development programme in 2020 include:

- 12 263 training interventions (2019: 10 864)
- Black staff accounted for 92% of total employees trained (2019: 93%)
- 187 employees enrolled on an adult basic education training course with a view to assisting these employees to obtain a grade 12 certificate (2019: 222)
- 158 students enrolled on the disability learnership programme for 2020 (2019: 194)
- 16 interns/learnerships were absorbed and offered full-time positions

Enterprise and supplier development

The group continued to contribute towards enterprise and supplier development with the total spend amounting to R8 million in the reporting period.

Lewis continues to support the local furniture industry through a focused enterprise development strategy to strengthen the local supply base and stimulate job creation in the domestic economy. Large volumes of locally sourced merchandise, goods and services are purchased from small businesses which are mainly black-owned.

The support provided to enterprise development partners includes raw material sourcing, product development and design, quality control, and administrative business support.

CASE STUDY

One of the success stories of the enterprise development programme is Indigo Furniture, a lounge suite manufacturer supplying exclusively to the Lewis Group. Indigo is a 100% black-owned, BBBEE level 1 business and employs 100 people. The business supplies the group's stores in South Africa and in the neighbouring countries.

Lewis Group has supported Indigo Furniture through interest free loan funding since 2019. This has enabled the factory to acquire machinery, a generator and purchase raw materials. The procurement of raw materials is predominantly through support of local businesses which stimulates job creation. Employees have also benefited through on-the-job training ensuring they are well equipped to perform their duties.

The exclusive partnership between Indigo Furniture and the Lewis Group's buying team ensures that lounge suites produced are competitive in the market in terms of unique designs at competitive rates. The Lounge category is one of the most important categories in the furniture industry and the group will continue to build on this strategic relationship to ensure the sustainability of the factory and continue to support local businesses in the future.

Sustainability report continued

Socio-economic development

The board's social, ethics and transformation committee reviews the socio-economic development strategy of the group annually and monitors progress against stated objectives. The group is committed to contributing to the communities where customers live. Many of these communities are affected by a lack of education, poverty and poor health services.

Community investment is focused on educational infrastructure, educational bursaries, nutrition programmes and long-term sustainable upliftment of disadvantaged communities. The group is committed to allocating the socio-economic development, the spend is reflective of the group's footprint in South Africa, Namibia, Botswana, Lesotho and Eswatini. The group invested R7 million in socio-economic development in 2020.

Primary projects

Lewis-Rotary Club Injongo Project – Early Childhood Development Centres

A seven-year partnership with The Rotary Club of Claremont has impacted positively on the lives and the futures of thousands of young children. The Injongo Project has included the addition of new classrooms, ablution blocks, upgrades, renovations and restoration of numerous early childhood development centres (ECD) in the Brown's Farm and Samora Machel areas of Philippi, an underprivileged area in the Western Cape.

In addition to infrastructure contribution, principals and educators are trained and assessed regularly, and health and safety measures are reviewed to ensure regulatory compliance. The team strives to achieve the qualifying criteria for the ECD centres to be registered to meet the requirements for social development funding.

The most recent project in Samora Machel, Philippi comprised extensive upgrades to an ECD centre, including two additional classrooms and two ablution blocks. Since the inception of the Injongo Project a combined partnership spend of R22 million has benefited five ECD centres. The Injongo Project has been widely recognised as an ECD model of excellence and has developed into one of the biggest ECD programmes of its kind in South Africa.

Peninsula School Feeding Association (PSFA)

Lewis continues to support its 11 adopted schools in the Western Cape where we provide two meals for approximately 1 200 children each school day. The number of children requiring feeding at each of the adopted schools is reviewed each year. PSFA regularly reviews optimal nutritional meals for the children. The group's annual contribution towards this nutritional programme is R540 000.

Children of the Dawn

Children of the Dawn supports and reinforces rural community initiatives which focus on caring for HIV/AIDS orphans and vulnerable children in the country. Lewis sponsors 138 children located in eight locations in Mpumalanga, Free State, KwaZulu-Natal, Eastern Cape and Limpopo.

The sponsorship provides children with essential basic requirements, including education, nutrition, clothing, hygiene, transport, integration into the community, emotional and moral support, and health matters including management of HIV/AIDS symptoms.

Lewis contributes additional funding to a fortified nutrition programme for the children. The overall health and well-being of the children has vastly improved through the holistic care and nutrition managed by the programme. The group's annual spend is R700 000.

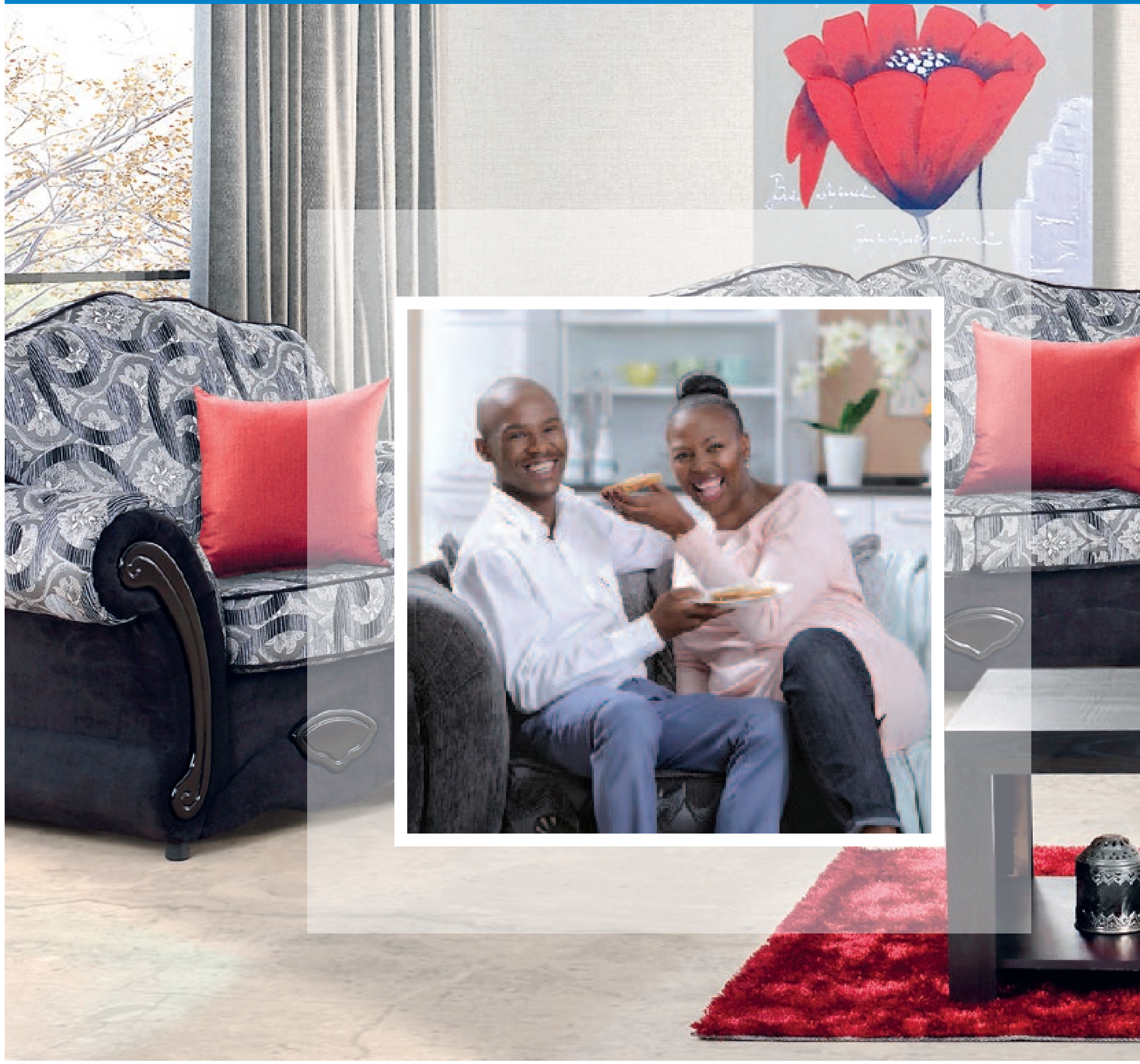
TSIBA

The group funds 10 scholarships annually to TSIBA Education, a private provider of higher education in business. TSIBA offers a unique foundation year certificate in business administration followed by an enriched bachelor's in business administration degree focused on entrepreneurial leadership.

TSIBA partners with corporate and individual funders who sponsor the operations and management of the institution. The TSIBA degree is accredited by the Department of Education and the Council of Higher Education.

Students are offered a four-month internship at the group's head office and are offered a one year employment contract with Lewis after completing their degree. Ongoing development of the Lewis/TSIBA internship programme has resulted in several scholarship students being appointed as permanent employees. The group's contribution to TSIBA scholarships totalled R800 000 in 2020.

03 Leadership



Chief executive officer's report

The group's resilience is evident from the strong sales growth in the months post lockdown while collections rates are recovering steadily.

The 2020 financial year saw Lewis Group continue its sustained recovery for the first 11 months of the trading calendar before COVID-19 lockdown trading restrictions had a severe impact on performance.

At the interim results stage in September 2019, the group reported merchandise sales and revenue growth of over 6%, headline earnings growth of 14.4% and satisfactory paying account customers were at their highest level in 12 years.

This growth momentum was maintained into the second half and the group performed well for 51 of the 52 weeks of the financial year.

After the start of the national lockdown in South Africa on Friday 27 March 2020, the group lost crucial trading days over the March month end trading period. This resulted in losing merchandise sales of approximately R80 million and customer account collections of R180 million, which had a significant impact on the operating performance and resulted in an increase in the impairment provision of R123.2 million for the lost collections.

The accompanying table highlights the pre-COVID-19 performance after 11 months and the reported results for the 12 months to 31 March 2020. The full financial impact of COVID-19 and other impairment provisions is covered in the Chief financial officer's report on pages 42 to 44.

Impact of COVID-19

	Pre-COVID-19 11 months	31 March 2020 12 months
Merchandise sales	**6.9%**	**4.7%**
Lost sales under lockdown of ± R80 million		
Collection rates	**77.3%**	**74.5%**
Lost collections under lockdown of ± R180 million		
Satisfactory paid customers as a % of total customers	**71.2%** (2019: 67.1%)	**70.5%** (2019: 71.4%)

Solid trading performance

After increasing merchandise sales by 6.9% for the first 11 months, trading in the last month of the financial year was significantly impacted by the start of the lockdown and sales for March were 24.8% lower.

Merchandise sales for the 12 months therefore slowed to a growth of 4.7%, with comparable store sales growing by 3.2%.

The group's traditional retail brands Lewis, Best Home and Electric, and Beares increased sales by 3.2% to R3.2 billion. The stores in the neighbouring countries of Namibia, Botswana, Eswatini and Lesotho accounted for 18.0% of total sales.

INspire, the omni-channel home shopping business, grew sales by 65.1% to R44.8 million. INspire has been incorporated into the Beares brand to align the group's offering to the urban, middle income market and is now reported as part of the traditional retail segment.

Our diversification strategy continues to gain traction as United Furniture Outlets (UFO) proves a sound acquisition, enabling the group to access higher income customers and increase the proportion of cash sales. UFO grew merchandise sales by 10.8% to R530 million, accounting for 14% of the group's total merchandise sales and 17% of operating profit.

UFO contributed to the group's cash sales increasing by 7.2% for the 12 months.

Cash sales accounted for 43.1% (2019: 42.1%) of total sales. Credit sales grew by 2.9% and comprised 56.9% (2019: 57.9%) of total sales.

The diversification is also demonstrated by the increasing proportion of merchandise sales which has grown from 46.6% of total revenue in 2017 to 57.1% in 2020.

The furniture category grew strongly and accounted for 61.6% of total sales (2019: 60.8%), appliances at 25.3% (2019: 25.2%) and audio-visual 13.1% (2019: 14.0%).

Other revenue increased by 5.8%, with growth across all the areas of finance charges, initiation fees, insurance premiums and services rendered. Total revenue, comprising merchandise sales and other revenue, increased by 5.2% to R6.5 billion for the year.

The gross profit margin at 41.0% (2019: 41.2%) remains at the upper end of the group's target range of 38% – 42%.

The group's financial performance is covered in the Chief financial officer's report on pages 42 to 44.

Improving credit performance pre-lockdown

Collection rates increased to 77.3% for the first 11 months of the financial year to February 2020 (2019: 75.7%). Owing to the loss of the trading days at the March month end due to lockdown, the collection rate for the year slowed to 74.5% (2019: 76.3%) and the level of satisfactory paid customers declined to 70.5% (2019: 71.4%).

The credit health of the group's customer base pre-lockdown is reflected in the R40.9 million decline in net bad debts for the year. Net bad debts as a percentage of debtors reduced to 13.9% from 15.1% in the prior year.

The credit application decline rate for the year was 37.5% compared to 37.4% in the prior year.

Refer to the managing credit risk report on pages 38 to 40 for further analysis of the debtors' book.

Expanding store presence

The group expanded its store base to 794 following the opening of 19 and closure of 9 stores during the year. Lewis continues to open smaller format stores which now comprises 46% of the brand's stores. The store footprint outside South Africa was increased by 5 stores to 125.

Management is committed to ensuring that stores remain relevant and modern to promote merchandise. During the past year 150 stores across the portfolio were refurbished, with a further 100 refurbishments planned for the new financial year. Stores are refurbished on average every five years.

COVID-19 response

The group's business model has proved resilient during the COVID-19 related trading restrictions. As outlined in the chairman's report, the group's strong balance sheet and cash position ensured that we did not need to access bank funding during the lockdown period, despite the significant decline in our cash flow when all stores were closed for over two months.

The group's strategy was consistently applied throughout the lockdown and over the subsequent months as trading restrictions were gradually relaxed. We remain flexible in the execution of the strategy and have continually adapted and adjusted our shorter-term operating plans in response to specific COVID-19 related challenges and opportunities.

The health and safety of employees and customers has been paramount throughout the crisis while ensuring business continuity for the benefit of our stakeholders.

As approximately 98% of account payments are made by customers in stores, and mostly in cash, alternate payment channels were initiated ahead of the lockdown. Customers were able to make account payments at a range of major national retail chains which continued to trade during lockdown. The collections process was supported by close to 1 300 store and credit employees working remotely from home assisting customers with instalment payments.

The group has also proactively communicated with account customers to make them aware of potential claims for loss of income and loss of employment insurance. Similarly the group applied for Temporary Employer/Employee Relief Scheme (TERS) benefits on behalf of staff.

Chief executive officer's report continued

In line with the group's values, all merchandise orders were honoured which has strengthened supplier loyalty and ensured that the group has not experienced supply chain challenges. The group has also assisted B-BBEE supplier development partners by granting payment holidays on loan instalments over the lockdown period.

Trading performance post year-end

All the group's stores in South Africa were closed from the start of the national lockdown on 27 March 2020. No sales were recorded until 18 May when restrictions were relaxed under lockdown level 4 allowing the group to make its full merchandise range available on e-commerce platforms.

Trading has been robust following the reopening of all the group's stores from 1 June 2020 when the country moved to lockdown level 3. Merchandise sales for June increased by 22.3% and July by 16.8%. The current sales momentum is being supported by pent up demand from savings accumulated during lockdown. The collection rate for May and June was 74.8% and July 76.6%, with the level of satisfactory paid customers at 65.6% for July.

The gross profit margin for July was within management's target range which confirms that the brands have not been forced into widescale discounting to drive sales growth in this environment.

Outlook

Consumer spending is expected to contract further in a post COVID-19 recessionary environment while customers in the group's lower to middle income target market are vulnerable to the rising levels of unemployment in the country due to the impact of COVID-19.

We believe our investment case remains compelling. The group has a strong balance sheet with no borrowings and cash resources of R515 million at July 2020. Shareholders will receive a final dividend for the 2020 financial year despite the impact of lockdown on revenue, continuing the group's record of paying a dividend every year since listing in 2004. The continuing share buy-back programme should create further value for shareholders.

The group's resilience is evident from the strong sales growth in the months post lockdown while collections rates are recovering steadily. The group plans to open 20 new stores across its trading brands in the 2021 financial year and invest further in e-commerce to attract new customers.

Our management team are no strangers to operating in adverse conditions. Most of the executive have been together through the financial crisis of 2008 and 2009 and subsequent periods of severe economic downturn with high levels of unemployment, so are well prepared for what lies ahead.

Appreciation

Thank you to our chairman Hilton Saven for his leadership of the board and particularly for his support of management during this challenging time. Our non-executive directors provide insightful guidance and counsel, and I thank them for their contribution.

Over the past few months we have experienced working conditions that have tested our resolve like never before, and I thank my executive colleagues and all our staff at the stores and at head office for their resilience, fortitude and commitment.

In closing, I echo the words of our chairman in paying tribute to my long-time colleague, fellow director and mentor Alan Smart who passed away in April 2020. Alan was truly a Lewis legend and will be sadly missed by all who had the pleasure of knowing him.

Johan Enslin
Chief executive officer

Board of directors

Hilton Saven
BCom, CA(SA)

Independent non-executive chairman
(67)

Chairman of the board and nominations committee; Member of risk, remuneration and social, ethics and transformation committees.

Appointed June 2004

Directorships:
Truworths International Limited and Balwin Properties Limited.

Expertise and experience:
Corporate governance, strategy and finance.
Hilton is an experienced company director and a registered chartered accountant. Hilton is the former chairperson of Mazars South Africa, an international firm of Accountants as well as the former chairperson of Praxity Alliance, an international alliance of Accounting firms.

Specific contribution to the board:
Hilton serves as the non-executive chairperson of Lewis Group as well as the non-executive chairperson of Monarch Insurance Company, the group's insurance subsidiary.
His extensive experience in corporate governance, strategy and financial affairs assists the board in fulfilling its statutory obligations and financial objectives. He also serves as a member of the risk, remuneration and social, ethics and transformation committees.
He has performed these roles over a number of years for both listed and large private companies.

Fatima Abrahams
BEcon (Hons), MCom, DCom

Independent non-executive director
(57)

Chairperson of the remuneration and social, ethics and transformation committees; Member of the risk, remuneration and nominations committees.

Appointed September 2005

Directorships:
The Foschini Group Limited and Chairperson of TSIBA Education.

Expertise and experience:
Human resources and remuneration
Prof. Abrahams is an academic, experienced company director and a registered industrial psychologist. She is currently a senior professor (part-time) at the University of the Western Cape, having also served as dean of the faculty of economic and management sciences.

Specific contribution to the board:
Fatima serves as a non-executive director on the board of a number of listed companies, with particular involvement in retail businesses.
She chairs the social, ethics and transformation committee, as well as the remuneration committee.
Her strong academic qualifications and experience have provided her with expertise in this regard. She has fulfilled similar roles for other listed and unlisted entities, which is of benefit to the group.

Jacques Bestbier
CA(SA)

Chief financial officer
(47)

Member of the risk committee and attends the audit committee by invitation.

Appointed April 2018

Directorship:
Lewis Stores (Pty) Limited

Expertise and experience:
Jacques joined the group in 2012 and served as general manager: administration prior to his appointment as CFO. Jacques is an experienced chartered accountant with a background in short-term insurance, banking and retail.

Specific contribution to the board:
Jacques is the chief financial officer and executive director of the group.

Adheera Bodasing
BA, LLB, Intellectual Property Law

Non-executive director
(46)

Member of the risk, remuneration and nominations committees

Appointed June 2017

Directorship:
Polarity Consulting (Pty) Limited

Expertise and experience:
Legal and compliance.
Adheera practiced at two of South Africa's leading law firms, Spoor and Fisher and Edward Nathan Sonnenbergs. She specialised in intellectual property law, gambling law and financial sector law and policy. Prior to starting her own business, she headed the legal division of the National Treasury. She is currently the managing director of Polarity Consulting and provides legal guidance and advisory services to local and international businesses in highly regulated industries particularly the financial sector, gaming industry and energy sector.

Specific contribution to the board:
Adheera engages regularly with parliament and the various financial sector regulators which allows her to advise the board on future and existing regulations and policy impacting the business. Her broad understanding of the business' legal and regulatory framework also enables her to contribute on matters relating to regulatory compliance as well as other legal aspects.

Johan Enslin

Chief executive officer
(46)

Member of the risk, social, ethics and transformation committees and attends all other committee meetings by invitation.

Appointed October 2009

Directorship:
Lewis Stores (Pty) Limited

Expertise and experience:
Johan has more than 26 years credit furniture retail experience. He joined the Lewis Group as a salesman in 1993 and rose rapidly through the ranks, holding positions including branch manager, regional controller, divisional general manager, general manager operations and operations director of Lewis Stores (Pty) Limited. Prior to his appointment as the chief executive officer he was chief operating officer with responsibility for the retail operations of the group.

Specific contribution to the board:
Johan is the chief executive officer and executive director of the group and brings a wealth of retail experience gained through all stages of the economic cycle to the table.

Daphne Motsepe
BCompt, MBA

Independent non-executive director
(63)

Member of the audit, risk, remuneration, nominations, and social, ethics and transformation committees.

Appointed June 2017

Directorships:
Kapela Holdings (Pty) Limited, NEC XON Holdings (Pty) Limited, Trustee of Alexander Forbes Community Trust.

Experience and expertise:
Daphne is an experienced banking executive and company director. She was formerly chief executive of Absa card and unsecured lending at Absa Bank and also served as managing director of Postbank. She has previously served as non-executive director on the boards of Investec Bank, Highveld Steel and Vanadium, Edcon, Mercantile Bank, Woolworths Financial Services, Rand Mutual Assurance and Thebe Investment Corporation. Her skills combine strategic, business and financial skills.

Specific contribution to the board:
Daphne's board experience includes serving as chairperson of remuneration as well as social, ethics and transformation committees of other boards and serving as a member of audit, risk as well as nominations/directors affairs committees.

Board of directors

Tapiwa Njikizana

CA(SA), JSE Registered IFRS Advisor

Independent non-executive director
(Zimbabwean) (44)

Member of the audit, risk, remuneration and nominations committees

Appointed August 2019

Directorship:
W.consulting SA (Pty) Limited

Experience and expertise:
Tapiwa is an executive director at W.consulting SA (Pty) Limited
He has previously served as a non-executive director on the board of Iliad Africa Limited and Mercantile Bank Holdings Limited. He was recognised for his contribution to the consulting industry receiving the *"Top Consulting Professional"* at the Sanlam South African Professional Services Awards-2018. Tapiwa has held roles in leading industry bodies and committees including as a member of the Accounting Practice Committee of SAICA, and as a member of the Financial Reporting Investigation Panel (formerly GAAP Monitoring Panel) of the JSE.

Specific contribution to the board:
Tapiwa is an experienced non-executive director with expertise in the financial services sector including experience chairing audit and technology committees for other entities, as well as experience on the remuneration and nomination committees of the company.

Duncan Westcott

BSc Economics, FCA (UK), CA(SA)

Independent non-executive director
(71)

Chairperson of the audit and risk committees. Member of the remuneration and nominations committees

Appointed December 2017

Directorships:
Monarch Insurance Company Limited, Standard Bank Mauritius and Balwin Properties.

Expertise and experience:
Accounting, financial and general business management.
Duncan spent the majority of his full-time career in the auditing profession where he fulfilled a number of leadership roles in the human resources and corporate finance functions in addition to his client facing responsibilities.

Specific contributions to the board:
Duncan is an experienced non-executive director on the board and acts as the chairman of the audit and risk committees. In addition, he is currently chairman of the Standard Bank Mauritius board. The group benefits from his training and wide-ranging experience in the retail, construction and financial services industries.

Ntokozo Makomba

LLB, LLM

Company secretary
(34)

Appointed June 2018

Ntokozo is an admitted attorney. She joined Lewis Group Limited from Quantum Foods Holdings Limited where she worked as the Company Secretary and head of legal for four years. Prior to that she worked as a commercial attorney at Van Der Spuy and Partners in Paarl.

Executive management

Johan Enslin

Chief executive officer
(46)

26 years of service

Johan is the chief executive officer of the group.

Waleed Achmat

BA Hons (Industrial Psychology)

Human resources director
(57)

3 years of service

Waleed is the human resources director and is responsible to drive and manage the implementation of both strategic and operational human resources throughout the business.

Jacques Bestbier

CA(SA)

Chief financial officer
(47)

8 years of service

Jacques is the chief financial officer of the group.

Les Davies

CA(SA)

IT and Insurance director;
Chief executive officer
Monarch Insurance
(64)

33 years of service

Les is responsible for the IT function of the group. He is also the chief executive officer of Monarch Insurance Company, a subsidiary of Lewis Stores (Pty) Limited.

Derek Loudon

Merchandise director
(57)

19 years of service

Derek is responsible for the group's merchandising functions which includes the sourcing of merchandise, logistics and product quality.

Rinus Oliphant

Operations director
(46)

22 years of service

Rinus is responsible for the retail operations of the group.

04

Operations review

Merchandise, supply chain and stores report

The group's merchandise strategy is focused on providing customers with quality, exclusive and differentiated ranges.

Merchandise strategy

Innovative product sourcing both locally and offshore, together with the strength of long-term supplier relationships, ensures that the group offers customers distinctive ranges. Added-value features and components ensure differentiation and enhance the value of the merchandise.

New ranges are launched twice each year to introduce newness to the merchandise offering and thereby attract customers.

In the traditional retail brands, which target the lower to middle income groups, the focus is on offering quality, value-for-money merchandise ranges. Products are sourced to meet the specific needs of this customer base.

UFO offers luxury exclusive furniture to cash customers in the higher income market. In the current constrained economic environment, sales are increasingly promotionally driven as customers seek value. All the group's brands expanded their participation in Black Friday in November 2019 and achieved strong sales growth over this promotional period.

Merchandise offering

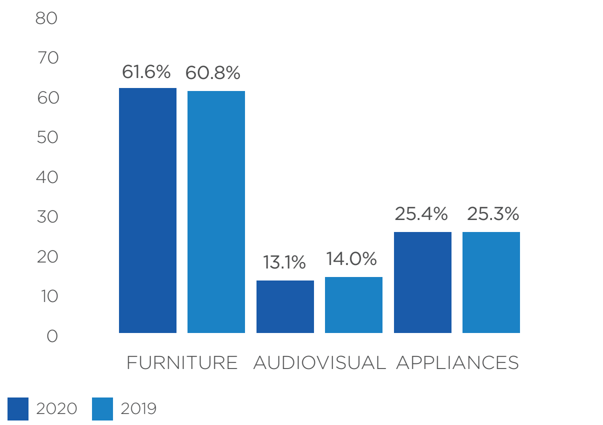
The merchandise offering covers three core product categories:

Furniture: Bedroom suites, beds, base sets, mattresses, lounge and dining room suites, wall units and kitchen units. Lounge suites and base sets account for approximately 62% of sales in this category.

Appliances: Refrigerators, freezers, stoves, washing machines, microwave ovens and small electrical appliances, including well-known brands such as Defy, Russell Hobbs, KIC, Whirlpool and Kelvinator.

Audiovisual: Mainly television sets, audio equipment and laptop computers from leading brands Samsung, Hisense, Sinotec and LG.

Merchandise sales mix (%)



In each category the group follows a sell-up strategy of "good", "better", "best" or "more for less".

The focus has remained on increasing sales of the higher margin furniture and appliance product categories, while more contemporary lines are offered in each furniture sub-category to attract younger customers.

An electronic merchandise catalogue is utilised in all traditional retail stores, providing the customer access to the complete merchandise range despite space limitations. The full product range, including all available colour and fabric options, are displayed on a large touch screen.

Merchandise sourcing

Products are sourced from a wide range of local and international suppliers to ensure that customers are offered exclusive merchandise ranges. Imported merchandise accounted for 28.9% of stock purchases in the reporting period.

Merchandise, supply chain and stores report
continued

As a member of the Proudly South African Association, we share a commitment to an uplifting ethos that promotes social and economic change.

We endeavour to source locally by investing and partnering with local manufacturers, making a meaningful contribution to building a better South African economy, alleviating unemployment and retaining existing employment opportunities.

Products are supported by local and overseas after-sales service to ensure quality standards are maintained. Prior to consignments being dispatched from international suppliers, samples of all imported products are assembled and tested for quality purposes.

Supply chain and distribution

The group's supply chain model is based on locally sourced merchandise being delivered directly to stores, supported by leading shipping and logistics providers for imported stock.

As the group does not operate distribution centres or centralised warehouses for the traditional retail brands, each store has a storage facility which is located close to the store, generally in areas with lower rentals than retail space. This strategy limits the build-up of obsolete stock and reduces markdowns.

Traditional retail stores have dedicated delivery vehicles which enables an average of 90% of deliveries to be completed within 24 hours of the product being sold.

The group's store base increased to 794 following the opening of 19 stores and the closure of 9 stores in the past financial year. This includes 125 stores in the neighbouring countries of Namibia, Botswana, Eswatini and Lesotho.

Traditional retail

Stores are accountable for all aspects of the customer relationship. The personal and relationship-based interaction with customers in the stores creates trust and confidence while ensuring high levels of customer loyalty.

In the traditional retail brands a significant amount of credit sales are generated from existing customers. This is largely attributable to the success of the customer re-serve programme which identifies existing customers for potential further credit, based on their payment history.

Lewis	Best Home and Electric	Beares
415 stores in SA	126 stores in SA	87 stores in SA
70 stores outside SA	15 stores outside SA	40 stores outside SA
155 556m² trading space	18 334m² trading space	47 848m² trading space
Average store size 321m²	Average store size 130m²	Average store size 377m²

The traditional retail stores are generally located in main streets and town centres, close to places where target customers live, shop and work. Customers are serviced by staff from their own communities in their own language.

The Lewis brand carries a comprehensive range of merchandise and caters for specific markets and regional differences. Stores have an average trading space of 321m² and the smaller format stores are 250m². The smaller format store, introduced in 2010, has enabled the chain to gain access to high traffic areas at more affordable rentals. This store format offers customers key merchandise lines, with the full range available on the electronic catalogue and display screens in-store. Lewis now has 223 small format stores in its portfolio.

An active store refurbishment programme ensures that stores remain relevant and modern, with stores being refurbished on average every five years. During the reporting period 150 stores across the portfolio were refurbished.

Cash retail

UFO stores are located in high-end malls and shopping centres, with the chain's flagship store located in Marlboro, Johannesburg, recognised as a destination shopping location. Stores average 678m² with most product displayed on the shop floor.

UFO
41 stores in SA
27 800m² trading space
Average store size 678m²

Refer to the retail store footprint on page 9 for a breakdown of the store portfolio by brand and location.

Managing credit risk

The group's centralised credit granting and decentralised collection processes are a core strength in managing credit risk and debtor costs in the current constrained economic environment which has been compounded by the social and economic impacts of the COVID-19 pandemic.

Performance of the debtor book

Gross debtors increased by 4% or R218 million to R5.7 billion, with an increase of 1.7% in the number of active customers to 595 919.

Collection rates increased to 77.3% for the first 11 months of the financial year to February 2020 (2019: 75.7%). Owing to the loss of key trading days at the March month end due to the national lockdown which started on 27 March, the collection rate for the year slowed to 74.5% (2019: 76.3%) and the level of satisfactory paid customers declined to 70.5% (2019: 71.4%).

The credit health of the group's customer base pre-lockdown is reflected in the R40.9 million decline in net bad debts for the year. Net bad debts as a percentage of debtors reduced to 13.9% from 15.1% in the prior year.

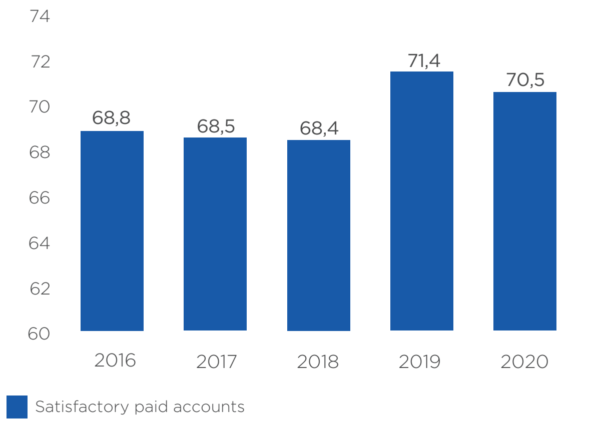
Debtor costs grew by 37.8% or R277 million as the IFRS 9 impairment provision was increased by R210.9 million, as a result of the following:

- an increase in the impairment provision of R 123.2 million as a result of the lost collections in the March trading period due to the store closures mandated by the Covid-19 lockdown.
- an increase of R189.5 million, in response to the potential economic disruption caused by Covid-19 and its impact on future customer account payment behaviour
- reduced by a pre-lockdown improvement of R101.8 million.

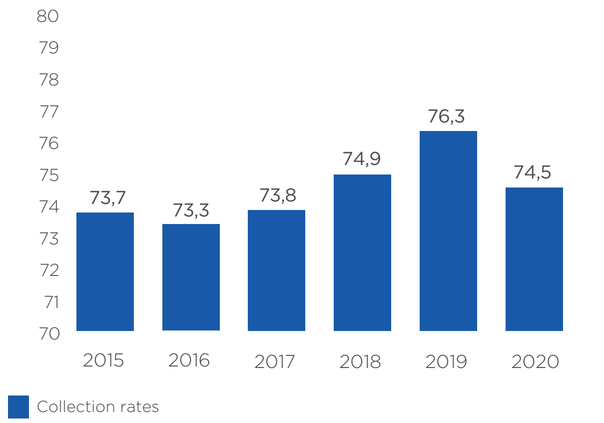
The debtors' provision as a percentage of debtors increased from 42.0% to 44.1%. Debtor costs as a percentage of debtors at gross carrying value has increased from 13.3% to 17.6%.

		2020	2019
Credit sales as a percentage of total sales	%	**56.9**	57.9
Gross debtors	Rm	**5 746**	5 528
Increase in gross debtors	%	**4.0**	0.9
Collection rates from instalment sales	%	**74.5**	76.3
Total collections from instalment sales	Rm	**4 052**	4 041
Debtor impairment provision	Rm	**2 534**	2 323
Debtor impairment provision as a percentage of gross debtors at carrying value	%	**44.1**	42.0
Debtor costs	Rm	**1 010**	733
Debtor costs as a percentage of debtors at gross carrying value	%	**17.6**	13.3
Bad debts as a percentage of debtors at gross carrying value	%	**13.9**	15.1
Satisfactory paid accounts as a percentage of total customers	%	**70.5**	71.4
Credit application decline rate	%	**37.5**	37.4
Active credit customer base		**595 919**	585 750

Satisfactory paid accounts (%)



Group collection rates (%)



Credit offering

In the traditional retail brands credit contracts are offered over 12, 24, 30 or 36 months.

The credit offering is supported by Monarch Insurance, the group's short-term insurer, which offers a range of optional short-term insurance products to customers purchasing merchandise on credit. Insurance cover is offered 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. Monarch is registered with the Financial Sector Conduct Authority and operates under a short-term insurance licence.

Credit risk management

Credit is granted centrally to ensure that credit risk policies are consistently applied, removing any subjectivity in the credit granting process. As a responsible credit provider, an important factor in granting credit is the level of indebtedness of an applicant as this impacts directly on their ability to service debt. A comprehensive affordability assessment is undertaken for all credit applications which includes assessing Lewis data, credit bureau information as well as the customer's priority living expenses.

Advanced credit granting systems are used to assess the customer through the credit underwriting process summarised below:

Credit scoring: Information is gathered on the customer from credit bureaus and third parties, including employers, and run through credit scorecards. For new customers, application risk scorecards predict the risk based on the information from these external parties. For existing customers, behavioural scorecards assess the risk through predictive behaviour based mainly on the customer's payment record with Lewis, and then taking account of credit bureau and third-party data.

Assessing customer affordability: Information is collected on the applicants' income, expenses and current debt obligations. Lewis uses its own priority expense model based on surveys conducted with customers as well as the National Credit Regulator's expense table.

Credit limit: The applicants 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.

These credit granting systems are used to determine the group's 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 when necessary.

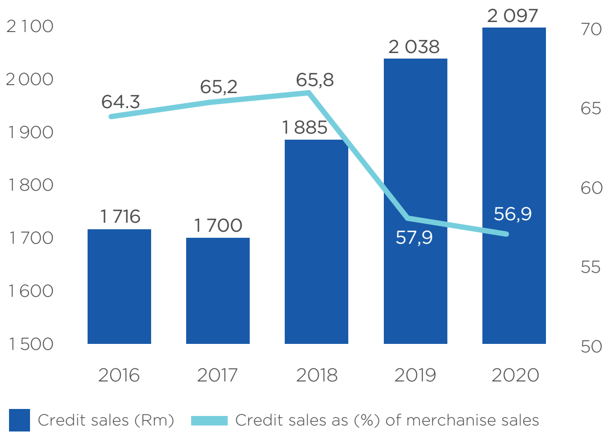
Credit granting compliance

When entering into credit agreements, customers are interviewed by the store manager and all the salient terms of the credit sale as well as the benefits of the optional insurance are explained to the customer.

Prior to completing the transaction, the store manager ensures that the customer speaks to a compliance call centre agent, in their preferred language. This call centre was introduced in 2016 to further improve compliance, transparency and oversight of the in-store sales and credit application process as well as limit potential misunderstandings of the cost of credit, services and fees to be paid by customers. The call centre is housed at the group's head office and employs approximately 60 permanent staff, with this number increasing up to 150 call centre agents during peak periods.

Managing credit risk continued

Credit sales mix



** The decline in credit sales was due to the purchase of the cash retailer UFO*

The call centre agent needs to establish that the store manager conducted the interview to explain the contract to the customer. Further, the agent must ensure that the customer understands all critical elements of the contract, including which services are optional, the initiation fees, service fees, delivery fees, maintenance contract and insurance. The total cost of credit, monthly instalment, interest amount, interest rate and credit multiple are reconfirmed, and the customer is asked to confirm that they can afford the monthly instalment. The employment status of the customer is confirmed as well as the insurance options selected.

The customer is reminded that they will receive a signed copy of the contract before they leave the store and that they have a five-day cooling off period in which time the contract can be cancelled without the customer incurring any penalties.

Customers can ask questions at any time on the call and if it becomes evident to the call centre agent that the customer does not understand any element of the contract, the call will be ended and the store manager will have to explain the issue to the customer. Once completed, the call centre will engage the customer again.

All calls are recorded and stored to protect the interests of the customer and Lewis Group. Only once the call centre agent has successfully completed the interview with the customer will the transaction be approved by the call centre. Without this approval, no transaction exists, and the goods cannot be invoice or delivered.

Credit collection

Lewis operates a decentralised credit collection process, with store-based follow-up and cash collection. The decentralised model has proven to be highly effective as stores are located close to where customers work, shop and live. Customers generally pay their accounts in the store and the convenient locations make it easy to effect payments.

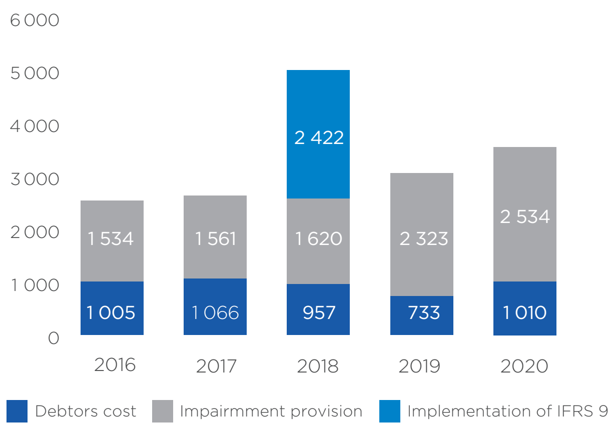
Store collection staff are often from the same community and can communicate in the language of the customer which benefits collection rates.

During the COVID-19 lockdown period, when all stores were closed, management established electronic payment platforms which enabled account payments for all Lewis Group brands to be made at a range of major national food and clothing retail chains, as these retailers continued to trade during this time.

Bad debts

Accounts in default are written off where the customer's payment behaviour cannot be rehabilitated after all reasonable collection methods have been exhausted. Bad debts arise where the customer's account balance has been written off or the goods repossessed. The decision to write off accounts considers the customer's payment rating, recent payment behaviour, the number of arrear instalments, whether the customer has exceeded the contractual term and the age of the account.

Debtors costs vs Impairment provision (Rm)



Refer to note 2 to the summary financial statements on pages 59 to 64 for detail on the determination of the impairment provision and the calculation of contractual arrears, as well as the combined impairment and contractual arrears tables.

05 Financial review

Chief financial officer's report

The group's cash and capital management strategy is focused on investing in the longer-term growth of the business and returning capital to shareholders through dividend payments and share repurchases.

Lewis Group delivered a solid trading and operational performance for the year before being impacted by the COVID-19 lockdown and subsequent trading restrictions which started shortly before the group's financial year end.

These COVID-19 impacts, which are outlined below, translated into a decline in headline earnings of 33.7% to R204.5 million (2019: R308.4 million) while headline earnings per share declined by 30.8% to 260 cents (2019: 376 cents).

Shareholders will be reassured that despite the impact of COVID-19, the business continues to be highly cash generative, has a strong balance sheet and has no borrowings.

Consequently, the directors have shown confidence in the group's trading and financial prospects and declared a total dividend of 185 cents per share for the year (2019: 234 cents). This comprises an interim dividend of 120 cents per share and a final dividend of 65 cents per share.

Financial impact of COVID-19

The most significant impacts of the COVID-19 lockdown on the financial performance for the year were as follows:

	Impact on earnings Rm	Impact on headline earnings Rm
Impact on operating results:		
Increase in the impairment provision as a result of lost collections due to store closures in March	(123.2)	(123.2)
Impact on forward-looking information:		
IFRS 9 – Additional economic overlay for debtors' impairment	(189.5)	(189.5)
IFRS 16/IAS 36 – Impairment of right-of-use asset	(26.6)	–
Impact before taxation	(339.3)	(312.7)
Taxation	96.0	89.2
Impact after taxation	(243.3)	(223.5)

These COVID-19 adjustments resulted in the profit before taxation being reduced by R339.3 million, attributable earnings by R243.3 million and headline earnings by R223.5 million.

Financial performance

The group adopted IFRS 16 – Leases with effect from 1 April 2019 and elected not to restate the comparative information as permitted by this standard. Using the modified retrospective approach, the impact of IFRS 16 has been applied retrospectively with an adjustment to the group's opening retained earnings on 1 April 2019. Refer to note 1.3 in the audited annual financial statements.

Segmental reporting has been amended as the omni-channel business of INspire has been discontinued as a separate business and has been integrated into the traditional business under the Beares brand.

The group utilised the two-month extension period granted by the Financial Sector Conduct Authority to report its results for the year ended 31 March 2020 owing to the impact of the COVID-19 pandemic and national lockdown on financial reporting and auditing processes.

The following review of the group's financial performance should be read together with the audited annual financial statements available on the group's website.

Revenue

Merchandise sales for the year increased by 4.7% to R3 686 million (2019: R3 520 million) and comparable store sales grew by 3.2%.

UFO grew merchandise sales by 10.8% to R530 million which contributed to the group's cash sales increasing by 7.2% for the 12 months.

Cash sales accounted for 43.1% (2019: 42.1%) of total sales. Credit sales grew by 2.9% and comprised 56.9% (2019: 57.9%) of total sales.

Other revenue, consisting of finance charges and initiation fees, insurance premiums and services rendered, increased by 5.8%.

The group's total revenue, comprising merchandise sales and other revenue, increased by 5.2% to R6 453 million (2019: R6 137 million).

Gross profit

The gross profit margin at 41.0% (2019: 41.2%) remains at the upper end of the group's target range of 38% – 42%.

Operating costs

Operating costs, excluding debtor costs, were again well controlled and reflected an increase of only 4.3%, ahead of management's guided range of 6% to 8%.

On a comparable basis, excluding the impact of IFRS 16, total group expenses increased by 5.3% and in the traditional segment by 4.6%.

Analysis of costs (excluding debtor costs)	2020 Rm	2019 Rm	%
Employment costs	1 214	1 150	5.6
Admin and IT	360	348	3.4
Marketing	299	298	0.3
Occupancy costs	144	445	(67.6)*
Transport and travel	273	242	12.8
Depreciation, amortisation and impairment	376	79	375.9*
Other operating costs	350	331	5.7
Total	3 016	2 893	4.3

* *Variance as a result of adoption of IFRS 16.*

Debtor costs

Debtor costs grew by 37.8% or R277 million as the IFRS 9 impairment provision was increased by R210.9 million. Excluding the R312.7 million increase as a consequence of COVID-19, the impairment provision would have declined by R101.8 million. The debtors' provision as a percentage of debtors increased from 42.0% to 44.1%. Debtor costs as a percentage of debtors at gross carrying value has increased from 13.3% to 17.6%.

Collection rates slowed to 74.5% (2019: 76.3%) and the level of satisfactory paid customers declined to 70.5% (2019: 71.4%) owing to the lost collections of approximately R180 million at the end of March 2020 when South Africa went into lockdown and stores were restricted from trading.

Chief financial officer's report continued

Debtor performance	2020	2019
Collections (Rm)		
Collections from instalment sales	**4 052**	4 041
Actual collections achieved		
As a % of one contract instalment per customer per month	**74.5%**	76.3%
Contractual arrears (Rm)	**2 112**	2 129
% of debtors at gross carrying value	**36.7%**	38.5%
Debtor Costs (Rm)		
Debtor costs (+37.8%)	**1 010**	733
• Net bad debts written off	**901**	942
• Debtors impairment provision	**211**	(99)
• Credit impairment adjustment	**(102)**	(110)
Debtor costs as a % of debtors at gross carrying value	**17.6%**	13.3%

Operating profit

The impairments detailed above have had an impact of R339.3 million on the group's operating profit which declined by 42.7% to R253.7 million (2019: R443.0 million). The operating margin, based on revenue, reduced from 7.2% to 3.9% with the operating margin calculated on sales declining from 12.6% to 6.9%.

Finance costs

Net finance costs benefited from a gain of R29.3 million on forward exchange contracts covering merchandise imports.

Cash and capital management

The group's cash and capital management strategy is focused on investing in the longer-term growth of the business and returning capital to shareholders through dividend payments and share repurchases.

Cash generated from operations totalled R636 million (2019: R653 million). The gearing ratio was 12% at year end, with lease liabilities of R838 million being reflected on the balance sheet following the adoption of IFRS 16. On a pre IFRS 16 basis, the balance sheet was ungeared.

Shortly before year end the group accessed existing borrowing facilities as a precautionary measure to ensure liquidity during lockdown. However, no additional funding was required as the group remained cash positive during the lockdown period and the borrowings were repaid once the stores reopened.

The group repurchased 3.3 million shares during the financial year, at an average market price of R30.72 per share, for a total cost of R101.7 million. Since the start of the current share repurchase programme in May 2017 the group has bought back 11.9 million shares at an average price of R30.43 per share.

Dividends totaling R196 million were paid to shareholders during the year.

Capital ratios (%)	2020	2019
Gearing ratio – pre IFRS-16	**(5.6)**	(4.2)
Gearing ratio – post IFRS-16	**12.0**	–
Dividend payout ratio	**78.9**	61.1
Return on average shareholders' funds	**3.8**	6.4
Return on average capital employed	**3.7**	6.5
Return on average assets managed (pre-tax)	**4.8**	8.5

Outlook for 2021

Management is committed to the share repurchase programme. At the annual general meeting (AGM) in October 2019, shareholders granted management the authority to repurchase a further 10% of the issued share capital. At the end of the 2020 financial year, 8.2% of this mandate was still available for share repurchases. The company will seek shareholder approval to repurchase a further 10% of the issued share capital at the forthcoming AGM in October 2020.

The financial targets for 2021 and the medium-term have been reviewed to take account of the expected impact of COVID-19 on the group's performance.

Performance indicators (%)	2020 Actual	2021 targets	Medium-term targets
Gross profit margin	41.0	**38 – 42**	**38 – 42**
Operating profit margin – based on revenue	3.9	**5 – 7**	**10 – 15**
Operating profit margin – based on sales	6.9	**8 – 12**	**17 – 25**
Increase in operating costs	4.3	**3 – 5**	**4 – 6**
Credit sales as a % of total sales	56.9	**56 – 60**	**56 – 60**
Satisfactory paid customers	70.5	**64 – 67**	**70 – 72**
Debtor costs as a % of debtors at gross carrying value	17.6	**15 – 18**	**13 – 16**
Gearing	12.0	**<15**	**<25**

Appreciation

The COVID-19 national lockdown had a significant impact on the group's reporting processes and I extend my thanks to our group finance team and our external auditor, PricewaterhouseCoopers, for completing the preparation of the financial statements while working remotely under the constraints of the lockdown. Thank you also to our shareholders and the broader investment community locally and offshore for your continued support and engagement with management over the past year.

Jacques Bestbier
Chief financial officer

Five-year review

Ratios and statistics		2020	2019	2018	2017	2016
Returns						
Return on average shareholders' funds (after-tax)*	(%)	**3.8**	6.4	5.1	6.6	17.7
Return on average capital employed (after-tax)*	(%)	**3.7**	6.5	5.1	6.7	14.7
Return on average assets managed (pre-tax)*	(%)	**4.8**	8.5	6.6	8.2	15.9
Margins						
Gross profit margin	(%)	**41.0**	41.2	41.4	42.4	38.0
Operating profit margin	(%)	**3.9**	7.2	6.8	10.1	14.1
Productivity						
Number of stores		**794**	784	773	761	760
Revenue per store	(R'000)	**8 128**	7 828	7 189	7 348	7 871
Operating profit per store	(R'000)	**320**	565	491	741	1 109
Average number of permanent employees		**8 248**	8 101	8 093	8 619	8 409
Revenue per employee	(R'000)	**782**	758	687	649	688
Operating profit per employee	(R'000)	**31**	55	47	65	97
Trading space	(sqm)	**249 538**	254 590	258 463	248 271	254 566
Revenue per sqm	(R)	**25 861**	24 106	21 499	22 524	23 799
Operating profit per sqm	(R)	**1 017**	1 740	1 468	2 272	3 353
Inventory turn*	(times)	**2.9**	3.1	2.8	3.4	3.8
Credit ratios						
Credit sales	(%)	**56.9**	57.9	65.8	65.2	64.3
Bad debts as a percentage of debtors at gross carrying value*	(%)	**13.9**	15.1	16.1	18.6	13.0
Debtor costs as a percentage of debtors at gross carrying value*	(%)	**17.6**	13.3	17.2	19.1	17.1
Debtors impairment provision as a percentage of debtors at gross carrying value*	(%)	**44.1**	42.0	43.5	28.0	26.1
Satisfactory paid accounts as a percentage of total customers	(%)	**70.5**	71.4	68.4	68.5	68.8
Arrear instalments on satisfactory paid accounts as a percentage of debtors at gross carrying value*	(%)	**10.7**	8.8	9.2	9.8	9.9
Arrear instalments on slow paying and non-performing accounts as a percentage of debtors at gross carrying value*	(%)	**26.0**	26.2	28.8	28.6	26.8
Credit applications decline rate	(%)	**37.5**	37.4	37.1	38.7	39.3

Refer to www.lewisgroup.co.za for full five-year review.

Five-year review continued

Ratios and statistics		2020	2019	2018	2017	2016
Solvency and liquidity						
Financing cover	(times)	**8.9**	16.7	9.0	4.5	10.4
Gearing ratio – pre-IFRS 16	(%)	**(5.6)**	(4.2)	(1.6)	2.9	25.5
Gearing ratio – post-IFRS 16	(%)	**12.0**				
Current ratio	(times)	**2.8**	5.9	3.8	5.2	3.5
Share performance						
Earnings per share	(cents)	**232.1**	377.5	306.8	402.9	1 082.6
Headline earnings per share	(cents)	**260.2**	376.2	302.7	399.5	621.7
Cash flow per share	(cents)	**809.4**	795.8	822.8	1 256.5	1 070.1
Net asset value per share	(cents)	**6 126.4**	6 080.4	5 777.8	6 127.3	6 152.6
Share price:						
Closing price	(R)	**17.82**	31.10	42.20	41.50	47.00
High	(R)	**37.50**	48.00	44.40	54.11	101.62
Low	(R)	**16.00**	26.20	23.67	27.95	39.00
Price-earnings ratio		**7.7**	8.2	13.8	10.3	4.3
Dividends per share for the financial year	(cents)	**185.0**	234.0	200.0	200.0	517.0
Dividend payout ratio	(%)	**78.9**	61.1	71.1	54.8	52.7
Number of shares in issue	(million)	**76.9**	80.2	92.7	98.1	98.1
Volume of shares traded	(million)	**26.4**	34.6	58.3	59.3	128.6
Value of shares traded	(million)	**625.0**	1 137.4	1 844.2	2 764.6	8 278.5
Market capitalisation	(million)	**1 370**	2 494	3 521	3 685	4 159
Number of shareholders		**1 722**	1 773	1 732	1 695	2 410

Explanatory notes:

1. *All ratios are based on figures at the end of the period unless otherwise disclosed.*
2. *The changes in the accounting policies implemented in the 2016 financial year have only been reflected from 2015 onwards.*
3. *Total assets for ratio purposes exclude the deferred tax asset and reinsurance asset.*
4. *Revenue and operating profit per store and square metres for 2016 and 2017 is calculated on an average to cater for the acquisitions during the year.*
5. *Ratios marked with an asterisk calculated for the prior year assuming that IFRS 9, IFRS 15 and reclassifications were implemented as at 31 March 2018. No similar adjustment was made for the adoption of IFRS 16 as it was immaterial.*

Independent auditor's report

Independent auditor's report on the summary consolidated financial statements

To the Shareholders of Lewis Group Limited

Opinion

The summary consolidated financial statements of Lewis Group Limited, set out on pages 49 to 70 of the Lewis Group Limited Integrated Annual Report 2020, which comprise the summary consolidated balance sheet as at 31 March 2020, the summary consolidated income statement, the summary consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Lewis Group Limited for the year ended 31 March 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 25 August 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: MC Hamman
Registered Auditor
Cape Town
25 August 2020

Income statement

for the year ended 31 March 2020

		Notes	2020 Audited Rm	2019 Audited Rm
Revenue		4.1	**6 453.3**	6 137.2
Retail revenue		4.2	**4 475.3**	4 242.3
Merchandise sales			**3 685.5**	3 519.9
Ancillary services			**789.8**	722.4
Insurance revenue			**666.1**	647.2
Effective interest income			**1 311.9**	1 247.7
Cost of merchandise sales		7	**(2 173.5)**	(2 069.3)
Operating costs			**(4 026.1)**	(3 624.9)
Debtor costs		2.2	**(1 010.1)**	(733.1)
Employment costs			**(1 214.4)**	(1 149.5)
Occupancy costs			**(144.2)**	(444.8)
Administration and IT			**(359.7)**	(348.3)
Transport and travel			**(273.2)**	(241.7)
Marketing			**(298.7)**	(298.3)
Depreciation, amortisation and impairment		10	**(375.5)**	(78.6)
Other operating costs			**(350.3)**	(330.6)
Operating profit before investment income			**253.7**	443.0
Investment income		3.2	**53.6**	50.3
Profit before net finance costs			**307.3**	493.3
Net finance costs			**(34.5)**	(29.5)
Interest paid		5.3	**(98.0)**	(69.8)
Interest received		5.3	**34.2**	23.0
Forward exchange contracts		5.3	**29.3**	17.3
Profit before taxation			**272.8**	463.8
Taxation		9	**(90.4)**	(154.3)
Net profit attributable to ordinary shareholders			**182.4**	309.5
Earnings per share	(cents)		**232.1**	377.5
Diluted earnings per share	(cents)		**225.4**	368.7

Statement of comprehensive income

for the year ended 31 March 2020

	2020 Audited Rm	2019 Audited Rm
Net profit for the year	**182.4**	309.5
Items that may be subsequently reclassified to income statement:		
Movement in other reserves	**(3.4)**	(10.1)
Fair value adjustments	**(35.7)**	(15.3)
Changes in the fair value of debt instruments at fair value through other comprehensive income – FVOCI debt investments	**(49.5)**	(21.3)
Tax effect	**13.8**	6.0
Disposal of FVOCI debt investments	**1.0**	0.2
Disposal	**1.3**	0.3
Tax effect	**(0.3)**	(0.1)
Foreign currency translation reserve	**31.3**	5.0
Items that may not be subsequently reclassified to income statement:		
Retirement benefit remeasurements	**37.3**	(4.1)
Remeasurements of the retirement asset and liabilities	**51.1**	(5.7)
Tax effect	**(13.8)**	1.6
Other comprehensive income	**33.9**	(14.2)
Total comprehensive income for the year attributable to equity shareholders	**216.3**	295.3

Earnings and dividends per share

for the year ended 31 March 2020

		2020 Audited	2019 Audited
Weighted average number of shares			
Weighted average	('000)	**78 615**	81 990
Diluted weighted average	('000)	**80 936**	83 950
Headline earnings			
Attributable earnings	(Rm)	**182.4**	309.5
Loss/(profit) on disposal of fixed assets	(Rm)	**2.3**	(1.1)
Impairment of right-of-use assets	(Rm)	**19.8**	–
Headline earnings	(Rm)	**204.5**	308.4
Earnings per share			
Earnings per share	(cents)	**232.1**	377.5
Diluted earnings per share	(cents)	**225.4**	368.7
Headline earnings per share			
Headline earnings per share	(cents)	**260.2**	376.2
Diluted headline earnings per share	(cents)	**252.7**	367.4
Dividends per share			
Dividends paid per share			
Final dividend 2019 (2018)	(cents)	**129.0**	100.0
Interim dividend 2020 (2019)	(cents)	**120.0**	105.0
	(cents)	**249.0**	205.0
Dividends declared per share			
Interim dividend 2020 (2019)	(cents)	**120.0**	105.0
Final dividend 2020 (2019)	(cents)	**65.0**	129.0
	(cents)	**185.0**	234.0

Balance sheet

as at 31 March 2020

	Notes	2020 Audited Rm	2019 Audited Rm
Assets			
Non-current assets			
Property, plant and equipment		**324.4**	298.9
Right-of-use assets	11.2	**693.7**	–
Intangible assets		**120.6**	122.3
Goodwill		**187.6**	187.6
Deferred taxation		**166.1**	195.4
Retirement benefit asset		**106.8**	79.0
Financial assets – insurance investments	3.1	**228.0**	276.1
		1 827.2	1 159.3
Current assets			
Inventories		**740.7**	665.8
Trade and other receivables	2.1	**3 326.1**	3 315.6
Taxation		**54.9**	102.9
Financial assets – insurance investments	3.1	**245.9**	340.7
Cash-on-hand and deposits	5.1	**1 193.4**	204.7
		5 561.0	4 629.7
Total assets		**7 388.2**	5 789.0
Equity and liabilities			
Capital and reserves			
Share capital and premium		**0.9**	0.9
Treasury shares		**(1.0)**	(0.5)
Other reserves		**52.3**	48.4
Retained earnings		**4 657.3**	4 827.3
		4 709.5	4 876.1
Non-current liabilities			
Lease liabilities	11.1	**611.1**	–
Deferred taxation		**23.3**	43.2
Retirement benefit liability		**70.7**	87.2
		705.1	130.4
Current liabilities			
Trade and other payables		**547.9**	521.8
Payments in advance		**150.1**	158.0
Insurance liabilities		**104.8**	102.7
Short-term interest-bearing borrowings	5.1	**922.1**	–
Lease liabilities	11.1	**226.8**	–
Taxation		**21.9**	–
		1 973.6	782.5
Total equity and liabilities		**7 388.2**	5 789.0

Statement of changes in equity

for the year ended 31 March 2020

	Note	2020 Audited Rm	2019 Audited Rm
Share capital and premium			
Opening balance		**0.9**	425.0
Cost of own shares acquired		**(101.7)**	(99.0)
Treasury shares cancelled		**–**	(477.7)
Transfer of cost of cancelled shares		**101.7**	152.6
		0.9	0.9
Treasury shares			
Opening balance		**(0.5)**	(480.2)
Share awards to employees		**20.5**	8.1
Cost of own shares acquired		**(21.0)**	(6.1)
Treasury shares cancelled		**–**	477.7
		(1.0)	(0.5)
Other reserves			
Opening balance		**48.4**	42.6
Other comprehensive income for the year:			
Changes in fair value of FVOCI debt investments		**(35.7)**	(15.3)
Disposal of FVOCI debt investments		**1.0**	0.2
Foreign currency translation reserve		**31.3**	5.0
Equity-settled share-based payments		**29.0**	36.2
Transfer of share-based payments reserve to retained earnings on vesting		**(20.9)**	(20.3)
Transfer of other reserve to retained earnings		**(0.8)**	–
		52.3	48.4
Retained earnings			
Opening balance as previously reported		**4 827.3**	5 461.1
IFRS 9 Transitional adjustments		**–**	(604.8)
IFRS 15 Transitional adjustments		**–**	(26.0)
IFRS 16 Transitional adjustments	1.2	**(92.8)**	–
Opening balance (Restated)		**4 734.5**	4 830.3
Net profit attributable to ordinary shareholders		**182.4**	309.5
Distribution to shareholders		**(196.4)**	(168.0)
Transfer of cost of cancelled shares		**(101.7)**	(152.6)
Transfer of share-based payments reserve to retained earnings on vesting		**20.9**	20.3
Retirement benefit remeasurements		**37.3**	(4.1)
Share awards to employees		**(20.5)**	(8.1)
Transfer of other reserve to retained earnings		**0.8**	–
		4 657.3	4 827.3
Balance as at 31 March		**4 709.5**	4 876.1

Cash flow statement

for the year ended 31 March 2020

	Notes	2020 Audited Rm	2019 Audited Rm
Cash flow from operating activities			
Cash flow from trading	8.1	**892.1**	501.8
Changes in working capital	8.2	**(255.8)**	150.7
Cash flow from operations		**636.3**	652.5
Interest received other than from trade receivables		**86.5**	73.0
Interest paid	5.3	**(98.0)**	(69.8)
Taxation refunded/(paid)		**25.2**	(128.1)
		650.0	527.6
Cash utilised in investing activities			
Net disposals/(purchases) of insurance business investments		**96.0**	(31.1)
Purchases of insurance investments		**(76.0)**	(293.3)
Disposals of insurance investments		**172.0**	262.2
Acquisition of fixed assets		**(108.1)**	(88.6)
Purchase of business		**–**	(16.5)
Proceeds on disposal of fixed assets		**4.0**	9.6
		(8.1)	(126.6)
Cash flow from financing activities			
Dividends paid		**(196.4)**	(168.0)
Payment of principal portion of lease liabilities	11.1	**(256.2)**	–
Advances/(repayments) of borrowings	5.1	**922.1**	(502.8)
Purchase of own shares		**(122.7)**	(105.1)
		346.8	(775.9)
Net increase/(decrease) in cash and cash equivalents		**988.7**	(374.9)
Cash and cash equivalents at the beginning of the year		**204.7**	579.6
Cash and cash equivalents at the end of the year		**1 193.4**	204.7

Notes to the summary financial statements

for the year ended 31 March 2020

1. Basis of reporting

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited ("JSE") for summary financial statements and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except as disclosed in note 1.2.

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. The financial results have been consistently prepared on this basis in prior years and each financial year reflects one year's trading performance including the current and comparative year being reported on.

These financial statements are a summary of the group's audited annual financial statements for the year ended 31 March 2020. The audited annual financial statements were prepared by the group's Finance Department under the supervision of Mr. J Bestbier CA(SA). A copy of the full set of the audited financial statements is available for inspection at the company's registered office.

1.2 Changes in accounting policies

1.2.1 Accounting for IFRS 16 – Leases

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019 and replaces IAS 17. The previous distinction between a finance lease and an operating lease under IAS 17 is no longer applicable as IFRS 16 requires almost all operating leases to be brought onto the balance sheet.

IFRS 16 removes the straight-line rent cost previously recognised in respect of operating leases under IAS 17, and replaces the cost with interest charged on outstanding lease liabilities and depreciation on right-of-use ("ROU") assets.

A lease liability and corresponding ROU asset is recognised at the commencement date of each qualifying lease.

On initial recognition, the lease liability is measured at a value equal to the present value of future lease payments over the lease term, discounted at the interest rate implicit in the lease. If that rate cannot be readily determined the relevant incremental borrowing rate is used. Future lease payments comprise fixed lease payments, less any lease incentives receivable. Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method, reduced by future lease payments net of interest charged. Future lease payments include lease extension options where the option to exercise is reasonably certain.

The discount rate used to calculate the lease liability is the group's relevant incremental borrowing rate as the interest rate implicit in the lease is not readily determinable. The rate is specific to the term, country and currency of the lease. Incremental borrowing rates are based on a series of inputs including market rates and risk adjustments which reflects the individual company and country risk profiles.

The ROU asset is initially measured at cost, comprising the initial lease liability, prepaid lease payments, initial direct costs and costs to dismantle or restore, less any lease incentives received. Subsequent to initial recognition, the ROU asset is depreciated on a straight-line basis over the shorter of the lease term and its estimated useful life. ROU assets are tested for impairment where there are indicators that the ROU asset or the Cash-Generating Unit ("CGU") to which the ROU asset belongs may be impaired.

The group leases various properties such as stores, storerooms, warehouses and offices. Lease agreements are generally entered into for fixed periods of one to five years and may include further extension options. The lease term includes any non-cancellable periods and reasonably certain extension option periods. At the date of initial application, the group's portfolio of qualifying leases has an average lease term of four years.

Notes to the summary financial statements continued

for the year ended 31 March 2020

1.2 Changes in accounting policies continued

1.2.2 Adoption of IFRS 16 – Leases

The group has adopted IFRS 16 with effect from 1 April 2019 and has elected not to restate its comparative information as permitted by this standard. Accordingly. using the modified retrospective approach, the impact of IFRS 16 has been applied retrospectively with an adjustment to the group's opening retained earnings on 1 April 2019.

On initial recognition the lease liability was measured at the present value of the future lease payments discounted over the lease term using the group's relevant incremental borrowing rate ("IBR") at the date of initial application. The group's portfolio of qualifying leases has a weighted average borrowing rate of 9.04% on date of initial application.

The associated ROU asset was recognised based on the carrying amount as if the standard had always been applied, apart from the practical expedients noted below.

The group considered all of the practical expedients available under the modified retrospective approach listed under IFRS 16 Annexure C paragraph 10 and has elected to apply the following:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of the ROU asset;
- Election not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*; and
- Use of hindsight in determining the lease term if the contract contains options to extend the lease.

Adoption effect on the financial statements

Impact on the income statement

		Post IFRS 16 2020 Rm	IFRS 16 Adjustments Rm	Pre IFRS 16 2020 Rm	2019 Rm
Revenue		**6 453.3**	**–**	**6 453.3**	6 137.2
Cost of merchandise sales		**(2 173.5)**	**–**	**(2 173.5)**	(2 069.3)
Operating costs		**(4 026.1)**	**29.3**	**(4 055.4)**	(3 624.9)
Occupancy costs		**(144.2)**	**327.7**	**(471.9)**	(444.8)
Depreciation, amortisation and impairment		**(375.5)**	**(298.4)**	**(77.1)**	(78.6)
Other operating costs[1]		**(3 506.4)**	**–**	**(3 506.4)**	(3 101.5)
Operating profit before investment income		**253.7**	**29.3**	**224.4**	443.0
Investment income		**53.6**	**–**	**53.6**	50.3
Profit before net finance costs		**307.3**	**29.3**	**278.0**	493.3
Net finance costs		**(34.5)**	**(75.1)**	**40.6**	(29.5)
Interest paid		**(98.0)**	**(75.1)**	**(22.9)**	(69.8)
Interest received		**34.2**	**–**	**34.2**	23.0
Forward exchange contracts		**29.3**	**–**	**29.3**	17.3
Profit before taxation		**272.8**	**(45.8)**	**318.6**	463.8
Taxation		**(90.4)**	**12.2**	**(102.6)**	(154.3)
Net profit attributable to ordinary shareholders		**182.4**	**(33.6)**	**216.0**	309.5
Earnings per share	(cents)	**232.1**	**(42.7)**	**274.7**	377.5
Diluted earnings per share	(cents)	**225.4**	**(41.5)**	**266.8**	368.7

[1] *Comprises debtor costs, employment costs, administration and IT, transport and travel, marketing and other operating costs. Refer page 49 for full income statement for the year ended 31 March 2020.*

1.2 Changes in accounting policies continued

1.2.2 Adoption of IFRS 16 – Leases continued

Impact on the balance sheet

		2020 Rm	On transition 1 April 2019 Rm
Total assets			
Increase in right-of-use assets		**693.7**	726.2
Increase in deferred tax assets		**48.8**	36.6
Increase/(decrease) in lease premiums[1]		**7.0**	(6.5)
Decrease in rental prepayments[1]		**(0.9)**	(23.2)
		748.6	733.1
Total equity and liabilities			
Decrease in opening retained earnings		**(92.8)**	(92.8)
Decrease in retained earnings		**(33.6)**	–
Increase in lease liabilities		**837.9**	856.1
Non-current		**611.1**	642.2
Current		**226.8**	213.9
Decrease in lease averaging provision[2]		**–**	(30.2)
Increase in restoration provision[2]		**37.1**	–
		748.6	733.1
[1] Included in the trade and other receivables.			
[2] Included in the trade and other payables.			
Impact on net asset value			
Decrease in opening retained earnings		**(92.8)**	(92.8)
Decrease in net profit attributable to ordinary shareholders		**(33.6)**	–
		(126.4)	(92.8)
Impact on net asset value per share			
Decrease in net asset value per share	(cents)	**(164.4)**	(115.7)
Impact on the cash flow statement			
Increase in cash flow from trading		**327.7**	
Increase in cash flow from operations		**327.7**	
Increase in interest paid – lease liabilities		**(71.5)**	
Effect on cash flows from operating activities		**256.2**	
Increase in principal portion of lease liabilities		**(256.2)**	
Effect on cash flows from financing activities		**(256.2)**	
Net effect on cash and cash equivalents		**–**	

Impact on the reportable segments

IFRS 16 adjustments by reportable segments are as follows:

		2020 Traditional Rm	Cash Rm	Group Rm
Decrease in operating costs		**22.5**	**6.8**	**29.3**
Decrease in occupancy costs		**273.0**	**54.7**	**327.7**
Increase in depreciation and impairment		**(250.5)**	**(47.9)**	**(298.4)**
Increase in segment operating profit before investment income		**22.5**	**6.8**	**29.3**
Increase in segment operating margin	(%)	**0.4**	**1.3**	**0.5**
Increase in interest paid – lease liabilities		**(58.7)**	**(12.8)**	**(71.5)**
Increase in interest paid – other		**(3.2)**	**(0.4)**	**(3.6)**
Decrease in profit before taxation		**(39.4)**	**(6.4)**	**(45.8)**

Notes to the summary financial statements continued

for the year ended 31 March 2020

1.2 Changes in accounting policies continued

1.2.2 Adoption of IFRS 16 – Leases continued

Reconciliation of operating lease commitments (IAS 17) to lease liabilities (IFRS 16)

Leases have been classified into three categories based on the individual lease terms.

	Lease categories			
	0 – 12 months Rm	1 – 5 years Rm	>5 years Rm	Total Rm
Operating lease commitments (on cash basis) previously disclosed 31 March 2019	258.3	427.9	–	686.2
Less: Short-term and low value leases recognised as an expense	(4.0)	–	–	(4.0)
Add: Adjustments as a result of the inclusion of extension options[1]	48.6	197.8	155.0	401.4
Total commitments to be discounted using the relevant IBR at date of initial application	**302.9**	**625.7**	**155.0**	**1 083.6**
Discounting using the relevant IBR				(227.5)
Lease liabilities recognised as at 1 April 2019				856.1
Non-current				642.2
Current				213.9

[1] *IFRS 16 introduced additional guidance on determining reasonable certainty when assessing lease terms. On transition date, the group utilised the additional guidance relating to reasonable certainty and applied the hindsight practical expedient to include the extension options of leases entered into before 6 April 2019. The application of the new guidance and practical expedient resulted in an increase of R401.4 million in undiscounted operating lease commitments.*

2. Trade and other receivables

2.1 Trade receivables

		2020 Audited Rm	2019 Audited Rm
Trade receivables		**5 746.5**	5 527.8
Provision for impairment		**(2 534.0)**	(2 323.1)
Trade receivables (net)		**3 212.5**	3 204.7
Due within 12 months		**2 040.3**	2 012.9
Due after 12 months		**1 172.2**	1 191.8
Other receivables		**113.6**	110.9
Total trade and other receivables		**3 326.1**	3 315.6
Debtors' impairment provision as percentage of debtors at gross carrying value	(%)	**44.1**	42.0

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

Other receivables consist of prepayments, VAT, foreign reinsurance receivables, forward exchange contracts and investment in insurance cell captive.

Impairment modelling

In accordance with paragraph 5.5.15(a)(ii) of IFRS 9, the group has elected to apply the simplified model and measures the impairment allowance at an amount equal to lifetime expected credit losses. This policy has been applied to all trade receivables. Lifetime expected credit losses are assessed by determining cash flows on a probability weighted basis and discounting these at the effective interest rate including initiation fees.

The probability weighted cash flows are calculated using the following:

- Transition matrix and conditional probabilities; and
- Payment performance for each payment state.

The transition matrix and conditional probabilities are calculated using the trade receivables population payment behaviour for each payment state and has been developed using the group's customer payment history over the last five years. The transition matrix predicts the population's payment behaviour and probability of the account being in a particular payment state and transitioning into future payment states. The key states in the transitional matrix are the following:

- Customers' lifetime payment rating which measures the customers actual payments received over the lifetime of the account relative to the contractual instalments due;
- Age of the account; and
- Term of the contract.

For each term, lifetime payment rating and age, the transitional matrix predicts the probability of an account transitioning into future lifetime payment ratings for the remaining months on book. Cash flows are forecast until the account is settled or written off.

The payment performance for each payment state is calculated using the actual payment history for each payment rating over the last 12 months.

Economic overlay

To account for the potential impact of COVID-19 on future customer account payment behaviour in the calculation of the expected credit losses, an expanded economic overlay model was used as the primary model, for the current financial year.

Standard Economic Overlay Model

An economic overlay has been developed by performing a regression analysis between key economic variables with reference to the non-performing category over a five-year period (customers who have paid less than 55% of amounts due over the contract period). This assessment of the key economic assumptions is done on an annual basis to identify the economic variables that have the highest degree of correlation with the non-performing category. This assessment for 2020 has resulted in a change in variables utilised in the standard model. The following economic variables were identified for the current and prior years:

Notes to the summary financial statements continued

for the year ended 31 March 2020

2. Trade and other receivables continued

2.1 Trade receivables continued

2020	2019
CPI excluding food and housing **Gross Domestic Product ("GDP") Price Index** **Private credit consumers**	Prime overdraft rate Unemployment rate

Base, upside and downside scenarios using the economic variables above is determined and a weighted average scenario prepared. This is compared to the base position and an appropriate adjustment is made to the whole trade receivables book.

The three scenarios project the future impact of the economic variables on the impairment provision. Management has assigned a probability of 60% to the downside scenario, 30% to the base scenario and 10% to the upside scenario for the 12 month forecast for both the current year and prior year using this model. The probabilities used for the standard model anticipates deterioration in the general business environment and is not calibrated towards disruptive events such as the COVID-19 pandemic.

Expanded Economic Overlay Model to account for COVID-19

The impact of lockdown and regulations promulgated under the Disaster Management Act 2002 as a result of the COVID-19 pandemic on the economy and consumers will have an impact on the forward-looking economic overlay on the impairment provision for which the standard regression model does not cater.

The expanded model applies a regression analysis between payment behaviour and GDP growth. The payment behaviour is correlated to the GDP growth with a three-month lag. General expectation of GDP growth are used for each of the countries in which the group operates.

Base, upside and downside scenarios are created for GDP growth for each of the countries in which the group operates. The three scenarios project the forward-looking impact on the impairment provision. Management has assigned a probability of 15% to the upside scenario, 50% to the base scenario and 35% to the downside scenario. All the scenarios take into account the impact of the COVID-19 lockdown and regulations and have a five-year horizon in terms of GDP growth which takes into account the expected deterioration over the next calendar year as well as the subsequent recovery in the following four years.

2. Trade and other receivables continued

2.1 Trade receivables continued

The GDP growth is based on the Bureau for Economic Research ("BER") forecasts for South Africa and International Monetary Fund ("IMF") forecasts for each of the other countries where the group trades. South Africa constitutes approximately 85% of the group's trading activity and its GDP growth forecast has a significant impact on the economic overlay calculated by this model. The GDP forecasts used for South Africa (i.e. BER forecasts) are as follows:

		Calendar Year				
Scenario		**2020**	**2021**	**2022**	**2023**	**2024**
Upside	(%)	**(6.6)**	**4.8**	**1.9**	**2.0**	**2.0**
Base	(%)	**(9.5)**	**3.1**	**1.4**	**1.5**	**1.6**
Downside	(%)	**(14.1)**	**(2.0)**	**2.4**	**1.1**	**1.2**

Impact of forward-looking information on ECL

	2020 **Rm**	2019 Rm
Standard regression model	**105.0**	125.7
Expanded regression model to take account of COVID-19 lockdown and impact on economic recovery	**189.5**	–
Total economic overlay	**294.5**	125.7

	2020		2019	
	Rm	**% change**	Rm	% change
Probability weighted impact of all three scenarios	**294.5**		125.7	
100% downside scenario	**388.8**	**32**	148.5	18
100% base scenario	**260.2**	**(12)**	104.5	(17)
100% upside scenario	**188.1**	**(36)**	52.0	(59)

Combined impairment and contractual arrears table

The table reflects the following:

- A summary of the main groupings of payment ratings describing payment behaviour.
- For each of the main groupings of payment ratings, the following is disclosed:
  - number of customers;
  - gross carrying value;
  - impairment provision allocated to each grouping; and
  - contractual arrears for each grouping have been categorised by number of instalments in arrears.

The table referred to above is set out on the following page.

Notes to the summary financial statements continued

for the year ended 31 March 2020

2. Trade and other receivables continued

2.1 Trade receivables continued

Debtors analysis

31 March 2020

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	>3 R'000
Satisfactory paid									
Customers who have paid 70% or more of amounts due over the contract period.	420 399	3 397 212	728 839	21.5	615 331	203 768	127 077	89 041	195 445
%	70.5	59.1	28.8						
Slow payers									
Customers who have paid 55% to 70% of amounts due over the contract period.	98 250	1 088 690	726 424	66.7	599 632	78 344	72 297	65 847	383 144
%	16.5	19.0	28.6						
Non-performing accounts									
Customers who have paid less than 55% of amounts due over the contract period.	77 270	1 260 584	1 078 695	85.6	896 869	66 078	62 916	60 529	707 346
%	13.0	21.9	42.6						
Gross debtor analysis	595 919	5 746 486	2 533 958	44.1	2 111 832	348 190	262 290	215 417	1 285 935

Credit impaired debtors as at 31 March 2020

Credit impaired categories	Non-performing accounts R'000	*In duplum* Satisfactory R'000	*In duplum* Slow pay R'000	Debt counselling Satisfactory R'000	Debt counselling Slow pay R'000	No payment in three consecutive months Satisfactory R'000	No payment in three consecutive months Slow pay R'000	Total R'000
Gross carrying value as at 31 March 2020	1 260 584	1 031	1 115	52 320	106 652	107 739	153 451	1 682 892
Impairment provision	(1 078 695)	(345)	(805)	(13 327)	(72 681)	(29 367)	(107 514)	(1 302 734)
Amortised cost	181 889	686	310	38 993	33 971	78 372	45 937	380 158

2. Trade and other receivables continued

2.1 Trade receivables continued

Debtors analysis

31 March 2019

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	>3 R'000
Satisfactory paid									
Customers who have paid 70% or more of amounts due over the contract period.	418 355	3 282 938	593 578	18.1	534 435	156 625	105 396	76 314	196 100
%	71.4	59.4	25.6						
Slow payers									
Customers who have paid 55% to 70% of amounts due over the contract period.	88 969	959 418	612 172	63.8	606 735	68 541	65 290	60 511	412 393
%	15.2	17.3	26.3						
Non-performing accounts									
Customers who have paid less than 55% of amounts due over the contract period.	78 426	1 285 439	1 117 328	86.9	987 580	63 762	62 451	60 902	800 465
%	13.4	23.3	48.1						
Gross debtor analysis	585 750	5 527 795	2 323 078	42.0	2 128 750	288 928	233 137	197 727	1 408 958

Credit impaired debtors as at 31 March 2019

Credit impaired categories	Non-performing accounts R'000	*In duplum* Satisfactory R'000	*In duplum* Slow pay R'000	Debt counselling Satisfactory R'000	Debt counselling Slow pay R'000	No payment in three consecutive months Satisfactory R'000	No payment in three consecutive months Slow pay R'000	Total R'000
Gross carrying value as at 31 March 2019	1 285 439	13 182	43 748	35 277	70 006	45 259	70 650	1 563 561
Impairment provision	(1 117 328)	(5 578)	(30 605)	(7 661)	(39 764)	(9 842)	(39 900)	(1 250 678)
Amortised cost	168 111	7 604	13 143	27 616	30 242	35 417	30 750	312 883

Interest rate risk

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.

The average effective interest rate on instalment sale receivables is 22.9% (2019: 22.8%) and the average term of the sale is 32.8 months (2019: 32.8 months).

Fair value

In terms of paragraph 29(a) of IFRS 7, the carrying amounts reported in the balance sheet approximates fair value.

Notes to the summary financial statements continued

for the year ended 31 March 2020

2. Trade and other receivables continued

2.2 Debtor costs

		2020 Audited Rm	2019 Audited Rm
Bad debts		**877.5**	894.9
Bad debts before adjustment for interest on credit impaired accounts		**979.9**	1 005.3
Adjustment for interest on credit impaired accounts		**(102.4)**	(110.4)
Bad debt recoveries		**(78.3)**	(62.8)
Movement in debtors' impairment provision		**210.9**	(99.0)
Closing balance		**2 534.0**	2 323.1
Transition to IFRS 9		**–**	(802.6)
Opening balance		**(2 323.1)**	(1 619.5)
		1 010.1	733.1
Debtor costs as a percentage of debtors at gross carrying value	(%)	**17.6**	13.3

"Bad debts before adjustment for interest on credit impaired accounts" is the gross carrying amounts of the trade receivables written off. Interest income is recognised by applying the effective interest rate to the amortised cost (gross carrying value less impairment provision), resulting in lower bad debts.

3. Insurance

3.1 Insurance investments

	2020 Audited Rm	2019 Audited Rm
Financial assets – insurance investments		
Listed investments		
Fixed income securities – FVOCI debt investments	**228.0**	276.1
Unlisted Investments		
Money market – FVOCI debt investments	**245.9**	340.7
	473.9	616.8
Analysed as follows:		
Non-current	**228.0**	276.1
Current	**245.9**	340.7
	473.9	616.8
Movement for the year		
Beginning of the year	**616.8**	606.4
Additions to investments	**76.0**	293.3
Disposals of investments	**(170.7)**	(261.9)
Fair value adjustment	**(48.2)**	(21.0)
End of the year	**473.9**	616.8

A register of listed investments is available for inspection at the company's registered office.

3. Insurance continued

3.1 Insurance investments continued

Fair value hierarchy

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

	Level 2 Rm	Total Rm
31 March 2020		
Insurance investments:		
Fixed income securities – FVOCI debt investments	**228.0**	**228.0**
Money market floating rate notes – FVOCI debt investments	**245.9**	**245.9**
	473.9	**473.9**
31 March 2019		
Insurance investments:		
Fixed income securities – FVOCI debt investments	276.1	276.1
Money market floating rate notes – FVOCI debt investments	340.7	340.7
	616.8	616.8

The categorisation of the valuation techniques used to value the assets at fair value are as set out in IFRS 13.

3.2 Investment income

	2020 Audited Rm	2019 Audited Rm
Interest – insurance business	**52.3**	50.0
Realised gain on disposal of insurance investments	**1.3**	0.3
	53.6	50.3

4. Revenue

	2020 Audited Rm	2019 Audited Rm
4.1 Revenue	**6 453.3**	6 137.2
Retail revenue – revenue from contracts with customers	**4 475.3**	4 242.3
Merchandise sales	**3 685.5**	3 519.9
Ancillary services	**789.8**	722.4
Insurance revenue	**666.1**	647.2
Effective interest income	**1 311.9**	1 247.7
Finance charges and initiation fees earned	**1 414.3**	1 358.1
Adjustment for interest on credit impaired accounts	**(102.4)**	(110.4)

4.2 Retail revenue

	Traditional Rm	Cash Rm	Group Rm
31 March 2020			
Merchandise sales			
– Cash	**1 058.6**	**530.1**	**1 588.7**
– Credit	**2 096.8**	**–**	**2 096.8**
Ancillary services			
– At a point in time	**167.8**	**10.3**	**178.1**
– Over time	**611.7**	**–**	**611.7**
	3 934.9	**540.4**	**4 475.3**
31 March 2019			
Merchandise sales			
– Cash	1 003.4	478.4	1 481.8
– Credit	2 038.1	–	2 038.1
Ancillary services			
– At a point in time	156.2	8.6	164.8
– Over time	557.6	–	557.6
	3 755.3	487.0	4 242.3

Notes to the summary financial statements continued

for the year ended 31 March 2020

5. Borrowings cash and net finance costs

5.1 Borrowings, banking facilities and cash

	2020 Audited Rm	2019 Audited Rm
Interest-bearing borrowings		
Short-term banking facilities	(922.1)	–
Cash-on-hand and deposits	1 193.4	204.7
Net cash	271.3	204.7
Available facilities		
Banking facilities	1 150.0	1 500.0
Domestic Medium-Term Note Programme	2 000.0	2 000.0
	3 150.0	3 500.0
Available funds	3 421.3	3 704.7
Interest rate profile		
Interest rate profile of borrowings is as follows:		
– Bank borrowings include revolving credit and overnight facilities. Revolving credit facilities are at interest rates linked to three-month JIBAR. The interest rates on the overnight facilities are based on rates as determined by each of the banks based on market conditions. The weighted average interest rate at the end of the reporting period is 7.6% (2019: 9.1%).	922.1	–
	922.1	–
Cash and cash equivalents		
Cash-on-hand and deposits	1 193.4	204.7
	1 193.4	204.7

		2020 Audited Rm	2019 Audited Rm
5.2 Capital management			
Pre IFRS 16			
Net debt		(271.3)	(204.7)
Shareholder's equity		4 835.9	4 876.1
Gearing ratio	(%)	(5.6)	(4.2)
Post IFRS 16			
Net debt		566.6	
Shareholder's equity		4 709.5	
Gearing ratio	(%)	12.0	
5.3 Net finance costs			
Interest paid		(98.0)	(69.8)
Borrowings		(20.1)	(54.5)
Lease liabilities		(71.5)	–
Other		(6.4)	(15.3)
Interest received – bank		12.4	23.0
Interest received – other		21.8	–
Forward exchange contracts		29.3	17.3
Net finance costs		(34.5)	(29.5)

6. Reportable segments

Primary

		Traditional Rm	Cash Rm	Group Rm
For the year ended 31 March 2020				
Revenue		5 912.9	540.4	6 453.3
Operating profit before investment income		209.9	43.8	253.7
Operating margin	(%)	3.5	8.1	3.9
Segment assets		3 828.9	124.3	3 953.2
For the year ended 31 March 2019				
Revenue		5 650.2	487.0	6 137.2
Operating profit before investment income		402.5	40.5	443.0
Operating margin	(%)	7.1	8.3	7.2
Segment assets		3 734.4	136.1	3 870.5

The omni-channel has been discontinued as a separate business and has been integrated into the traditional business. The integration would result in the remaining operations of the omni-channel business becoming the on-line and call centre sales presence for the traditional business. The separate branding for the omni-channel segment has consequently been discontinued. Before the integration, the omni-channel business incurred a R13.2 million operating loss for the six months ended 30 September 2019. Due to the integration, the omni-channel business is no longer considered a separate segment and in accordance with IFRS 8, the comparatives have been restated as if the integration of the omni-channel business was in place last year.

Geographical

	South Africa Rm	Namibia Rm	BLE [1] Rm	Group Rm
For the year ended 31 March 2020				
Revenue	5 492.7	475.9	484.7	6 453.3
For the year ended 31 March 2019				
Revenue	5 131.2	491.6	514.4	6 137.2

[1] Botswana, Lesotho and Eswatini

7. Gross profit

		2020 Audited Rm	2019 Audited Rm
Merchandise sales		3 685.5	3 519.9
Cost of merchandise sales		(2 173.5)	(2 069.3)
Merchandise gross profit		1 512.0	1 450.6
Gross profit percentage	(%)	41.0	41.2

Notes to the summary financial statements continued

for the year ended 31 March 2020

8. Cash flow from operations

	2020 Audited Rm	2019 Audited Rm
8.1 Cash flow from trading:	**892.1**	501.8
Operating profit before investment income	**253.7**	443.0
Adjusted for:		
Share-based payments	**33.3**	36.2
Depreciation, amortisation and impairment	**375.5**	78.6
Movement in debtors' impairment provision	**210.9**	(99.0)
Movement in other provisions	**13.8**	23.3
Other movements	**4.9**	19.7
Included in cash flow from trading is interest received on trade receivables of R1 414.3 million (2019: R1 358.1 million).		
8.2 Changes in working capital:	**(255.8)**	150.7
Increase in inventories	**(85.0)**	(63.6)
(Increase)/decrease in trade and other receivables	**(213.3)**	146.5
Increase in trade and other payables	**48.3**	77.2
Decrease in payments in advance	**(7.9)**	(10.9)
Decrease in insurance premiums in advance	**–**	75.6
Increase/(decrease) in insurance liabilities	**2.1**	(74.1)

9. Taxation

	2020 Audited Rm	2019 Audited Rm
Taxation charge		
Normal taxation	**34.7**	143.7
Current year	**66.4**	107.0
Prior year	**(31.7)**	36.7
Deferred taxation	**45.7**	(4.4)
Current year	**12.1**	23.3
Prior year	**33.6**	(27.7)
Withholding tax	**10.0**	15.0
Taxation per income statement	**90.4**	154.3
Tax rate reconciliation		
Profit before taxation	**272.8**	463.8
Taxation calculated at a tax rate of 28% (2019: 28%)	**76.4**	129.9
Differing tax rates in foreign countries	**2.6**	3.5
Disallowances	**14.0**	7.9
Exemptions	**(14.5)**	(11.0)
Prior years	**1.9**	9.0
Withholding tax	**10.0**	15.0
Taxation per income statement	**90.4**	154.3
Effective tax rate (%)	**33.1**	33.3

10. Depreciation, amortisation and impairment

	2020 Audited Rm	2019 Audited Rm
Depreciation		
Right-of-use assets	**(271.8)**	–
Property, plant and equipment	**(66.1)**	(66.5)
Amortisation		
Intangible assets	**(11.0)**	(12.1)
Impairment		
Right-of-use assets	**(26.6)**	–
	(375.5)	(78.6)

11. Leases

	2020 Audited Rm	2019 Audited Rm
11.1 Lease liabilities recognised		
Recognised on adoption of IFRS 16	**856.1**	
Reallocated to restoration provision	**(33.4)**	
Additions and renewed leases	**269.3**	
Expired, renegotiated and modified leases	**2.1**	
Principal portion of lease liabilities	**(256.2)**	
Interest on lease liabilities	**71.5**	
Lease liability payments	**(327.7)**	
Closing balance	**837.9**	
Analysed as follows:	**837.9**	
Non-current	**611.1**	
Current	**226.8**	
11.2 Right-of-use assets		
Land and buildings		
Recognised on adoption of IFRS 16	**726.2**	
Additions and renewed leases	**269.3**	
Expired, renegotiated and modified leases	**(3.4)**	
Depreciation	**(271.8)**	
Impairment	**(26.6)**	
Closing balance	**693.7**	

12. New standards and interpretations not yet effective

IFRS 17 Insurance Contracts

IFRS 17 (Insurance Contracts) was issued as a replacement for IFRS 4. The standard will apply to the group for the year ending 31 March 2024.

The standard requires a current measurement model where estimates are re-measured in each reporting period.

Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income.

Management have not yet performed an assessment of the potential impact of the implementation of this new standard.

COVID-19 – related Rent Concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Management have not yet performed an assessment of the potential impact of the amendments to IFRS 16 and whether such rent concessions will apply to the group.

Notes to the summary financial statements continued

for the year ended 31 March 2020

13. Post balance sheet events – COVID-19 pandemic

13.1 COVID-19 Lockdown and its impact on the group's trading

On 11 March 2020, the World Health Organization formally declared COVID-19 a pandemic. Government restrictions were imposed in South Africa on the 27th of March 2020, and shortly afterwards in other territories of the group, in an attempt to curb infection rates and the inevitable spread of COVID-19. This included nationwide lockdowns that temporarily restricted trading across the group.

The company considers information obtained subsequent to the reporting date, in relation to known or knowable events and expected eventualities identified as at 31 March 2020, as adjusting subsequent events. With regards to financial reporting impacts associated with COVID-19, the key principle is that COVID-19 conditions existed at 31 March 2020. Therefore, COVID-19 related events that arise in the post balance sheet period, that provide additional information in relation to assets and liabilities in existence at 31 March 2020, have been considered adjusting subsequent events. New events which occur after 31 March 2020, which do not relate to existing assets and liabilities related to COVID-19 at the reporting date, are considered to be non-adjusting subsequent events.

Any potential adjusting COVID-19 related impacts are therefore considered to the extent that forward-looking information is used in significant estimates and judgements.

In the subsequent event period, trading was significantly disrupted under the lockdown regulations with all stores being closed for April 2020. The slight easing of restrictions during the 2nd week of May 2020 saw some stores in the African territories being allowed to trade under strict regulation and on the 18th of May 2020, sales through electronic communication channels were allowed in South Africa. On the 1st of June 2020, all South African stores were allowed to trade with a full merchandise offering under strict compliance of COVID-19 safety protocols.

13.2 Impact on Financial Results for the year ended 31 March 2020

The following table shows the impact on earnings and headline earnings of the group as a result of COVID-19 lockdown and regulations:

	Impact on earnings Rm	Impact on headline earnings Rm
Impact on operating results:		
Increase in the impairment provision as a result of lost collections due to store closures in March	(123.2)	(123.2)
Impact on forward-looking information:		
IFRS 9 – Economic overlay for debtors' impairment (refer note 2)	(189.5)	(189.5)
IFRS 16/ IAS 36 – Impairment of right-of-use asset (refer note 11.2)	(26.6)	–
Impact before taxation	(339.3)	(312.7)
Taxation	96.0	89.2
Impact after taxation	(243.3)	(223.5)

13.3 Subsequent impact on the group

While the COVID-19 lockdown had a material impact on the group's trading performance in April and May, the resilience of the group's business model was evident during this period. The group's strong balance sheet ensured that the group did not need to access any borrowings during the lockdown period, despite significant decline in cash flow when stores were closed or trading under restrictions. There was a heightened focus on cash management during this period.

At the date of the approval of the financial statements, the group had repaid all of its short-term borrowings and therefore has access to sufficient unsecured short-term facilities. The group is targeting gearing which includes the lease liabilities in terms of IFRS 16, to be below 15%. The board has reviewed the cashflow forecast for the next 12 months and is of the opinion that the group has more than sufficient liquidity to adequately support its working capital requirements and consequently, is satisfied of the group's ability to continue as a going concern for the foreseeable future.

06

Governance

Corporate governance report

Lewis Group remains committed to the highest standards of corporate governance based on the principles of integrity, transparency and accountability in its dealings with all stakeholders.

Introduction

Lewis Group remains committed to the highest standards of corporate governance based on the principles of integrity, transparency and accountability in its dealings with all stakeholders.

Through the application of the King IV governance principles the group aims to achieve the following governance outcomes: ethical culture, good performance, effective control, and legitimacy.

The board confirms that the group has in all material aspects applied King IV. A report on the group's application of the principles is presented on the website: www.lewisgroup.co.za/governance-sustainability/king4/.

Refer to https://www.lewisgroup.co.za/wp-content/uploads/2020/09/Lewis_governance-report.pdf for the full Corporate Governance Report.

Board composition

The board consists of six non-executive directors and two executive directors. Five of the non-executive directors are independent, with the majority of the board being composed of independent non-executive directors.

The board is satisfied that it has the appropriate mix of knowledge, skills, experience, diversity and independence to objectively discharge its governance role and responsibilities.

The board is chaired by Hilton Saven, an independent non-executive director. The implementation of the strategy and the ongoing management of the business is delegated to Johan Enslin, the chief executive officer.

The age, tenure, experience and expertise of board members is set out briefly in the board of directors report on pages 30 to 32.

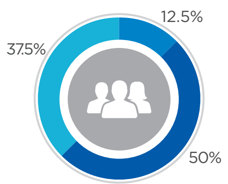
Key responsibilities

The board is governed in terms of a charter which sets out its role and responsibilities, which mainly include the following:

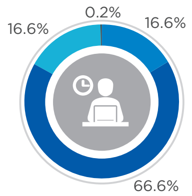
- ensuring that the company's short, medium and long-term strategy, as developed by management is reviewed and approved;
- providing oversight of performance against targets and objectives;
- providing effective leadership on an ethical foundation;
- overseeing key performance and risk areas;
- ensuring effective risk management and internal control;
- overseeing IT governance;
- overseeing legislative, regulatory and governance compliance;
- ensuring appropriate remuneration policies and practices;
- overseeing relationships with stakeholders of the company along sound governance principles; and
- ensuring that the company is playing its role as responsible corporate citizen.

Board composition

Demographics (%)



Non-executive director tenure



Changes to the board of directors

During the reporting period, Tapiwa Njikizana was appointed to the board and as a member of the audit, risk, remuneration and nomination committees. Alan Smart retired from the board on 2 April 2020. Hilton Saven resigned from the audit committee and Daphne Motsepe was appointed to the audit committee.

Directors do not have a fixed term of appointment and are subject to retirement by rotation and re-election by shareholders at the AGM at least every three years. Directors are required to retire at the next AGM after they turn 70 unless the board decides at its discretion that a director may continue to hold office.

Directors appointed during the year are required to have their appointments ratified at the following AGM. The chairman is elected by the board after the AGM each year.

Executive directors are subject to 12 to 24-month notice periods.

Independence of directors

Directors are required to annually evaluate their independence and declare their interests in other entities. They are further required to declare any conflicts of interest in relation to matters on the agenda at board meetings. The nominations committee further reviews the independence of all non-executive members when reviewing the composition of the board. Adheera Bodasing provides consulting services to Lewis Stores through Polarity Consulting. While these services are not significant to the group or Polarity Consulting, the nominations committee has classified her as a non-executive director. The board was satisfied that all directors exercise independent judgement and act in an independent manner.

Board diversity

The board's diversity policy is aimed at enhancing diversity, with voluntary targets of 25% representation for gender and racial diversity. Currently 38% are female and 38% are black in terms of the Broad-Based Black Economic Empowerment Act*.

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, chief executive officer and the company secretary. In addition, the chairman has individual sessions with each director where necessary.

The evaluation concluded that the board was satisfied with its overall functioning and governance.

** Tapiwa Njikizana is not considered black for purposes of the B-BBEE Act.*

Chief financial officer and finance function evaluation

The audit committee conducted a formal evaluation of the appropriateness of the expertise and adequacy of the resources in the finance function and the experience of the senior members of management responsible for the financial function.

The committee is satisfied that the expertise and experience of the chief financial officer and the finance function is appropriate to meet the required responsibilities of the position.

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 company secretary acts as secretary for all board committees.

The directors have unrestricted access to the advice and services of the company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the chairman of the board. No directors exercised this right during the year.

The board conducted a formal evaluation of the company secretary, as required by the JSE Listings Requirements. The directors are satisfied that the company secretary has the requisite competence, qualifications and experience to perform the role.

The board is comfortable that it meets the King IV principle of having an arm's-length relationship with the company secretary and confirms that the company secretary is not a director of any of the group companies and is not related to any of the directors. As such, the board confirms that an arm's-length relationship has been maintained between the board and the company secretary.

Governance structure

The board of directors has delegated specific responsibilities to five board committees and the management committee. The board committees are all chaired by independent non-executive directors.

Each committee has a charter and a year plan and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

Board meetings

The number of board and committee meetings held during the year was affected by the national lockdown declared in terms of the Disaster Management Act, 2002 by the government on 27 March 2020.

Corporate governance report continued

2020 meeting attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
Number of meetings	3	3	3	2^	2^	1
Non-executive directors						
H Saven	3+	3	3	2	2+	1
F Abrahams	3	3*	3	2+	2	1+
A Bodasing	3	3*	3	2	2	–
T Njikizana (appointed 19 August 2019)	1	1	1	1	1	–
D Motsepe	3	3*	3	2	2	1
A Smart (retired 2 April 2020)	3	3	3	2	2	1
D Westcott	3	3+	3+	2	2	–
Executive directors						
J Enslin	3	3*	3	2*	2*	1*
J Bestbier	3	3*	3	–	–	–

+ *Chairperson.*
* *Attends by invitation.*
^ *One meeting was an adhoc meeting*

Risk management

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.

A dedicated chief risk officer is responsible for the risk management process to identify, assess and manage potential risks and opportunities that may affect group strategies and objectives. The risk management framework includes the risk management policy, risk appetite, 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 on a quarterly basis. 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 RWG also develops the risk appetite and obtains board approval through the risk and audit committees. Senior executives and line management are responsible for implementing the risk appetite and reporting any material deviations above the approved threshold limits.

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 Material issues and risks report on pages 14 to 17.

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.

Internal control

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.

Going concern

The board is satisfied that the group will be a going concern for the foreseeable future, based on the budget and cash flows for the year to 31 March 2021, as well as the current financial position. The financial statements have therefore been prepared on the going concern basis. The board is appraised of the group's going concern status at the board meetings coinciding with the interim and final results.

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.

During the reporting period, Justin Bouwer was appointed as the internal audit executive to replace Vince van der Merwe who resigned from the group.

Refer to the audit committee report in the annual financial statements.

Information technology governance

Information technology (IT) governance is integrated into the group's operations, and governance practices and frameworks are reviewed as part of the annual internal audit plan. The IT steering committee is responsible for IT governance and reports into the risk committee.

Legal Compliance

The board is responsible for the governance of compliance with applicable laws and regulations as well as any adopted non-binding rules, codes and standards. The group has a no-tolerance policy to non-compliance or breach of measures which have been put in place to ensure compliance.

The group's approach to compliance is risk-based and guided by the company's regulatory universe as well as the King IV principles on compliance. Compliance is monitored by the risk committee which in turn has delegated the execution of compliance to the risk working group. The group's compliance obligations include legal and regulatory compliance as well as non-regulatory compliance.

Legal and regulatory compliance

The group's regulatory universe identifies the following legislation as core for the group amongst others:

- Basic Conditions of Employment Act, Act 75 of 1997;
- Companies Act, Act 71 of 2008;
- Consumer Protection Act, Act 68 of 2008;
- Financial Advisory and Intermediary Services Act, Act 37 of 2002;
- Financial Markets Act, Act 19 of 2012;
- JSE Listings Requirements;
- National Credit Act, Act 34 of 2005;
- Short Term Insurance Act, Act 53 of 1998;
- Promotion of Access to information Act, Act 2 of 2000; and
- Protection of Personal Information Act, Act 4 of 2013.

The group has completed a risk assessment of the statutes to determine the seriousness and probability of non-compliance in order to compile an implementation plan based on the high-risk compliance requirements.

Corporate governance report continued

National Credit Act

The company, as a credit provider, takes all complaints received seriously. Matters referred from the National Credit Ombudsman are monitored by the Social Ethics and Transformation Committee until they have been resolved.

Credit compliance

A specialised call centre has been effective in enhancing compliance, transparency and oversight of the company's in-store sales and credit application process.

The in-store credit sale application process includes a comprehensive affordability assessment and an interview with the store manager during which the components of the contract are explained, including the optional services and fees, and the total cost of credit. Following the completion of this process and before finalising the transaction, the manager will ensure that the customer speaks to a call centre agent. Customers can engage with a call centre agent in a language of their choice. The call between the customer and the call centre agent is undertaken without any intervention from the store manager or store staff.

Call centre agents ensure that customers understand all critical elements of the contract. All calls are recorded and stored to protect the interests of customers and the business. Only once the call centre agent has successfully completed the review with the customer will the transaction be approved by the call centre. Without this approval, no transaction exists and the goods cannot be invoiced or delivered.

Non-regulatory compliance

The group subscribes to the Consumer Goods and Services Code. All complaints referred to the company from the Consumer Goods and Services Ombud are resolved expeditiously and efficiently. The social, ethics and transformation committee has oversight of all complaints received and monitors their status until they are resolved.

The group is also a member of various industry bodies including the Consumer Goods Council of South Africa, Credit Industry Forum and the South African Insurance Industry Association.

Behavioural and ethical compliance

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 tip-offs anonymous hotline which is run independently is available to all employees and other stakeholders to report suspected incidents of fraud or dishonesty.

During the year under review, initiatives were undertaken to create ethics awareness through training for branch staff throughout the business as well as the rollout of the company's values.

Personal share dealings

An insider trading policy restricts directors and specific 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 within three business days. This information must be published on SENS within 24 hours of the notification of such dealing. A register of share dealings by directors is maintained by the company secretary and reviewed by the board.

Non-compliance

The directors confirm that to their knowledge the group was not involved in or associated with any material transgressions or associated penalties in the reporting period.

Remuneration report

Lewis Group strives to create a performance-oriented culture which fairly rewards staff for their contribution in achieving the group's strategic, financial and operational objectives.

Committee Chairperson's Report

I am pleased to present the Lewis Group Remuneration Report, which sets out the group's Remuneration Policy and the Implementation Report. The board, through the remuneration committee (the committee), continues to strive to create a performance-orientated culture which fairly rewards staff for their contribution in achieving the group's strategic, financial and operational objectives.

The committee met twice during the past year in May and August 2019. The normal scheduled meetings for March 2020 and May 2020 were postponed to August 2020 due to the COVID-19 pandemic where all the agenda items for both meetings were dealt with.

As a consequence of the above, the Remuneration Policy and Implementation Report was updated to 31 August 2020.

The composition of the committee was as follows:

Director	Status
Prof. Fatima Abrahams	Independent non-executive director
Adheera Bodasing	Non-executive director
Daphne Motsepe	Independent non-executive director
Tapiwa Njikizana[1]	Independent non-executive director
Hilton Saven	Independent non-executive director
Alan Smart[2]	Independent non-executive director
Duncan Westcott	Independent non-executive director

[1] *Tapiwa Njikizana was appointed to the committee on 18 November 2019.*

[2] *Alan Smart retired from the committee on 2 April 2020.*

The Chief executive officer attends meetings at the invitation of the committee.

The Remuneration Policy and Implementation Report received positive votes of 79.9% and 82.9% respectively from shareholders at the 2019 annual general meeting (AGM) held on 25 October 2019 (83.6% and 89.8% in 2018). The remuneration committee therefore was not required to engage with shareholders.

The committee focused on the following:

- Approved two new share schemes in August 2019 being the Lewis 2019 Executive Retention Scheme ("2019 LERS") and the Lewis 2019 Executive Performance Scheme ("2019 LEPS") as the shares available under the Lewis Long-Term and Short-Term Executive Performance Scheme ("LSPS") and the Lewis Executive Retention Scheme ("LERS") have been exhausted. Shareholders approved the new schemes at the AGM on 25 October 2019.
- Approved the Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan ("CSLSPP").
- Considered and approved the total guaranteed pay for executive directors and the internal audit executive.
- Reviewed and approved the performance targets for the LSPS and CSLSPP for 2020 financial year.
- Reviewed and approved the performance targets for the Cash-Based Performance Scheme for 2020 financial year.
- Approved the June 2019 awards for the LERS and CSLSPP.
- Confirmed the 2019 measurement of the actual performance against targets for the LSPS.
- Confirmed the 2019 measurement of the actual performance against targets for the cash-based performance bonus.
- Reviewed and approved the Remuneration and Implementation Report included in the 2020 Integrated Report.
- Approving August 2020 awards under the 2019 LERS, 2019 LEPS and CSLSPP schemes.

Remuneration report continued

- Setting the group's performance targets for all share incentive schemes, the cash-settled plan and cash-based performance bonus for the 2021 financial year.
- Considered the measurement of the actual performance against targets for the 2020 financial year for the LSPS and CSLSPP.
- Considered the measurement of the actual performance against targets for the 2020 financial year for the cash-based performance bonus.

The committee is satisfied that it has fulfilled the requirements of its charter and that the objectives of the Remuneration Policy have been met, without material deviation.

Prof Fatima Abrahams
Chairperson

Remuneration report continued

REMUNERATION POLICY

Remuneration philosophy

Lewis Group strives to create a performance-oriented culture which fairly rewards staff for their contribution in achieving the group's strategic, financial and operational objectives. Key to the group's remuneration philosophy is recognising employees' contribution to the success of the business and their commitment to the company's values. The growth and sustainability of the business is dependent on the group's ability to attract, retain and motivate competent people.

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 stakeholders.
- 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.
- Rewarding, retaining and motivating talented people while still managing employment costs effectively.

Remuneration governance

The board is accountable for the remuneration philosophy, policy and practices. Responsibility for oversight of the group's remuneration policies and practices has been delegated to the committee.

The committee is chaired by an independent non-executive director and the Chief executive officer attends meetings at the invitation of the committee. The committee may at its discretion invite other executives or external advisers to attend meetings but no individual may be present during any discussion on their own performance or remuneration.

The responsibilities of the committee are as follows:

- Ensuring the Remuneration Policy is aligned with the group's strategic objectives and encourages superior individual performance.
- Reviewing and approving compensation of executive management, executive and non-executive directors and the internal audit executive.
- Ensuring executive directors are equitably rewarded based on market trends, surveys, individual performance and contribution.
- Reviewing incentive and bonus schemes to ensure continued alignment to the enhancement of shareholder value.
- Approving the award of share incentives for equity and cash-settled schemes.
- Setting the performance targets for the incentive and bonus schemes.
- Ensuring employee benefits are suitably disclosed.
- Recommending non-executive directors' fees for shareholder approval based on market information.
- Ensuring practices are compliant with relevant legislation and regulation.

Non-binding advisory vote

The group's Remuneration Policy and Implementation Report are subject to non-binding advisory votes by shareholders at the AGM each year. This enables shareholders to express their views on the Remuneration Policy and the implementation of the policy, and for the board to take these views into account.

In the event that either the remuneration policy or the implementation report are not adopted by a vote of at least 75%, the committee shall follow a shareholder engagement process and take proactive measures to address shareholders' concerns.

Remuneration benchmarking

Remuneration is market-based and competitive owing to the portability of skills in the retail and financial services sectors. External remuneration surveys are used to benchmark executive and non-executive remuneration in comparable positions. Market surveys assist in ensuring executives are competitively rewarded in line with their performance and contribution. 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.

Remuneration structure

Remuneration is optimised through a combination of annual guaranteed pay, benefits, and short and long-term incentives.

A. Executive directors and senior management

The remuneration structure of executive directors and senior management is closely linked to the achievement of the group's financial and operating targets, and is therefore closely aligned to the interests of shareholders.

Executive director and senior management remuneration packages comprise the following elements, with a significant portion of remuneration being performance-related:

1. Annual guaranteed pay.
2. Annual cash-based performance bonus.
3. Medium and long-term share-based incentives.

The CEO and CFO have service contracts and are subject to 24-month and 12-month notice periods from either party respectively.

Annual guaranteed pay

Annual guaranteed pay includes a cash salary and company contributions to retirement and healthcare funding. Cash salaries are set at the market median and are benchmarked against peers in comparable positions in similar companies. Salaries are reviewed annually by the committee and the level of increase is merit-based in relation to individual and group performance, and also considers market pay movements. Increases are effective from 1 April at the start of the financial year.

Annual cash-based performance bonus

Executive directors and senior management participate in a performance bonus scheme which is linked to their basic salary. No portion of any participant's bonus is guaranteed. Bonus payments are based on group performance relative to board-approved budgeted targets. The performance of the executive directors and senior management is evaluated against all or some of the following financial and operating targets:

- Revenue growth.
- Merchandise sales growth.
- Gross profit margin.
- Operating cost management.
- Debtor cost management and debtor performance.
- Net profit before taxation.
- Headline earnings per share.

The targets for revenue growth, merchandise sales growth, net profit before taxation and headline earnings per share are not disclosed as this is considered by the board to be market and price sensitive information. The performance against the targeted net profit before tax is disclosed on page 85.

The sustainability of the group's business is critical in determining remuneration and performance targets are designed to discourage increased risk taking by the executives.

The bonus conditions are:

- below 90% of target results, no bonus would accrue;
- between 90% and 100% of target, 50% of the bonus amount increasing *pro-rata* to 100% of the bonus amount at 100% of target;
- in the event of target results being exceeded by 6%, the bonus amount would double. Any result between target and 106% would result in a *pro-rata* increase in the bonus amount; and
- in the event of target results being exceeded by 10%, the committee have the discretion to increase the bonus of directors to a maximum of 150% of cash salary.

Annual cash-based performance bonus for executive directors and senior management

	Percentage of annual cash salary for performance bonus			
	Below threshold (<90% of target)	Between 90% and 100% of target	Between 100% and 106% of target	Maximum (>110% of target)
CEO, CFO and executive team	0%	25% increasing *pro-rata* to 50%	50% increasing *pro-rata* to 100%	100% increasing *pro-rata* to 150%
Senior management	0%	12.5 – 17.5% increasing *pro-rata* to 25 – 35%	25 – 35% increasing *pro-rata* to 50 – 70%	–

The achievement of targets is reviewed by the committee before any incentive payments are made to executive directors. Bonuses are paid at the end of the first quarter of the following financial year.

Medium and long-term share-based incentives

Share incentive schemes are aimed at motivating the executive directors and senior management to contribute to the long-term growth and sustainability of the group, attracting and retaining talented people and aligning rewards with shareholder interests.

The group's equity-settled share schemes are operated through the Lewis Employee Share Incentive Scheme Trust specifically for this purpose. 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.

The group also adopted a cash-settled scheme in May 2019 which mirrors many of the terms and conditions of the equity-settled schemes operated through the Lewis Employee Share Incentive Scheme Trust. The main difference is that, instead of delivery of shares, the value of shares is paid in cash.

Participation in both the equity and cash-settled schemes is at the discretion of the committee and limited to the executive directors of Lewis Group and the directors, general managers and selected senior staff ("executives") of Lewis Stores, the group's main operating subsidiary. Awards are usually made annually in June. Special awards can be made when the committee deems it appropriate.

With the COVID-19 lockdown and regulations, the period under which the group had to report its results was extended by two months to the end of August. The board considered that it needed to have the final audited results prior to setting performance targets for the subsequent year. To give effect to this, an administrative amendment approved by the JSE was made to the various executive performance schemes whereby the remuneration committee was given the authority to set performance targets within three months after year-end or any other such period in exceptional circumstances. As a consequence, performance targets were set by the

Remuneration report continued

committee when they had full access to the final audited results for the year ended 31 March 2020.

It was further agreed that the incentive awards to the management group be split into two groups, those participating in the equity-settled schemes and the remainder in the cash-settled scheme. This will limit the shareholder dilution.

Lewis Executive Retention Scheme (LERS)

This scheme was approved by shareholders at the AGM held on 24 June 2015. The first awards were made on 30 June 2015. Currently, awards made under this scheme on 30 June 2018 and 30 June 2019 are still outstanding as at 31 March 2020.

The LERS is aimed at retaining executives who play a key role in the operation of Lewis Group and can influence the performance of the business. The Lewis Group operates a cash-based performance bonus scheme in terms of which bonuses are determined and paid annually based on Lewis Group performance relative to board approved targets. Executives will be offered the opportunity to invest all or part of their net after tax annual performance bonus in the company's shares.

Executives elect the percentage of their net bonus to be invested in shares, subject to a minimum of 10% of their respective net bonuses. Shares are then purchased on the market on behalf of the executive. These invested shares are held on the executive's behalf in a nominee capacity for a period of three years, where after the registered ownership of the shares is transferred to the executive. These invested shares are exposed to normal market fluctuations like any other shareholder.

Where invested shares are acquired, the company issues matching share options to the executive at no consideration in a pre-determined ratio such that the value of the matching share option at the date of grant is equivalent to the percentage of the gross bonus which the executive elected to invest. There are no additional performance criteria which are required to be complied with for exercise of the matching share options as executives have already met the performance targets and/or standards determined by the committee. The matching share options vest on the third anniversary of the date of grant of the matching share options, provided that the executive remains in the employ of the Lewis Group.

The trust will purchase shares for the purpose of the LERS on the open market to avoid dilution of ordinary shareholders. It remains company policy not to allow the trust to purchase shares on the open market during prohibited periods. The company will utilise a maximum of one million shares for purposes of the LERS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 400 000 shares over the lifetime of the LERS.

Lewis 2019 Executive Retention Scheme ("2019 LERS")

This scheme was approved at the AGM held on 25 October 2019. Awards will only be made under this scheme in the 2021 financial year. The terms of the scheme are substantively the same as the LERS above except for the following changes:

- The percentage of the cash-based performance bonus that can be invested in the scheme is at the discretion of the remuneration committee with the minimum percentage being 25% and the maximum percentage is 100%.
- The group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or an equivalent in money where shares have not been repurchased and cancelled where the executive:
  - is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and failure to materially perform his/her duties; and
  - where the executive is accused of serious misconduct that would warrant dismissal, he/she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

The company will utilise a maximum of 1.5 million shares for purposes of the 2019 LERS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 600 000 shares over the lifetime of the 2019 LERS.

Lewis Long-Term and Short-Term Executive Performance Share Scheme ("LSPS")

This scheme was approved by shareholders at the AGM held on 24 June 2015. The first awards were made on 30 June 2015. Currently, short-term awards made under this scheme on 1 June 2017 and 30 June 2018 are still outstanding as at 31 March 2020.

The purpose of the LSPS is to

- motivate executives to continue to contribute to the growth and sustainability of the Lewis Group and to maintain a performance-orientated culture;
- align executive rewards with the interests of stakeholders;
- attract and retain talented individuals in the furniture retail and financial services industries; and
- offer appropriate short-term and long-term performance-related rewards that are fair and achievable.

Granting awards to executives provides them with the opportunity to acquire shares, thereby aligning the interests of the Lewis Group and its stakeholders.

Awards made under the LSPS offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee. The following types of awards may be granted in terms of the LSPS:

Short-term awards

- Three-year awards which vest three years after the grant date.

Long-term awards

- Four-year award which vests as follows:
  - 50% on the third anniversary of the grant date.
  - The remaining 50% on the fourth anniversary of the grant date.
- Five-year award which vests as follows:
  - One third on the third anniversary of the grant date.
  - One third on the fourth anniversary of the grant date.
  - The remaining third on the fifth anniversary of the grant date.
- Alternate awards on such vesting dates as the committee may determine. It is anticipated that this type of award will only be used in exceptional circumstances.

Performance targets for short-term awards

Performance targets can either be set at the grant date for the entire performance period or for each financial year during the performance period, which shall be determined by the committee within three months after the commencement of each financial year.

The committee shall select any or all of the following performance criteria for determining the performance targets in respect of short-term awards:

- Headline earnings per share
- Quality of the debtors book
  - satisfactory paid accounts
  - debtor costs as a percentage of net debtors
- Gross margin

Performance targets for long-term awards

Performance targets will be set for the performance period as at the grant date. The performance criteria set by the committee shall be as follows:

- Headline earnings per share; and
- At least one of the following performance criteria:
  - return on average shareholders' equity
  - after tax return on average capital employed
  - before tax return on average capital employed
  - before tax return on average assets managed
  - gearing ratio

The committee has the discretion to determine what portion of an award shall relate to a particular performance target, such that if some, but not all of the performance targets are met, then only the specified portion shall vest. Furthermore, the committee has the ability to allocate a greater proportion of an award to performance targets which the executive has the ability to influence having due regard to his or her employment responsibilities.

Performance targets may be adjusted where material changes (both positive and negative) have been made to accounting policies resulting from IFRS becoming effective after the grant date. The committee shall be entitled in exceptional circumstances (both positive and negative) to amend performance targets having regard to all circumstances including, but not limited to, changes to international and national macro-economic circumstances, the performance of the Lewis Group relative to the industry in which it operates and any corporate actions undertaken by the Lewis Group during the relevant performance period.

The trust will purchase shares for the purpose of the LSPS on the open market to avoid dilution of ordinary shareholders. It remains company policy not to allow the trust to purchase shares on the open market during prohibited periods. The company will utilise a maximum of 3.5 million shares for purposes of the LSPS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 1.25 million shares over the lifetime of the LSPS.

Lewis Cash Settled Long-Term and Short-Term Executive Performance Plan ("CSLSPP")

The committee have approved a new incentive scheme which will operate on the same basis as the LSPS described above, except that it will be a cash settled scheme. The only difference between the CSLSPP and the LSPS schemes is that under the CSLSPP scheme, no shares are delivered, but the value of shares at date of vesting will be paid in cash. All other terms and the performance targets in the CSLSPP scheme are the same as that of the LSPS.

This plan was approved by the remuneration committee in May 2019 and the first awards under the plan were made on 30 June 2019. The intention behind the adoption of this scheme was to provide incentives to management as the LSPS scheme had utilised its maximum number of shares. The adoption of the 2019 LSPS scheme will provide the necessary incentives to management going forward.

The group will voluntarily disclose the number of notional shares issued under the scheme to provide equivalent disclosure required for equity-settled schemes.

Remuneration report continued

Lewis 2019 Executive Performance Scheme ("2019 LSPS")

This scheme was approved at the AGM held on 25 October 2019. Awards will only be made under this scheme in the 2021 financial year. The terms of the scheme are substantively the same as the LSPS above except for the following changes:

- The group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or an equivalent in money where shares have not been repurchased and cancelled where the executive:
  - is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and failure to materially perform his/her duties; and
  - where the executive is accused of serious misconduct that would warrant dismissal, he/she resigns from his/her employment prior to the outcome of the disciplinary proceedings.
- The scheme allows for a vesting at certain percentages where the performance target has not been met. The table below sets out the percentages:

Equal or greater than 100% of target	100% vested
97.5% to 100% of target	25% vested
95% to 97.5% of target	10% vested
Less than 95% of target	No vesting

The company will utilise a maximum of 2.25 million shares for purposes of the 2019 LSPS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 850 000 shares over the lifetime of the 2019 LSPS.

B. Management

Managers and selected staff of Lewis Stores receive an annual guaranteed salary, which includes retirement and healthcare benefits. They may also participate in the annual performance bonus scheme and the medium and long-term share-based incentive schemes described above, at the discretion of the committee. Salaries are reviewed annually and the level of increase is based on group and individual performance.

C. Staff

Staff receive a basic salary, performance-linked incentives or a 13th cheque, retirement and healthcare funding. The group subsidises membership of designated healthcare schemes in each of the countries in which it operates. Staff benefits include educational bursaries, discounts on staff purchases and low-cost funeral and personal accident insurance. Membership of one of the group's five retirement funds is compulsory for all permanent staff. Salaries are reviewed annually and the level of increase is based on group and individual performance.

Salespersons earn a commission on gross profit once a commission level is exceeded. Operational management are incentivised on a balanced set of targets including sales, collections, write-offs, stock management and expense control.

COVID-19 Lockdown

The remuneration strategy that was employed during the lockdown and regulations under the Disaster Management Act of 2002 in April 2020 and May 2020 with respect to employees was a mix of measures implemented by the group in that staff that could not work from home were entitled to take leave and were still paid their salary. Where the leave was fully utilised, a payment in the form of an advance was made. The group also passed on the TERS benefit (a benefit paid by the UIF Fund in respect of a temporary reduction in work time due to the COVID-19 national disaster declaration) in respect of South Africa and wage subsidies in respect of the other countries in which the group operates to employees, as a credit to the employees advance. The remaining advance owing by employees would be reclaimed through a reduced salary in the subsequent nine months. This was implemented to assist employees to continue to receive their salaries during the financially stressful time while not damaging the financial viability of the group.

D. Non-executive directors

Non-executive directors are paid a fee for their services as directors. In addition, fees are paid for serving on board committees. The fees are benchmarked externally against comparable companies and 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. None of the non-executive directors have service contracts with the group. Adheera Bodasing provides certain consulting services to Lewis Stores (Pty) Limited through Polarity Consulting. These consulting fees are not material to either Lewis or Polarity consulting.

The remuneration of non-executive directors is reviewed annually by the committee and recommended to shareholders for approval at the AGM.

IMPLEMENTATION REPORT 2020

Approvals granted by shareholders

The group's Remuneration Policy and Implementation Report was proposed to shareholders for a non-binding advisory vote at the AGM on 25 October 2019, and was approved by the majority of shareholders.

Resolution	Votes for 2019	2018	Votes against 2019	2018	Absten-tions 2019	2018
Approval of the company's Remuneration Policy	79.9%	83.6%	20.1%	16.4%	0%	0%
Approval of the company's Implementation Policy	82.9%	89.8%	17.1%	10.2%	0%	0%

Shareholders also approved the fees payable to non-executive directors for the 2020 financial year by a vote of 96.4%.

Annual salary increase

The average staff increase, excluding unionised staff, was 4% for both April 2019 and April 2020. Increases to senior management and executives were merit-based and averaged 6% in April 2019 and 4% in April 2020. Increases as a result of promotions were excluded from these averages.

Annual cash-based performance bonus scheme

The committee approved a net profit before taxation target of R403 million for the 2019 financial year. The group achieved R463.8 million or 116% of target and executives and senior management qualified for cash bonuses of between 50% and 100% of annual cash salary. In the 2018 financial year, the group exceeded its target by 28% and bonuses were earned by senior executives between 50% and 100%.

For the 2020 financial year, the target was R506 million. The actual profit before taxation was R272.8 million. However, this was affected by the impact of the COVID-19 lockdowns and the subsequent regulations. This particularly impacted the group in March 2020 and the need to consider its impact on forward-looking information in the preparation of its financial statements. The profit before tax would have been R612.1 million if COVID-19 adjustments of R339.3 million are taken into account. This is fully detailed in note 13 to the summary financial statements on page 70.

The remuneration committee considered the following:

- On adjusting for the COVID-19 adjustments, the profit before tax target would have been exceeded.
- It was clear from key indicators that the group was going to exceed the target up to the point that the government announced the COVID-19 lockdown.
- The COVID-19 lockdown was implemented by the South African and neighbouring country's governments and beyond the control of the group's management.

On consideration of the above, the remuneration committee agreed that the COVID-19 adjustments be excluded from the profit before tax for calculating the bonus subject to the stipulation that the maximum bonus that an executive could be awarded was 65% of cash salary, despite this being only 43.3% of the maximum amount that could have been qualified for if the COVID-19 lockdown did not occur.

Lewis Executive Retention Scheme (LERS)

The LERS allows executives to invest their net cash bonus in Lewis Group shares and the company issues matching share options to executives at no cost. The matching share options vest on the third anniversary subject to the executive still being in the employ of the company.

Year	Vesting date	Average share price of award	Total Shares purchased for Executives	Total matching share awards
2019 Awards	30/06/2022	R33.03	247 153	448 380
2018 Awards	30/06/2021	R29.99	242 195	439 308
2017 Awards	–	–	–	–
2016 Awards	–	–	–	–
2015 Original award (*)	Vested 30/06/2018	R98.88	65 660	111 294

(*) The 2015 matching share awards vested on 30 June 2018 at an average price of R31.11.

Remuneration report continued

As no cash bonuses were earned by executives in June 2016 and June 2017 based on the company performance criteria, there were no allocations in terms of this scheme. Furthermore, no discretionary cash bonuses were paid to executives during this period.

The movement in the outstanding shares under this scheme is as follows:

2020	Lewis Executive Retention Scheme
Beginning of year	**439 308**
Granted	**448 380**
Forfeited	**–**
Vested	**–**
End of year	**887 688**
Maximum awards available over the life of the scheme	**1 000 000**
Utilised for the scheme to date	**998 982**
Invested shares	**489 348**

2019	Lewis Executive Retention Scheme
Beginning of year	111 294
Granted	439 308
Forfeited	–
Vested	(111 294)
End of year	439 308
Maximum awards available over the life of the scheme	1 000 000
Utilised for the scheme to date	550 602
Invested shares	242 195

Lewis 2019 Executive Retention Scheme

This scheme was approved at the AGM on 25 October 2019. This scheme is similar to that of the Lewis Executive Retention Scheme with amendments dealing with a clawback of shares provision in the case of fraud, dishonesty, misrepresentation and fails materially to perform their duties and an amendment which allows the committee to set the percentage of the bonus to be invested. The first awards under this scheme were issued on 28 August 2020. The details are reflected below:

Year	Vesting date	Average share price of award	Total shares purchased for executives	Total matching share awards
August 2020 awards	28/08/2023	R17.17	161 245	292 241

Lewis Long-term and Short-term Executive Performance Scheme (LSPS)

Short-term awards – Three-year awards

The performance targets are set by the remuneration committee at the beginning of each of the three years and are based on a weighting set for each executive, depending on their employment responsibilities, of the following:

- Headline earnings per share
- Quality of the debtors book
  - Level of satisfactory paid customers
  - Debtor costs as a % of net debtors
- Gross margin

The short-term award share allocations for executive directors are disclosed in the outstanding share awards table on page 91.

With respect to the 2020 targets, these were impacted by the COVID-19 lockdown and subsequent regulations. This particularly impacted the group in March 2020 and the need to consider its impact on forward-looking information in the preparation of its financial statements. The measures impacted by the COVID-19 adjustments were headline earnings and debtor cost targets. The impact of COVID-19 on the financial results are fully detailed in note 13 to the summary financial statements.

The remuneration committee considered the following:

- On adjusting for the COVID-19 adjustments, all the targets for the performance measures would have been exceeded.
- It was clear from key indicators that the group was going to exceed all the targets relevant for short-term awards up to the point that the government announced the COVID-19 lockdown.
- The COVID-19 lockdown was implemented by the South African and neighbouring country's governments and beyond the control of the group's management.

On consideration of the above, the remuneration committee determined that exceptional circumstances existed being a once in a century pandemic and amended the performance targets as allowed in clause 4.11 of the scheme rules. As a consequence, all the measures met the amended targets. Below is the table setting out the original target (for transparency, the disclosure has amended the result, not the target), original results and results adjusted for COVID-19.

2020 Targets

	2020 Target	2020 Actual	2020 Adjusted	2020 Award
Headline earnings per share	**404.2 cents**	**260.2 cents**	**544.4 cents**	**Achieved**
Quality of the debtors book				
• Level of satisfactory paid customers	**>= 70.0%**	**70.5%**	**70.5%**	**Achieved**
• Debtor costs as % of net debtors	**<= 14.0%**	**17.6%**	**12.1%**	**Achieved**
Gross margin	**>= 40.0%**	**41.0%**	**41.0%**	**Achieved**

Remuneration report continued

The remuneration committee approved the vesting of these awards based on the achievement of the following targets as originally set:

2019 Targets

	2019 Target	2019 Actual	2019 Award
Headline earnings per share	318.3 cents	367.4 cents	Achieved
Quality of the debtors book			
• Level of satisfactory paid customers	>= 67.0%	71.4%	Achieved
• Debtor costs as % of net debtors	<= 17.9%	13.3%	Achieved
Gross margin	>= 40.0%	41.2%	Achieved

2018 Targets

	2018 Target	2018 Actual	2018 Award
Headline earnings per share	264.4 cents	302.6 cents	Achieved
Quality of the debtors book			
• Level of satisfactory paid customers	>= 67.0%	68.4%	Achieved
• Debtor costs as % of net debtors	<= 19.9%	17.5%	Achieved
Gross margin	>= 38.0%	41.4%	Achieved

2017 Targets

	2017 Target	2017 Actual	2017 Award
Headline earnings per share	608.0 cents	400.1	Not achieved
Quality of the debtors book			
• Level of satisfactory paid customers	>=68.8%	68.5%	Not achieved
• Debtor costs as % of net debtors	<=17.1%	19.1%	Not achieved
Gross margin	>=39.1%	41.6%	Achieved

2016 Targets

	2016 Target	2016 Actual	2016 Award
Headline earnings per share	926.8 cents	621.7 cents	Not achieved
Quality of the debtors book			
• Level of satisfactory paid customers	>= 68.0%	68.8%	Achieved
• Debtor costs as % of net debtors	<=13.8%	17.1%	Not achieved
Gross margin	>=37.9%	38.0%	Achieved

Below are the outstanding shares under this scheme as at 31 March 2020, detailed per each award:

Summary of Three-year awards

Equity-settled schemes	2015 Share Award	2016 Share Award	2017 Share Award	2018 Share Award	Total Share Awards –
Share price at award date	R99.45	R45.95	R32.57	R30.55	
	No. Shares	No. Shares	No. Shares	No. Shares	
Three-year awards	203 660	900 058	1 570 988	1 133 581	3 808 287
Total forfeitures staff leaving	(32 736)	(147 446)	(147 672)	(66 568)	(394 422)
Total forfeitures – non-performance	(91 770)	(223 729)	–	–	(315 500)
Total shares utilised – 31 March 2020					3 098 365
Shares vested	(79 154)	(528 883)	–	–	(608 037)
Shares Remaining – 31 March 2020	**–**	**–**	**1 423 316**	**1 067 013**	**2 490 328**

Long-term awards – Four-year awards

The remuneration committee selected the measurements and set the performance criteria for long-term awards (four-year awards) under the LSPS scheme in June 2015. These performance targets have been set at the grant date in respect of the entire performance period. The weightings and performance criteria are as follows:

Performance measure	Weighting	Criteria
Headline earnings per share (HEPS)	65%	2015 HEPS compounded each year by greater of 5% or headline CPI
Gearing ratio	10%	May not exceed 35%
Return on average shareholders equity (ROE)	25%	ROE to average 15% over each vesting period

Summary of Four-year awards

	Number of shares
June 2015	1 070 000
Forfeited – staff leaving	(172 500)
Total shares utilised	897 500
Vesting – June 2018 (Only gearing ratio measure achieved)	(45 000)
Forfeitures – non-performance 2018	(405 000)
Forfeitures – non-performance 2019	(405 000)
Vesting – June 2019 (Only gearing ratio measure achieved)	(42 500)
Shares remaining – 31 March 2020	Nil

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan

As noted above, this scheme operates on the same basis as the LSPS described above, except that it will be a cash-settled scheme. The only difference between the CSLSPP and the LSPS schemes is that under the CSLSPP scheme, no shares are delivered, but the value of shares at date of vesting will be paid in cash. All other terms and the performance targets in the CSLSPP scheme are the same as that of the LSPS.

Below is a table setting out the movements for 2020 financial year:

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan – Notional Shares	2020
Beginning of year	**–**
Granted – 30 June 2019	**1 200 299**
Forfeited	**(42 864)**
Vested	**–**
End of year	**1 157 435**

Remuneration report continued

Additional awards under this scheme for senior management were approved by the remuneration committee and granted on 28 August 2020:

Year	Vesting date	Average share price of award	Total Notional Shares
August 2020 awards	28/08/2023	R14.90	1 037 873

Lewis 2019 Executive Performance Scheme

This scheme was adopted at the AGM held on the terms of the scheme are substantively the same as the LSPS above except for amending the scheme for a clawback of shares provision in the case of fraud, dishonesty, misrepresentation and fails materially to perform their duties and for providing for vesting at certain percentages where the performance target has not been met (95% to 100% of target). Full details of the scheme are provided on page 84.

The remuneration committee approved the granting of the first awards under this scheme on 28 August 2020 as follows:

Year	Vesting date	Average share price of award	Total Notional Shares
August 2020 awards	28/08/2023	R14.90	1 148 374

Executive Directors' Remuneration Disclosure

Lewis Group Limited Executive Directors' Remuneration

			J Enslin (CEO)			J Bestbier (CFO)	
	No. Shares	Share Price	2020	2019	No. Shares	2020	2019
Cash remuneration							
Total guaranteed pay (GP)			**5 000**	4 600		**3 000**	2 700
Cash performance bonus (CPB)			**5 756**	3 575		**3 491**	1 940
Total GP and CPB			**10 756**	8 175		**6 491**	4 640
Share awards							
LERS – matching award 2016 (2015)			**–**	923		**–**	181
– Face value of award: 2016 (2015)	–	–	**–**	2 936		**–**	574
– Share price performance	–	–	**–**	(2 013)		**–**	(393)
***Add:* LSPS – three-year award**			**3 506**	448		**756**	69
– Face value of award: 2016 (2015)	155 390	44.35	**6 892**	3 351	33 491	**1 485**	656
– Performance criteria	(50 405)	44.35	**(2 235)**	(1 921)	(10 863)	**(482)**	(438)
– Share price performance	104 985	(10.96)	**(1 151)**	(982)	22 628	**(248)**	(150)
***Add:* LSPS – four-year award**			**200**	187		**50**	47
– Face value of award: 2016 (2015)	60 000	98.88	**5 933**	5 933	15 000	**1 483**	1 483
– Performance criteria	(54 000)	98.88	**(5 339)**	(5 339)	(13 500)	**(1 335)**	(1 335)
– Share price performance	6 000	(65.49)	**(393)**	(407)	1 500	**(98)**	(102)
Total share awards			**3 706**	1 558		**806**	297
Total earned remuneration			**14 463**	9 733		**7 297**	4 936

Outstanding share awards – Equity Settled Schemes

2020			Long-Term and Short-Term Executive Performance Scheme – number of shares			Executive Retention Scheme – number of shares		
Date of share awards		Share price at Award Date	J Enslin	J Bestbier	Total	J Enslin	J Bestbier	Total
June 2017	Three-year award	**32.57**	**219 498**	**119 107**	**338 605**	**–**	**–**	**–**
June 2018	Three-year award	**30.55/29.99**	**188 397**	**114 284**	**302 681**	**119 154**	**48 493**	**167 647**
June 2019	Three-year award	**33.03**	**–**	**–**	**–**	**115 816**	**70 258**	**186 074**
Total			**407 895**	**233 391**	**641 286**	**234 970**	**118 751**	**353 721**

In terms of the Lewis Executive Retention Scheme, the trust holds 194 555 shares (2019: 92 215 shares) on behalf of the above directors by virtue of the investment of their bonuses into the scheme.

Outstanding awards – Cash-Settled Schemes

2020			Cash-Settled Long-Term and Short-Term Executive Performance Scheme – number of notional shares		
Date of share awards		Notional share price at award Date	J Enslin	J Bestbier	Total
June 2019	Three-year award	**33.38**	**187 347**	**116 217**	**303 564**
Total			**187 347**	**116 217**	**303 564**

Non-Executive Directors' Remuneration Disclosure

Non-executive directors' fees (R'000)

2020	Directors' fees	Audit Committee member	Risk Committee member	Remuneration Committee member	Nomination Committee member	Social, Ethics and Transformation Committee member	Monarch Director's fees	Monarch Audit and Risk Committee member	Total Non-executive directors remuneration
Hilton Saven	**611**	**128**	**90**	**71**	**99**	**71**	**172**	**73**	**1 315**
Prof. Fatima Abrahams	**293**	**128**	**90**	**144**	**42**	**144**	**172**	**73**	**1 085**
Adheera Bodasing	**293**	**128**	**90**	**71**	**42**	**–**	**–**	**–**	**623**
Daphne Motsepe	**293**	**128**	**90**	**71**	**42**	**71**	**–**	**–**	**694**
Tapiwa Njikizana[(1)]	**186**	**81**	**57**	**45**	**26**	**–**	**–**	**–**	**395**
Alan Smart	**293**	**128**	**90**	**71**	**42**	**71**	**245**	**73**	**1 012**
Duncan Westcott	**293**	**299**	**144**	**71**	**42**	**–**	**172**	**148**	**1 168**
Total	**2 261**	**1 018**	**652**	**544**	**332**	**357**	**761**	**367**	**6 292**
2019									
Hilton Saven	585	122	86	68	94	68	162	69	1 254
Prof. Fatima Abrahams	280	122	86	138	40	138	162	69	1 035
Adheera Bodasing	280	122	86	68	40	–	–	–	596
Daphne Motsepe	280	122	86	68	40	68	–	–	664
Alan Smart	280	122	86	68	40	68	231	69	964
Duncan Westcott	280	286	138	68	40	–	162	140	1 114
Total	**1 985**	**896**	**568**	**478**	**294**	**342**	**717**	**347**	**5 627**

(1) Appointed 19 August 2019.

Remuneration report continued

Summary non-executive directors' fees

Director (R'000)	2020	2019
Hilton Saven	1 315	1 254
Prof. Fatima Abrahams	1 085	1 035
Adheera Bodasing	623	596
Daphne Motsepe	694	664
Tapiwa Njikizana – appointed 19 August 2019	395	–
Alan Smart	1 012	964
Duncan Westcott	1 168	1 114
Total	**6 292**	5 627

Proposed non-executive director's fees for 2021

Board/committee position (R'000)	% Increase	Proposed fees for 2021	Fees earned for 2020
Non-executive chairman	4.0	645	620
Non-executive director	4.0	309	297
Audit Committee chairman	4.0	315	303
Audit Committee member/invitee	4.2	135	130
Risk Committee chairman	4.1	152	146
Risk Committee member	3.8	95	92
Remuneration Committee chairman	4.1	152	146
Remuneration Committee member	4.2	75	72
Nomination Committee chairman	4.0	104	100
Nomination Committee member	4.8	44	42
Social, Ethics and Transformation Committee chairman	4.1	152	146
Social, Ethics and Transformation Committee member	4.2	75	72

Directors' Shareholding

At 31 March 2020, the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

	2020		2019	
Director	Direct	Indirect	Direct	Indirect
Hilton Saven	–	6 440	–	6 440
Jacques Bestbier	1 148	65 315	1 148	26 674
Johan Enslin	206 038	129 240	176 038	65 541
Alan Smart	319 070	–	319 070	–
Total	**526 256**	**200 995**	496 256	98 655

07

Shareholder information

Shareholders' analysis

as at 31 March 2020

Shareholders' spread as at 31 March 2020:

	Number of shareholders Total	%	Number of shares Total	%
1 – 1 000 shares	995	57.78	329 043	0.43
1 001 – 10 000 shares	465	27.00	1 554 228	2.02
10 001 – 100 000 shares	179	10.39	6 416 105	8.34
100 001 – 1 000 000 shares	68	3.95	20 627 099	26.82
1 000 001 shares and over	15	0.87	47 972 615	62.39
Total	1 722	100.00	76 899 090	100.00

Distribution of shareholders as at 31 March 2020:

	Number of shareholders Total	%	Number of shares Total	%
Public:	1 708	99.19	75 455 973	98.13
Unit Trusts/Mutual Funds			38 046 463	49.48
Pension Funds			16 279 478	21.17
Other			21 130 032	27.48
Non-public:	14	0.81	1 443 117	1.87
Lewis Employee Incentive Scheme Trust	1	0.06	26 437	0.03
Directors:				
Lewis Group Limited				
Direct	3	0.17	526 256	0.68
Indirect	3	0.17	200 995	0.26
Lewis Stores Proprietary Limited				
Direct	3	0.17	506 941	0.66
Indirect	4	0.23	182 488	0.24
	1 722	100.00	76 899 090	100.00

Shareholders' analysis continued

as at 31 March 2020

Major shareholdings as at 31 March 2020:

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 56 of the Companies Act of 2008, the following entities owned in excess of 5% of the company's shares as at 31 March 2020:

	Number of shares Total	%
Beneficial shareholders:		
Government Employees Pension Fund (SA)	7 890 768	10.26
Trimark Global Endeavour Fund (Canada)	7 454 763	9.69
Trimark Global Balanced Fund (Canada)	4 047 392	5.26
By fund manager:		
Invesco Limited (Canada)	17 176 207	22.34
Public Investment Corporation (SA)	5 822 060	7.57
Coronation Fund Managers (SA)	4 791 889	6.23
LSV Asset Management (US)	4 263 397	5.54
Stonehage Trust Holdings (Jersey) Ltd	4 235 711	5.51
Dimensional Fund Advisors (US)	4 197 212	5.46
Ninety One (SA)	3 925 934	5.11

Geographical analysis of shareholders

Beneficial shareholders

By fund manager

Shareholders’ calendar

Record date for voting at the annual general meeting	16 October 2020
Annual general meeting	23 October 2020
Interim profit announcement	25 November 2020
Financial year-end	31 March 2021
Final profit announcement	May 2021
Final dividend declared	May 2021
Integrated report	June 2021

Corporate information

Non-executive directors:	Hilton Saven (Chairman), Prof. Fatima Abrahams, Adheera Bodasing, Daphne Motsepe, Tapiwa Njikizana, Duncan Westcott.
Executive directors:	Johan Enslin (Chief Executive Officer) Jacques Bestbier (Chief Financial Officer)
Company secretary:	Ntokozo Makomba
Transfer secretaries:	Computershare Investor Services (Pty) Ltd; Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 2196; Private Bag X9000, Saxonwold, 2132.
Auditors:	PricewaterhouseCoopers Inc.
Sponsor:	UBS South Africa (Pty) Ltd
Debt Sponsor:	Absa Bank Limited, acting through its Corporate and Investment Banking Division
Registered office:	53A Victoria Road, Woodstock, 7925
Registration number:	2004/009817/06
Share code:	LEW
ISIN:	ZAE000058236
Bond code:	LEWI

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