INTEGRATED ANNUAL REPORT 2022

FOR THE YEAR ENDED 31 MARCH 2022

Lewis Group Ltd

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ADDITIONAL ONLINE CONTENT

The Integrated Report is supplemented by additional financial and governance related reports which are available online at www.lewisgroup.co.za

- Annual financial statements 2022
- Five-year financial review
- Corporate governance report
- Application of King IV principles
- Social, ethics and transformation committee report
- Annual general meeting*
  - Notice to shareholders
  - Form of proxy

** Will be issued in due course*

01 OVERVIEW

2 Review of 2022 financial year

4 Introducing the Integrated Report

01 REVIEW OF 2022 FINANCIAL YEAR

Merchandise sales increased by

11.5%

to R4.4 billion

Revenue increased by

7.9%

to R7.3 billion

Gross profit margin at

40.5%

Debtor costs down

13.6%

Cash generated from operations at

R863.3

million

Earnings per share increased by

26.8%

to 731 cents

Headline earnings per share increased by

37.7%

to 849 cents

Total dividend increased by

25.9%

to 413 cents per share

01 INTRODUCING THE INTEGRATED REPORT

While Covid-19 continued to impact our business and our customer base, with two further waves of the pandemic during the reporting period, the impact on human lives and economic activity was significantly less than we experienced during the height of the pandemic.

Since the start of the democracy in 1994, the country experienced its worst ever civil unrest outbreak in July 2021. This lead to widespread violence and looting in KwaZulu-Natal and parts of Gauteng which significantly impacted the economy, adjacent communities and the Group's store operations.

Our 2022 Integrated Report aims to show how the Group preserved value for shareholders during this period and then created value through a sustained recovery in sales and profitability as the country emerged from these severe setbacks.

REPORTING SCOPE AND BOUNDARY

The report covers information relating to the integrated performance and activities of the Group, which includes the main operating company, Lewis Stores (Proprietary) Limited, and its subsidiaries (the Group) for the period 1 April 2021 to 31 March 2022. The companies operate in South Africa, where 82.1% of the revenue is generated, as well as Namibia, Botswana, Eswatini and Lesotho.

The reportable segments are:

- Traditional retail, comprising Lewis, Best Home and Electric, and Beares; and
- Cash retail, comprising the United Furniture Outlets (UFO) chain.

There have been no changes in the reporting scope and boundary over the past year.

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 and the directors confirm that the Group has, in all material respects, applied the principles of King IV. The Group's application of the 16 principles of the code is outlined in the King IV Report available on www.lewisgroup.co.za.

01 INTRODUCING THE INTEGRATED REPORT

INTEGRATED REPORTING FRAMEWORK

The guiding principles of the Integrated Reporting Framework of the Value Reporting Foundation (formerly the International Integrated Reporting Council) have been applied in preparing this report.

The framework recommends reporting to shareholders in terms of the six capital resources which impact on a company's ability to create value. These are classified as financial, manufactured, intellectual, human, social and relationship, and natural capitals. These capitals are either increased, decreased or transformed through the activities of the business and should ultimately lead to value creation. These capitals are covered in the relevant sections throughout the report and are detailed in the Value creating business model on pages 12 to 13.

ASSURANCE

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 and the measurement of carbon emissions. Management has verified the processes for measuring all other non-financial information.

FORWARD-LOOKING STATEMENTS

The Integrated Report includes forward-looking statements which relate to the possible future financial position and results of the Group's operations. These are not statements of fact but rather statements by management based on current estimates and expectations of future performance. No assurance can be provided that these forward-looking statements will prove to be correct, and shareholders are advised to exercise caution in this regard.

The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events.
The forward-looking statements are the responsibility of the board and have not been reviewed or reported on by the Group's external auditor.

BOARD 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. The 2022 Integrated Report was approved by the board on 29 June 2022.

Hilton Saven
Independent non-executive chairman

Johan Enslin
Chief executive officer

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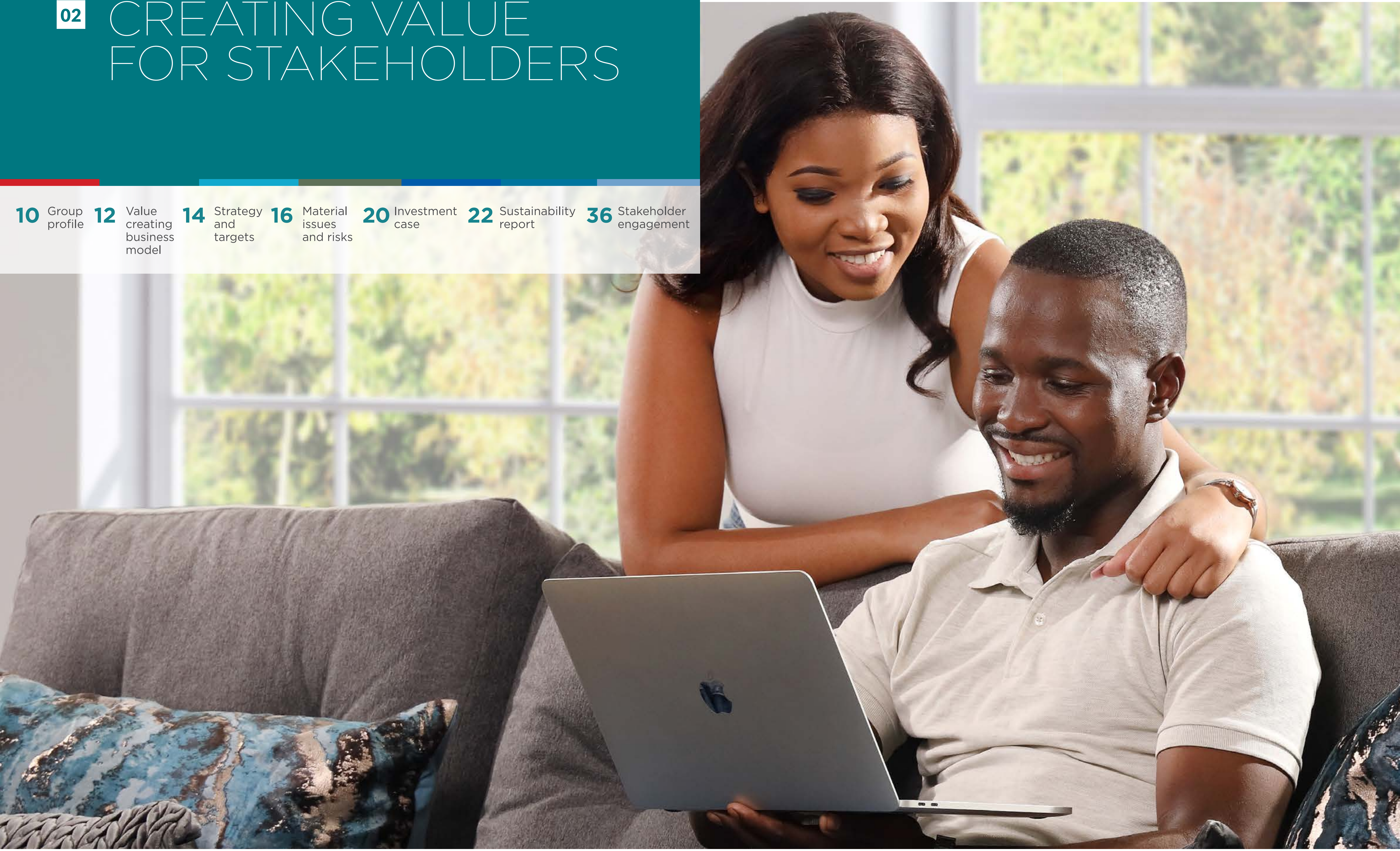


02 GROUP PROFILE

Lewis Group is a leading retailer of furniture, home appliances, electronic goods and homewares through its trading brands Lewis, Best Home and Electric, Beares and UFO.

The Group's footprint of 819 stores covers major metropolitan and rural areas in South Africa as well as neighbouring African countries.

Founded in Cape Town in 1934, Lewis Group has been listed on the JSE Limited since 2004. The Group employs over 8 952 permanent staff and is committed to promoting socio-economic change through its retail operations and supply chain, being a strong supporter of the local furniture manufacturing sector.

Expanding brand portfolio

Over the past 14 years the Group has expanded its portfolio beyond the traditional Lewis chain by developing brands internally and acquiring established retail chains with good growth prospects.

Lewis is South Africa's largest furniture chain and is synonymous with furniture retailing in the country.

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

Beares, a furniture retailer which was started in 1930, was acquired in 2014 as the Group embarked on a strategy of diversifying across income groups, market segments and product offering.

UFO, a luxury furniture chain, was acquired in 2018 and marked the Group's diversification into cash retailing and targeting the higher income market.

African store footprint

The Group has 129 stores outside South Africa which collectively accounted for 17.9% of total revenue in the reporting period. 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 at the time doubled its store presence outside of South Africa.

Credit management

Credit is offered to customers in the traditional retail brands of Lewis, Best Home and Electric and Beares. The Group has a credit customer base of over 576 000 active customers, and credit sales accounted for 51.4% of total sales in the reporting period.

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.

Customers purchasing merchandise on credit are offered insurance cover through **Monarch Insurance**, the Group's insurance subsidiary.

Customer commitment

The Group is committed to offering quality, exclusive merchandise, with high levels of repeat sales to existing customers being 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 regular engagement with customers creates further sales opportunities.

Retail store footprint

	Lewis	Best Home and Electric	Beares	UFO	Lewis Group
In South Africa	412	131	102	45	690
Outside South Africa	73	15	41	0	129
Stores – 31 March 2022	485	146	143	45	819
Stores – 31 March 2021	483	144	137	43	807

BRAND	TARGET MARKET*	STORE FOOTPRINT			PRODUCT OFFERING	
Lewis	LSM 4–7	**412** stores in SA	**73** stores outside SA	**314 m²** Average store size	Furniture, home appliances, electronic goods and homewares.	TRADITIONAL RETAIL
Best Home and Electric	LSM 4–7	**131** stores in SA	**15** stores outside SA	**130 m²** Average store size	On average, 90% of merchandise deliveries are completed within 24 hours of the sale.	TRADITIONAL RETAIL
Beares	LSM 7–9	**102** stores in SA	**41** stores outside SA	**364 m²** Average store size		TRADITIONAL RETAIL
UFO	LSM 9+	**45** stores in SA		**614 m²** Average store size	Cash sales of exclusive and luxury household furniture, including lounge, dining room and bedroom ranges.	CASH

* *Based on Living Standards Measure (LSM), a market research segmentation tool applied in South Africa to classify standard of living and disposable income. Ten is the highest living standard level and one is the lowest level.*

02 VALUE CREATING BUSINESS MODEL

Inputs
OUR RESOURCES AND RELATIONSHIPS

FINANCIAL CAPITAL
The financial resources deployed by the Group.
- Equity of R4.7 billion (2021: R4.8 billion)
- Funding facilities of R950 million (2021: R1 150 million)
- Net cash of R227.3 million (2021: R447 million)

MANUFACTURED CAPITAL
The physical infrastructure used in the selling of merchandise, including retail stores (rented and owned), warehouses and the Group's head office.
- 819 stores (2021: 807)
- 129 stores outside SA (2021: 126)
- 235 small format Lewis stores (2021: 227)

HUMAN CAPITAL
The competency, capability and experience of the board, management and employees.
- 8 952 average permanent employees (2021: 8 847)
- Extensive investment in training and skills development

INTELLECTUAL CAPITAL
Focuses on the knowledge in the business, systems, processes, intellectual property and brands
- Decentralised, store-based business model
- Robust risk and governance framework
- Leading-edge credit risk management systems

SOCIAL AND RELATIONSHIP CAPITAL
Stakeholder relationships and engagement, corporate reputation and values.
- 576 893 (2021: 578 818) active customers
- 255 241 (2021: 250 051) repeat customers
- Committed to corporate social investment through multiple community programmes

NATURAL CAPITAL
The environmental resources consumed by the Group.
- 21 504 MWh (2021: 26 881 MWh) electricity usage
- Implemented programme to commence monitoring climate risk and impact of climate change

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

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

Customer offering

TRADITIONAL RETAIL

CASH RETAIL

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, on average 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 52 to 55.

STORES


- Stores are accountable for all aspects of the customer relationship.
- Strong customer relationships are developed 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.

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 56-57.

Monarch Insurance Company Ltd.

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.

Outcomes
VALUE CREATED FOR OUR STAKEHOLDERS IN THE 2022 FINANCIAL YEAR

SHAREHOLDERS
- Operating profit before impairments and capital items up 4.3% to R766.8 million
- Headline earnings per share 37.7% higher at 849 cents
- R613.6 million returned to shareholders through share buy-back programme and dividends
- Total dividend per share up 25.9% to 413 cents

CUSTOMERS
- Merchandise sales of R4.4 billion
- Opened a net 12 new stores, bringing store footprint to 819 stores
- 150 stores refurbished
- Controlled price increases passed onto customers
- Extensive social support in communities where customers live

EMPLOYEES
- R1.4 billion paid to employees
- R34.6 million invested in training and development
- 14 034 staff training interventions
- Diversity metrics improved

SUPPLIERS
- R4.8 billion paid to suppliers of goods and services
- 67% of merchandise procured locally

Outputs

REVENUE SPLIT

60.4% Merchandise sales

39.6% Other revenue

51.4% Credit sales

48.6% Cash sales

MERCHANDISE SALES

02 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.

Material issues and risks

Material issues and risks that could impact on the Group's strategy, its stakeholders and its ability to sustain growth are reviewed annually as part of the strategic planning process.

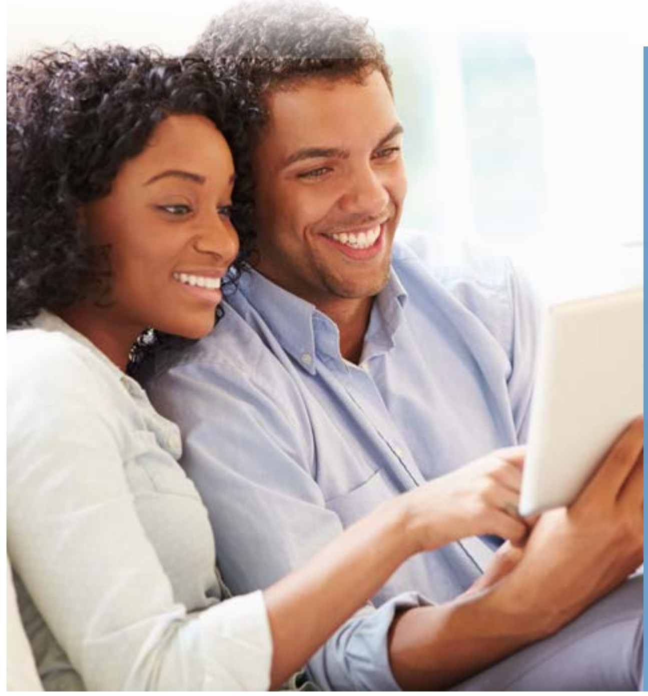
(refer to Material issues and risks report on pages 16 to 19).

Action plans are developed to achieve the strategic objectives and to manage the material impacts on the Group.

Medium-term strategies

Medium-term growth strategies are developed by executive management and reviewed and approved by the board. These strategies are further supported by detailed business plans and budgets, information technology solutions, human capital requirements and operational policies and procedures.

Medium-term targets are determined to measure the Group's progress in the implementation of its strategies.



Strategy during Covid-19 pandemic

The Group's strategy has been largely unchanged and consistently applied throughout the Covid-19 pandemic.

Management remains flexible in the execution of the strategy and is able to adjust its shorter-term operating plans in response to specific Covid-19 related challenges and opportunities that may arise.

STRATEGIC FOCUS AREAS, PERFORMANCE INDICATORS AND TARGETS

STRATEGIC FOCUS AREAS	PERFORMANCE INDICATORS	ACHIEVED 2022	TARGETS (%) 2022	TARGETS (%) 2023	TARGETS (%) MEDIUM TERM
Merchandising and supply chain	• Gross profit margin	**40.5%**	40 – 42	40 – 42	41 – 43
Credit management	• Debtor costs as a percentage of debtors at gross carrying value	**12.3%**	13 – 16	12 – 15	12 – 15
	• Satisfactory paid customers	**79.0%**	72 – 75	74 – 79	75 – 80
Operational management	• Operating margin	**15.2%**	12 – 18	14 – 18	16 – 20
	• Credit sales as a percentage of total sales	**51.4%**	52 – 56	52 – 56	52 – 56
	• Increase in operating costs (excluding debtor costs)	**10.0%**	8 – 12	4 – 8	3 – 6
Capital management	• Gearing	**15.3%**	<15	<20	<25

02 MATERIAL ISSUES AND RISKS

Material issues have been identified which could significantly impact the Group's ability to deliver its strategy and create and preserve 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 reviewing the material issues, the directors believe the current issues remain relevant and appropriate and are unchanged for the 2023 financial year.

Factors influencing material issues

In determining these material issues, the directors consider several internal and external factors, including the following:

- Group's strategic objectives
- Economic and trading environment, with a specific focus on Covid-19 in the past two years
- Competitor landscape
- Industry trends and consumer behaviour
- External opportunities and threats
- Key Group risks
- Business threats and weaknesses
- Legislation and regulation
- Needs, expectations and concerns of primary stakeholders

1 Retail trading conditions

The macroeconomic environment in South Africa has a significant impact on the Group's operations and the weak trading conditions can impact both sales and collections across the trading brands.

RELATED RISKS

- Constrained consumer spending and weak consumer sentiment as a result of deteriorating economic conditions
- Consumer spending declining further due to rising unemployment which particularly impacts the Group's target market
- Government's Covid-19 relief grants being discontinued
- Civil unrest could disrupt trading, the supply chain and the production of merchandise in certain areas
- Increase in extreme weather events could disrupt trading, the supply chain and the production of merchandise in certain areas

RISK MITIGATION

- The Group's business model has proven its resilience through several downturns, and the strong cash flows and robust balance sheet will provide protection against the mounting economic headwinds

2 Covid-19 pandemic

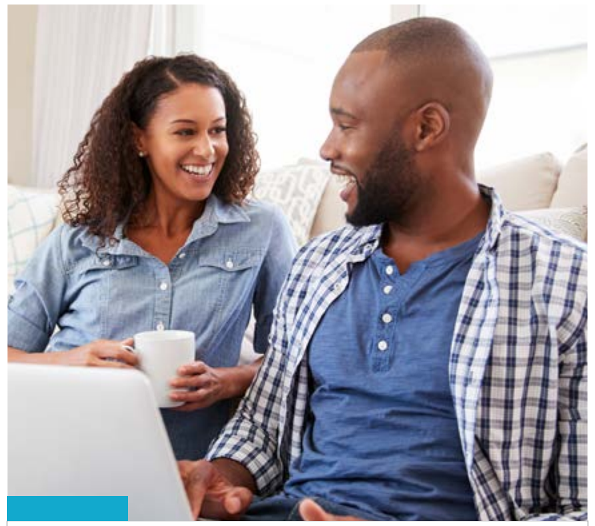
While the severity of the impact of Covid-19 has reduced, further waves of infection could adversely affect the economy, business and the health of South Africans.

RELATED RISKS

- Potential waves of infections could result in lockdown restrictions being reintroduced
- Store closures and trading disruption owing to staff infections
- Disruption of the merchandise supply chain on local and imported merchandise owing to logistical challenges and factory closures
- The global logistics supply chain has been under immense strain, with freight costs at record high levels and reliability of delivery at historically low levels
- Rising unemployment due to financial impact of Covid-19

RISK MITIGATION

- Health and safety protocols maintained across all stores and offices
- Effective business continuity plans for working remotely
- Continued focus on cash preservation and tight cost management
- Robust balance sheet and low gearing ensures that the Group continues to remain resilient to any potential or unforeseen trading disruptions



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 effectively 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's ability to maintain the optimal quality of the debtors' book

RISK MITIGATION

- Adjusting credit risk policies and rules to mitigate risks
- Ensuring continued focus on collections productivity and efficiency to increase collection rates and reduce bad debts
- Expanded strategy to convert more customers to the DebiCheck collection service
- Focus on increasing the number of satisfactory paying customers

02 MATERIAL ISSUES AND RISKS

CONTINUED

4

Capital management

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

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

5

Cyber risk

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
- Risk committee regularly updated on IT-related risks and mitigation plans
- Continued investment in cyber security
- Maintain and enhance the Group's information security management system
- Policies implemented to address data security risks and cyber security solutions. Advanced Artificial Intelligence (AI) and machine learning technology implemented to allow for the detection of irregular human and machine behaviour which may indicate a possible security event
- Autonomous response technology implemented that determines the appropriate response to attacks
- Ongoing, proactive penetration testing and vulnerability scanning of both internal and externally facing network security devices and applications
- Ongoing information security awareness campaign with regular communications to staff to raise awareness of evolving cyber threats
- Adequate cyber insurance cover

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 value of long-term incentive schemes
- High levels of staff turnover

RISK MITIGATION

- Improve talent management
- Focus on remuneration retention schemes
- Ensure remuneration packages for key staff are competitive and externally benchmarked
- 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
- Continued investment in leadership training and development
- Enhance mentoring and coaching programmes

7

Regulation

Ensuring 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
- 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 licencing and related requirements of the new Insurance Act

02 INVESTMENT CASE

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

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

Experienced management team

- Stable executive and senior management team with average of 23 years' service
- Good balance of company and industry experience
- Leadership succession from strong senior management

Favourable positioning even in challenging retail environment

- All traditional brands are focused on the retailing of furniture, home appliances, electronic goods and homewares
- Decentralised store-based business model is resilient to current economic downturn and impact of Covid-19
- Brands are well positioned to gain market share across all market segments through its extensive footprint and merchandise offering
- Traditional retail brands operate in a growth segment of the South African population

Extensive retail footprint

- National coverage with 690 stores across urban and rural areas in South Africa
- Expansion in the past four years into the higher income segment with UFO chain comprising 45 stores
- Exposure to other African markets with 129 stores across Namibia, Botswana, Lesotho and Eswatini

Diversification 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

Exclusive merchandise supported by sustainable supply chain

- 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 the specific income target markets serviced by the Group's brands
- Strong supplier relationships and merchandise planning ensure optimal stock levels, supported by sustainable domestic supply base

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

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 supports collection rates

Strong balance sheet and effective capital management strategy

- Robust balance sheet with low gearing
- Active capital management strategy enhancing returns to shareholders through dividend payouts and share buy-back programme, with R1 176.4 million returned to shareholders over the past three years

02 SUSTAINABILITY REPORT

Our commitment to sustainability

Lewis Group recognises its responsibility as a business which not only has rights but responsibilities towards society and the environment in which it operates. Sustainability for the Group, which has been in business for over 80 years, means creating value for stakeholders by:

- Offering affordable, exclusive and quality household goods for customers
- Supporting employees, customers and communities
- Creating long-term value for shareholders
- Ensuring that the business model remains sustainable
- Meeting its responsibilities in sustaining the environment

Sustainability governance

BOARD OF DIRECTORS

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Three independent non-executive directors, including the board chairman, as well as the chief executive officer.

SOCIAL, ETHICS AND TRANSFORMATION WORKING GROUP

- Chief financial officer
- Chief risk officer
- Human resources director
- Operations director

KEY FOCUS AREAS IN 2022

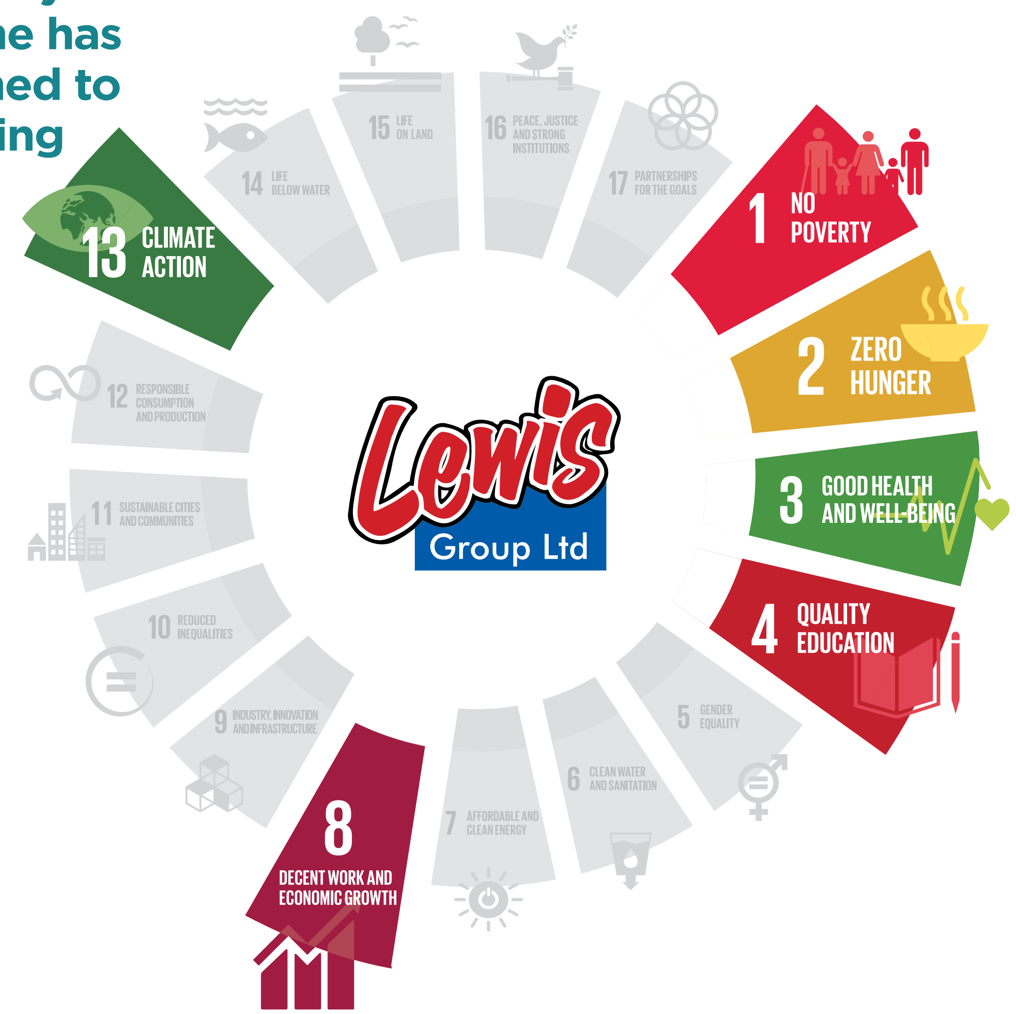
- Increasing focus on environmental, social and governance (ESG) reporting, including implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Ongoing monitoring the impact of Covid-19 on the Group's employees, customers and suppliers
- Promoting enterprise and supplier development, including assisting suppliers to ensure the sustainability of their businesses and securing current and new suppliers
- Continuing support for socio-economic development programmes
- Resuming employee training and leadership programmes through virtual platforms

Alignment to the Sustainable Development Goals

The Group supports the Sustainable Development Goals' (SDGs) global objectives developed by the United Nations, to achieve a better and more sustainable future for all.

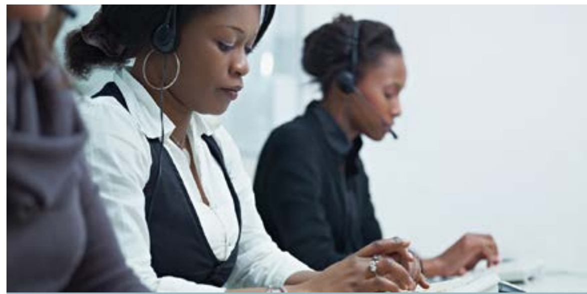
This report focuses on environmental and social aspects of sustainability, aligned with the SDGs where we believe the Group is making a meaningful contribution.

The Group's sustainability programme has been aligned to the following SDGs:



SUSTAINABILITY REPORT
CONTINUED

EMPOWERING OUR EMPLOYEES



Investing in our people

Black staff account for **96%** of total staff (2021: 95.2%)

Black female staff comprise **58%** of total staff (2021: 58.2%)

Zero findings in terms of health and safety non-compliance

Training interventions

14 034 (2021: 15 846)

118 **Employees** completed their NQF4 Generic Management Learnership enabling them to qualify and obtain a grade 12 certificate equivalent

Training spend on previously disadvantaged employees

94% (2021: 93%)

5 **Interns/learnerships were offered full-time positions** (2021: 37)

31 **children of our employees were awarded bursaries in 2022**

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.

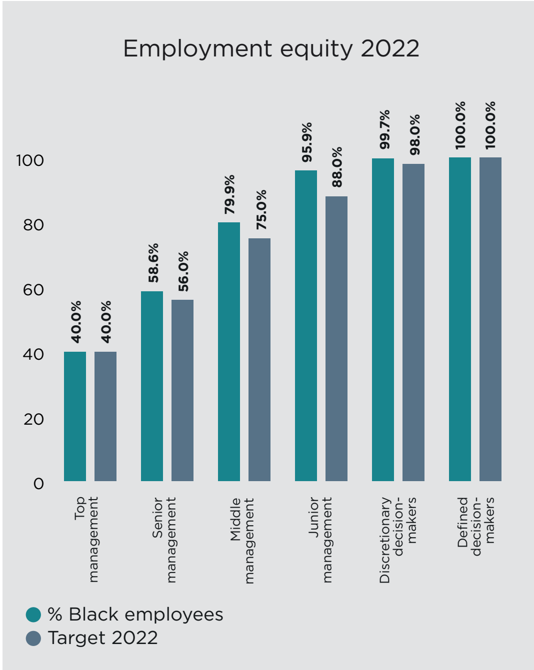
As part of the commitment to staff development, a central learning and development facility is used for the development of management for store operations in the five countries in which the Group operates.

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.

The Group remains focused on improving its rating to meet the objectives of the B-BBEE Act and in 2022 maintained a Level 8 rating. This rating was verified by AQRate, an accredited empowerment rating agency.

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.

B-BBEE element	Weighting	2022	2021	2020
Equity ownership	25	**5.96**	5.78	7.83
Management control	19	**11.77**	11.76	11.30
Skills development	20	**15.95**	17.00	16.71
Enterprise and supplier development	40	**25.44**	29.07	37.68
Socio-economic development	5	**5.00**	5.00	5.00
Total score		**64.12**	68.61	78.52
B-BBEE rating		**Level 8**	Level 8	Level 6

PARTNERING WITH OUR SUPPLIERS

67% of merchandise sourced in South Africa (2021: 63%)

90% of deliveries completed within **24 hours**

MEMBER OF PROUDLY SOUTH AFRICAN

Enterprise and supplier development

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 financial and administrative business support, raw material sourcing, product development and design, quality control, and administrative business support.

02 SUSTAINABILITY REPORT
CONTINUED

SUPPORTING OUR COMMUNITIES

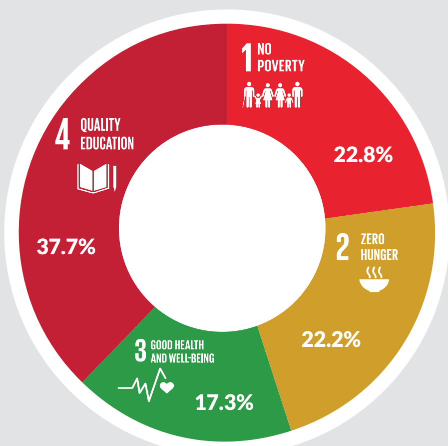
We aim to create a positive and meaningful impact in the communities in which we operate and in doing so foster positive community relationships, enhance our brand and become an attractive employer.

The emphasis remains on upliftment of disadvantaged communities and long-term sustainable ventures, particularly in impoverished rural communities.

Funding has been provided to social projects and community upliftment in many precincts through primary and established projects, as well as by means of discretionary donations.

Employees often request support for the communities where they work and live. The support extends to schools, crèches, upliftment projects, vegetable growing projects and orphanages. This includes shelters that assist displaced or homeless people with assessment and reintegration into society. We also support several centres for the aged and hospitals.

Allocation of CSI investment



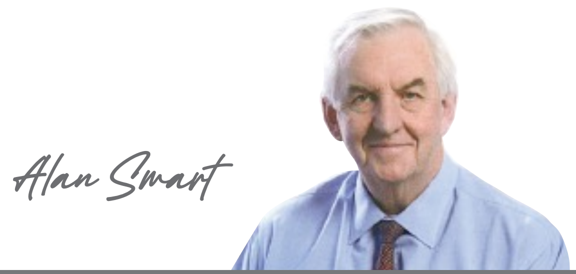
Supporting education

Access to quality education through the Alan Smart scholarships

Lewis Group has funded two scholarships to honour the memory and legacy of Alan Smart. Alan was a doyen of the South African furniture industry and served the Group with distinction over four decades, including 18 years as chief executive officer (CEO). After retiring as CEO, he continued to serve on the board as a non-executive director for a further 11 years until his untimely passing in 2020.

The Alan Smart scholarships will fund the education of two young people with drive and commitment to access the education they deserve. These scholarships will be managed through the Kay Mason Foundation which has been facilitating access to quality education for disadvantaged learners for the past 22 years.

The foundation assesses the academic and personal potential of candidates and matches scholars to leading schools in the Western Cape. More than 500 scholars have benefited from this programme, with a 99% pass rate.



Proud recipients of the Alan Smart scholarships

TSIBA Business School

Lewis Group partners with TSIBA Business School, an accredited higher education institution offering undergraduate and postgraduate business qualifications, as well as informal short courses in leadership, entrepreneurship and commerce.

This year we are funding bursaries for 10 students. Upon completion of their degree, the scholarship offers the candidate the opportunity to work for one year with Lewis to gain valuable work experience.

> **"Being a recipient of a Lewis bursary has been a wonderful opportunity that has introduced me to the workplace. I learned so many skills in my studies which have allowed me to follow my career journey of being in the Marketing Department. Coming from being a Lewis scholarship holder to being a team leader of community managers is a tremendous opportunity and also rare. I thank the Lewis Group for trusting me in handling their social media community and offering me the opportunity to be part of the scholarship programme."**

Lumka Zantsi
Team leader for community managers

> **"Becoming part of the Lewis scholarship programme was a highlight in my student career and it allowed me the privilege to be coached and work alongside experienced, hardworking individuals from whom I have learnt a tremendous amount, while being part of the internship programme"**

Xavier Matsimella
Logistics intern

Empowering local women and bringing joy to vulnerable children

TEDDY BEARS – THE GIFT THAT KEEPS ON GIVING

The Lesedi la Batho Centre in Mabopane, Gauteng, combines skills training and job creation opportunities for unemployed people from surrounding communities. The centre teaches skills from sewing to beadwork, computer literacy and baking, empowering these people to produce and sell a range of products. Life skills courses are also offered to young people who have not completed their formal education.

One of the centre's projects involves the manufacture of teddy bears, enabling about 20 ladies from the local community to earn an income.

Over 4 000 teddy bears

Donated over 4 000 teddy bears to children in hospitals, hospices, children's homes and places of safety.

One of the charities supported through the donation of teddy bears is the Overberg Toy Run in the Western Cape, part of the annual National Toy Run Charity Event. The event in the Overberg has grown from small beginnings with just six motorcyclists in 2014, to now attracting over 1 000 participants each year. At this event, motorcyclists hand out teddy bears and spread joy to children living in less fortunate areas in the Overberg.

SUSTAINABILITY REPORT

CONTINUED

SUPPORTING OUR COMMUNITIES

CONTINUED

Primary partnerships to empower women and children

PENINSULA SCHOOL FEEDING ASSOCIATION

Lewis continues to support its 11 adopted schools in the Western Cape where optimal nutritional meals are provided for approximately 1 200 children each school day.

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 Mpumalanga, the Free State, KwaZulu-Natal, the Eastern Cape and Limpopo.

Our sponsorship provides 138 children with essential basic requirements: education, nutrition, clothing, hygiene, transport, aftercare, emotional and moral support, health matters including management of HIV/AIDS symptoms and other *ad-hoc* projects.

ITHEMBA PLACE OF HOPE

iThemba supports and empowers children in the impoverished Valley of 1 000 Hills in KwaZulu-Natal through their enterprise development programme which uplifts crèches in the valley. This non-profit organisation is a place of hope which aims to make a meaningful difference in young lives.

LEARN TO EARN

Since its inception in 1989, Learn to Earn has trained thousands in market-driven skills and seen many lives transformed through their holistic skills training, job creation and enterprise development projects. They have maintained a success rate of 80% of graduates becoming economically active or who are in further education as a result of their training interventions.

Further detail on all initiatives supported by the Group can be found on our corporate social investment website http://www.lewiscsi.co.za/

Continued focus on investment in education, child nutrition and women empowerment projects in the past year

02 SUSTAINABILITY REPORT

CONTINUED

MANAGING THE IMPACT OF CLIMATE CHANGE

The Group continues to integrate environmentally sustainable practices across its business operations. As a responsible corporate citizen, the Group's environmental practices are guided by environmental principles, economic drivers as well as aligning with global reporting standards.

Task Force on Climate-related Financial Disclosures

Lewis Group recognises the significance of climate change as a material systemic risk to its store network, supply chain, stakeholders and ultimately its sustainability.

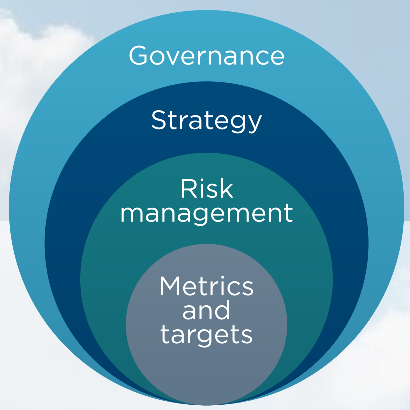
The board supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), acknowledging its value in supporting organisations in disclosing clear, consistent and globally comparable information on climate-related risks and opportunities.

What is the TCFD?

The Task Force on Climate-related Financial Disclosures (TCFD) was established in 2015 to develop consistent climate-related financial risk disclosures and provide transparent communication to stakeholders on climate impacts.

Response to the TCFD

In partnership with external environmental and climate risk consultants, the Group prepared its first TCFD report for the 2022 financial year. The disclosure covers the Group's progress in addressing the impact of climate change under the four core TCFD elements of governance, strategy, risk management, and metrics and targets.



GOVERNANCE

The organisation's governance around climate-related risks and opportunities

STRATEGY

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

RISK MANAGEMENT

The processes used by the organisation to identify, assess and manage climate-related risks

METRICS AND TARGETS

The metrics and targets used to assess and manage relevant climate-related risks and opprtunities

Climate-related governance

The board is accountable for managing the impacts of climate change and the risks that climate change poses to the business. The social, ethics and transformation committee (the committee) supports the board in meeting these responsibilities. The committee comprises three independent non-executive directors, including the board chairman, as well as the chief executive officer.

The Group has formed a TCFD working group to manage climate-related financial risks and the implementation of climate-related reporting within the business, and to report on progress to the committee.

This working group consists of the chief financial officer, chief risk officer and general manager: finance.

02 SUSTAINABILITY REPORT

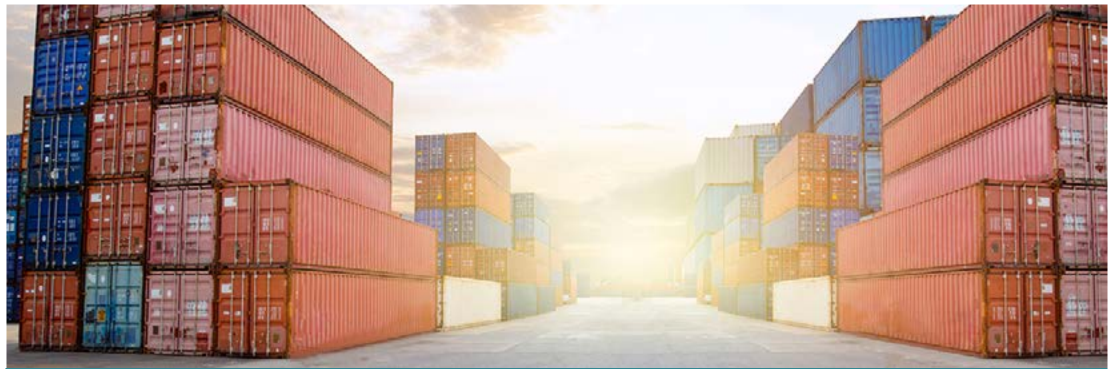
CONTINUED

MANAGING THE IMPACT OF CLIMATE CHANGE

CONTINUED

Strategy

The first phase of disclosure under the strategy element is the identification and ranking of the immediate material climate-related risks, and potential opportunities for the Group.



TRANSITION RISKS

RISK CATEGORY	RISK DESCRIPTION	RISK IMPLICATIONS
POLICY AND LEGAL	Enhanced emissions-reporting obligations together with an increased pricing of GHG emissions	Carbon tax costs, specifically with respect to Scope 3 emissions Increased costs of doing business, for example, energy and transport costs
MARKET	Increased cost of raw materials	Cost of imported products may increase due to international policies, even in jurisdictions without policies, owing to carbon leakage in the short-term
REPUTATION	Increased stakeholder concern or negative stakeholder feedback	In a credible transition to a low-carbon economy, investor sentiment and support could deteriorate if the Group is perceived to not be transitioning fast enough
TECHNOLOGY	Costs to transition to lower emissions technology	While this is currently of low relevance, this may change as the momentum towards the transition to a low-carbon economy requires investment in new technologies, for example, refrigeration and air conditioning

PHYSICAL RISKS

RISK CATEGORY	RISK DESCRIPTION	RISK IMPLICATIONS
ACUTE	Increase in extreme weather events like cyclones or tropical storms, intensity of heat waves and dry spells, longer droughts, increased intensity of rainfall and increased frequency of floods	Damage to stock and assets Pricing pressure on raw materials and consequently the cost of merchandise
ACUTE	Disrupted social and biophysical support systems (including homes being destroyed, communities displaced and reduced ecosystem services)	Disruptions to domestic and foreign supply chains (suppliers and logistics) Reduction in sales Decline in quality of debtors' book Increase in insurance claims
CHRONIC	Increased severity of non-communicable diseases	Impact on employee productivity and increased absenteeism Decline in quality of debtors' book Increase in insurance claims due to changed employment patterns

OPPORTUNITIES

RESOURCE EFFICIENCY	Use of more efficient modes of transport	More efficient transportation could lead to improved logistics, reduced emissions and lower costs
RESOURCE EFFICIENCY	Buildings housing the Group's operations becoming more efficient	Energy efficiency in buildings in terms of heating, cooling and lighting may reduce emissions and costs

In future TCFD disclosures, management aims to highlight medium and longer-term risks and opportunities, provide an understanding of the projected impacts of climate-related risks and opportunities on the business, and assess the Group's resilience under different climate scenarios.

02 SUSTAINABILITY REPORT
CONTINUED

Risk management

The Group has a robust risk identification, assessment and management process for assessing broader business risks, many of which are implicitly linked to transition and physical climate change risks. The Group continues to develop its understanding of these risks, including how global climate change adds a further external dimension to these risks.

Risk management currently focuses primarily on physical risk where the geographic distribution of the Group's retail footprint reduces vulnerability to physical climate impacts.

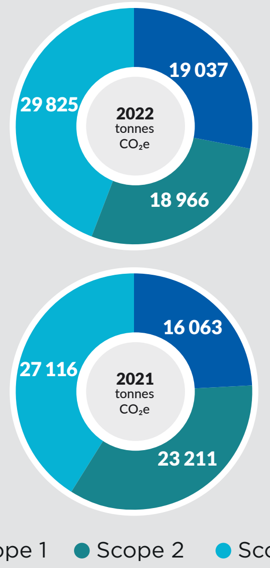
In recent years, the Group diversified its merchandising and supply chain activities to broaden its supplier base and to enable the merchandise team to shift between local and international sourcing of most products based on market conditions.

Alternate sources of supply have been identified for all product ranges which reduces the risk of physical climate impacts disrupting supply chains. Lewis has well-established practices that allow the business to switch between suppliers in different countries reducing the risk of disruption to supply chains due to physical impacts of climatic events such as typhoons.

Metrics and targets

The Group's carbon footprint has been calculated annually since 2018, in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition). Scope 1, scope 2 and scope 3 emissions for 2021 and 2022 are as follows:

Total emissions
tonnes CO_2e



Source	2022 tonnes CO_2e	2021 tonnes CO_2e
SCOPE 1		
South African fuel	17 242	14 105
International fuel	1 796	1 958
	19 037	16 063
SCOPE 2		
South African electricity	17 507	21 456
International electricity	1 459	1 756
	18 966	23 211
Total scope 1 and 2	38 003	39 274
SCOPE 3		
Fuel and energy-related activities	14 839	13 190
Upstream transportation and distribution	9 250	9 869
Business travel	99	24
Employee commuting	5 636	4 033
Total scope 3	29 825	27 116

The sources of emissions are as follows:

- **Scope 1:** Fuel combustion in the Group's extensive fleet of delivery vehicles which undertake all deliveries from stores to customers.
- **Scope 2:** Use of electricity consumed at the Group's stores and head office.
- **Scope 3:** External suppliers or customer operations and other activities including business travel and employee commuting. Only selected scope 3 emissions were quantified in this assessment. Embedded emissions in the products sold are not included in the assessment.

In future assessments, management will seek to expand the scope 3 categories, improving the accuracy of emissions data towards ultimately determining targets for reducing emissions, and exploring further metrics for monitoring climate-related risks and opportunities, and potentially setting targets for these where relevant and appropriate.

Timeline and reporting

The Group is committed to communicating its TCFD progress to shareholders and will publish the key findings and outcomes of each year's TCFD report in the Integrated Report.

The board acknowledges that achieving a fully aligned TCFD disclosure will be a protracted and complex process, and aims to achieve this by the 2025 financial year, following this timeline.

2022 – FIRST TCFD REPORT

- ✓ Information on the Group's climate-related governance, risks and opportunities
- ✓ Continued reporting on emissions metrics
- ✓ Timeline for future TCFD reporting

2023 – SECOND TCFD REPORT

- Start to quantify risks and opportunities
- Set qualitative and semi-quantitative targets
- Initiate the process of engaging with scenario analysis

2024 – THIRD TCFD REPORT

- Further detail on risks, opportunities and targets
- Initial scenario analysis (largely qualitative and used to define parameters for more detailed future exercise)

2025 – FOURTH TCFD REPORT

- Risks, opportunities and targets determined and adopted by the board
- Report on outcomes of first full scenario analysis

02 STAKEHOLDER ENGAGEMENT

The stakeholder engagement programme focuses mainly on the five primary stakeholders that management believes are most likely to influence the Group's ability to create value in the short, medium and long term. Proactive and transparent relationships enable the Group to identify and address the needs and expectations of these stakeholder groups and respond appropriately.

- **Employees** at head office and stores across the Group
- **Customers** of the four trading brands
- **Shareholders** and the broader investment community
- **Regulators** in all countries of operation
- **Suppliers** of merchandise and services

Stakeholder group	Needs and expectations	Key engagement issues in 2022	Our response to engagement issues
EMPLOYEES 8 952 employees 57.3% female 42.7% male 96% black 4% white	• Competitive remuneration and benefits • Effective personal development • Investment in training and skills development • Career advancement opportunities • Protection of labour and human rights • Working environment which embraces transformation and diversity	• Covid-19 impact on health and safety, and vaccination of employees • Employee wellness • Training and development • Labour and human rights • Transformation and diversity	• Pandemic risk management plan updated to reflect all required regulations • Company paid for Covid-19 tests and provided transport for office-based staff to minimise exposure • Employees who tested positive for Covid-19 were granted fully paid leave • Employees were assisted with vaccination appointments • Covid-19-affected staff were supported through the Employee Wellness Programme • Continuous communication with affected employees to ensure their well-being. • All training initiatives were undertaken virtually • Numerous Department of Employment and Labour inspections were performed, and no non-compliance notices were received • Employment equity (EE) profile continued to show improvement in line with the target EE plan

Why we engage: The Group's performance and success is determined by the contribution of its employees who provide their talent, skills and experience.

How we engage: Mainly through electronic media channels in stores, which has been elevated during the Covid-19 pandemic, monthly in-store review meetings, induction and training courses, feedback through performance management, as well as ongoing engagement with labour unions.

Stakeholder group	Needs and expectations	Key engagement issues in 2022	Our response to engagement issues
CUSTOMERS Over 576 000 active credit customers	• Exclusive and differentiated merchandise • High-quality products • Competitive and value-for-money pricing • Responsible lending practices • Excellent customer service • Appealing store environment • Conveniently located stores	• Health and safety in stores during the Covid-19 pandemic • Protection of personal information	• Strict health and safety protocols were implemented to ensure the safety of employees and customers during the pandemic • Staff assisted customers in store with Covid-19 vaccination registrations • The Protection of Personal Information Act (POPIA), which regulates the processing, storage and use of personal information, impacts the channels available for customer engagement. Lewis has addressed all aspects of POPIA compliance to ensure the ability to engage with customers in future

Why we engage: Customers are the Group's main source of revenue through merchandise sales and related credit offerings, and cover credit and cash customers in South Africa, Botswana, Eswatini, Lesotho and Namibia.

How we engage: Primarily through direct engagement with customers in stores, media advertising, in-store promotions, online channels and through market research.

Stakeholder group	Needs and expectations	Key engagement issues in 2022	Our response to engagement issues
SHAREHOLDERS 3 788 shareholders 28.3% shares held outside South Africa	• Sustainable, long-term returns • Transparent, relevant and regular communications • Robust growth strategy • Strong balance sheet • Quality management team • Effective corporate governance structures	• Covid-19 and the challenging consumer spending environment • Trading and financial performance • Capital management and share buy-back programme • Regulatory environment • Trading outlook and earnings growth prospects	• Management addresses all the key engagement issues directly with investors through the interim and annual results presentations, participation in virtual post-results investor and broker conferences and one-on-one meetings, trading updates on SENS, and the Integrated Report

Why we engage: Shareholders are the Group's primary providers of financial capital. Engagement with shareholders is the responsibility of the CEO and CFO, and is mainly focused on local and international institutional fund managers and private investors.

How we engage: Direct and indirect engagement through results presentations, meetings with local and international investors, shareholder meetings, SENS announcements, Integrated Report and investor website.

02

STAKEHOLDER ENGAGEMENT CONTINUED

Stakeholder group	Needs and expectations	Key engagement issues in 2022	Our response to engagement issues
REGULATORS	• Legislative and regulatory compliance • Tax compliance • Submission of statutory returns • Ethical business practices • Protection of consumer, human and environmental rights • Adherence to occupational health and safety standards • Commitment to black economic empowerment and transformation	• Impact of Covid-19 pandemic on the Group's solvency and liquidity • Implementation and continued adherence to Covid-19 protocols • National Credit Regulator's review of limitations on fees and interest rate regulations • National Credit Regulator's review of credit life regulations	• The Group maintained a healthy financial position throughout the pandemic, with strong cashflows and low levels of gearing • Workplace adaptations and processes were implemented, in compliance with regulated Covid-19 protocols, aimed at continuity of service to customers while safeguarding the well-being of employees and customers • The Group submitted recommendations that the maximum prescribed fees and interest be adjusted to appropriately and accurately reflect the risk and cost of providing credit in South Africa • Recommended that the maximum prescribed cost for credit life insurance should be amended to enable insurers to determine the applicable cost for credit life insurance, based on actuarial pricing models

Why we engage: Regulatory compliance enhances the Group's licence to trade and the key regulators are the National Credit Regulator, Johannesburg Stock Exchange, South African Revenue Service, the Prudential Authority of the SA Reserve Bank, government departments including the Department of Trade, Industry and Competition, and Department of Employment and Labour, and regulatory authorities in all countries of operation.

How we engage: Primarily through statutory reporting, regulatory submissions, liaison with regulators and membership of industry bodies and forums.

Stakeholder group	Needs and expectations	Key engagement issues in 2022	Our response to engagement issues
SUPPLIERS Over **R1.5bn** spend on South African factories Main countries of import are China, Malaysia and Brazil	• Fair and equitable business practices • Meeting contractual terms and obligations • Long-term beneficial relationships • Preferential procurement aligned with B-BBEE legislation	• Security of supply owing to raw material shortages due to global shipping challenges • Consistency of supply due to raw material shortages both locally and internationally • Factory sustainability owing to inflated operational costs and required funding • Ensuring consistent supply and orders during periods of low and peak demand	• Secured contractual agreements with freight forwarding companies to ensure consistent supply of imported products. Third-party logistics provider assists in minimising local port delays • Orders with suppliers placed well in advance to allow for sufficient planning and execution time • Regular engagement with suppliers, and financial and operational support provided in certain cases • Strategic decision to increase stock levels to ensure sufficient stock on hand to meet customer demands

Why we engage: Suppliers provide merchandise and other goods and services, and include local and international manufacturers, sales agents, property landlords and professional service providers.

How we engage: Service providers and supplier meetings, factory visits, supplier audits, quality control checks and service level agreements.

03 LEADERSHIP

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49 Executive management

03 CHAIRMAN'S REPORT

As South Africa welcomed the opening up of the economy when Covid-19 restrictions were relaxed and activity started to normalise, the country has encountered severe socio-political and economic headwinds, with consumers under growing financial pressure.

The outbreak of civil unrest and violence which swept KwaZulu-Natal and parts of Gauteng in July 2021 had a devastating impact on the country, the economy and more particularly on the people of the region. The widespread violence had a significant impact on the Group's operations, with 57 stores being looted and damaged.

The Group had adequate cover for the loss of stock and damage to assets, and the majority of the insurance claim had been settled by year end. Management is to be commended for their decisive response to the crisis and for the rapid pace at which operations were restored.

On the economic front, fuel and electricity costs are at record high levels, while food prices are increasing rapidly due partially to the impact of the war in Ukraine on global input costs, while the full effect is only likely to be felt in the months ahead. The country has also entered a rising interest rate cycle after the SA Reserve Bank's benchmark repo rate was reduced to historical low levels during the height of the Covid-19 pandemic in 2020.

The national unemployment rate for the first quarter of 2022 was 34.5%, slightly below the record level of 35.3% in the previous quarter, with 7.9 million South Africans being jobless. Consumers in the Group's lower to middle income target market are unfortunately most vulnerable to these high levels of unemployment.

While South Africa's economic outlook is weak, Lewis Group is well positioned to grow market share in this environment. We are no strangers to operating in challenging trading conditions and the board has full confidence in our experienced and stable management team to lead the Group successfully through the current downturn.

CREATING SHAREHOLDER VALUE

Solid merchandise sales growth, with a pleasing acceleration in credit sales, together with the strengthening of the Group's debtors' book contributed to headline earnings for the year increasing by 21.2% to R561 million. Headline earnings per share increased by 37.7% to 849 cents, benefiting from the earnings enhancing effect of the share repurchase programme.

Shareholders will receive a total dividend of 413 cents per share, an increase of 25.9% on the prior year, based on the targeted 55% payout ratio.

Our 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. In the past year R613 million was returned to shareholders through dividend payments of R260 million and share buy-backs of R353 million. Since the start of the buy-back programme in 2017, the Group has repurchased 26 million shares at a cost of R829 million.

The Group has delivered an annual return to shareholders of 20.8% for the 2022 financial year, and an average return of 18.2% per annum over the past three years, a period which included two years being impacted by Covid-19.

The Group's share price currently trades at a significant discount to net asset value and the board remains committed to the repurchase programme. As the current mandate of 10% has been completed, shareholders will be asked to renew the mandate for management to repurchase a further 10% of the Group's issued share capital.

The trading and financial performance is detailed in the chief executive officer's report (pages 46 to 48) and the chief financial officer's report (pages 60 to 63).

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 has set voluntary targets of 30% for female and black director representation on the board. Currently 43% of the directors are female and 43% are black in terms of the Broad-Based Black Economic Empowerment Act. The board is diverse in its composition and experience which ensures that the interests of all stakeholder groups are addressed in the boardroom.

We were deeply saddened by the untimely passing of non-executive director Duncan Westcott in August 2021. Duncan was appointed to the board in December 2017 and made a significant contribution to board and committee affairs as chairman of the audit and risk committees and as a member of the remuneration and nominations committees. He was a man of great integrity and exhibited tremendous passion and enthusiasm in carrying out his duties. He will be sorely missed by all who came into contact with him.

Duncan's passing necessitated changes to certain board committees, with Daphne Motsepe being appointed as the chairperson of the audit and risk committees, and Fatima Abrahams appointed to the audit committee.

Following the introduction of mandatory audit firm rotation the Group conducted a formal tender process to appoint a new external auditor to succeed PricewaterhouseCoopers (PwC) who have served as the Group's auditor since 1991. Ernst & Young Inc have been appointed as the new auditor with effect from the 2024 financial year. PwC will continue in office until the completion of the audit for the year ending March 2023.

In March 2022, Standard Bank was appointed as the Group's equity sponsor on the JSE Limited following the decision by UBS to no longer provide sponsor services. UBS served as the Group's sponsor since our listing in 2004 and we thank them for their support and guidance down the years.

APPRECIATION

Thank you to the executive team led by Johan Enslin for their committed leadership of the Group over the past year and to my fellow non-executive directors for their counsel, oversight and active participation in boardroom debate.

Our external stakeholders, including shareholders, customers, regulators, suppliers and business associates, are critical to the success and sustainability of our business and I thank them for their engagement and support over the past year.

Hilton Saven
Independent non-executive chairman

"Our board is diverse in its composition and experience which ensures that the interests of all stakeholders are addressed in the boardroom." *Hilton Saven*

Annual return to shareholders	Increase in total dividend per share of	Returned to shareholders
20.8%	**25.9%**	**R613** million

03 BOARD OF DIRECTORS

Hilton Saven (69)

B CP | RC | REM | NOM CP | SET

INDEPENDENT NON-EXECUTIVE CHAIRMAN

BCom, CA(SA)

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. He is the former chairperson of Mazars South Africa, an international accounting firm 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, accounting and finance supports the board in fulfilling its statutory obligations and financial oversight responsibilities. He has performed these roles over a number of years for both listed and large private companies.

Fatima Abrahams (59)

AC | RC | REM CP | NOM | SET CP

INDEPENDENT NON-EXECUTIVE DIRECTOR AND LEAD INDEPENDENT DIRECTOR

BEcon (Hons), MCom, DCom

Appointed September 2005
Appointed as lead independent director in 2021

Directorships:
The Foschini Group Limited and Clicks Group Limited.

Expertise and experience: *Human resources and remuneration.*
Prof. Abrahams is an academic, experienced company director and a registered industrial psychologist. She is an emeritus professor 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 large listed companies, with particular involvement in the retail sector.

Her strong academic qualifications and experience have provided her with extensive expertise in these areas. She has performed similar roles for other listed and unlisted entities over a number of years, which is of benefit to the Group.

Jacques Bestbier (49)

AC INV | RC

EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

CA(SA)

Appointed to the board 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 (48)

AC INV | RC | REM | NOM

NON-EXECUTIVE DIRECTOR

BA, LLB

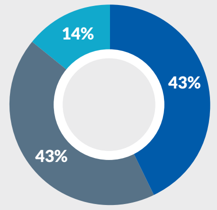
Appointed June 2017

Directorship:
Polarity Consulting (Pty) Limited

Expertise and experience: *Legal and compliance.*
Adheera practised at two of South Africa's leading law firms, Spoor and Fisher and ENSafrica. 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.

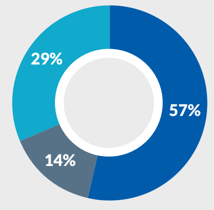
Specific contribution to the board: Adheera engages regularly with parliament and the various financial sector regulators which allows her to advise the board on future and existing regulations and policy impacting the business. Her broad understanding of the businesses' legal and regulatory framework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

Board diversity



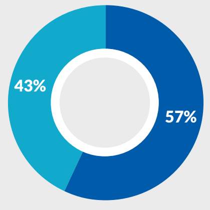
- Black male
- White male
- Black female

Director classification



- Independent non-executive directors
- Non-executive directors
- Executive directors

Non-executive directors: Tenure



- 1 to 9 years
- Over 9 years

Committee key

- AC Audit committee
- RC Risk committee
- REM Remuneration committee
- NOM Nominations committee
- SET Social, ethics and transformation committee
- B Board
- CP Chairperson
- INV By Invitation

Johan Enslin (48)

AC INV | RC | REM INV | NOM INV | SET

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Appointed to the board October 2009

Directorship:
Lewis Stores (Pty) Limited.

Expertise and experience: Johan has more than 28 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. 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 has a wealth of retail experience gained through all stages of the economic cycle.

Daphne Motsepe (65)

AC CP | RC CP | REM | NOM | SET

INDEPENDENT NON-EXECUTIVE DIRECTOR

BCompt, MBA

Appointed June 2017

Directorships:
Kapela Holdings (Pty) Limited, NEC XON Holdings (Pty) Limited, Toyota Tsusho Africa, CFAO Motors South Africa (Pty) Limited

Experience and expertise: Daphne is an experienced banking executive and company director. She was formerly the chief executive of Absa card and unsecured lending at Absa Bank and also served as managing director of Postbank. She previously served as a non-executive director 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 experience includes serving as chairperson of remuneration as well as social, ethics and transformation committees of other boards and serving as a member of the audit, risk as well as nominations/directors affairs committees.

Tapiwa Njikizana (46)

AC | RC | REM | NOM

INDEPENDENT NON-EXECUTIVE DIRECTOR (ZIMBABWEAN)

CA(SA), JSE Registered IFRS Advisor

Appointed August 2019

Directorship:
W.consulting SA (Pty) Limited, Sasfin Holdings Limited and Sasfin Bank Limited

Expertise and experience: 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 being 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 nominations committees of the company.

03 CHIEF EXECUTIVE OFFICER'S REPORT

It is pleasing to report to shareholders that the Group delivered a highly competitive performance despite the ongoing impact of Covid-19, further tightening of the domestic economy as unemployment reached record levels in the country, the July 2021 civil unrest in KwaZulu-Natal and parts of Gauteng as well as local and international supply chain challenges.

In this solid operational and financial performance, there were two particular highlights. The first was the continued improvement in the quality of the Group's debtors' book which saw collection rates strengthen to their highest level since the Group's listing on the JSE in 2004, the percentage of satisfactory paid accounts increase to an all-time high and debtor costs continue their declining trend.

The second highlight was the increase in the Group's return on equity (ROE) which exceeded 10% and has almost doubled since 2018. The board has set a five-year ROE target of 15% which will be incorporated as a performance measure for executive directors in the Group's long-term share incentive scheme.

STRONG OPERATIONAL PERFORMANCE

Merchandise sales increased by 11.5% to R4.4 billion, supported by strong sales during the Black Friday promotion and high levels of stock availability during a period of significant supply chain disruption. After sales in the second and third quarters of the year were impacted by the civil unrest in KwaZulu-Natal and parts of Gauteng, sales growth recovered to 7.1% in the fourth quarter of the financial year, driven by the traditional retail brands.

It is interesting to note that sales increased by 18.9% compared to the 12 months to March 2020, the reporting period immediately before the start of Covid-19 and related lockdown restrictions.

Traditional retail increased sales by 13.3% for the year. Cash retail grew sales by 0.5%, with UFO being particularly impacted by the civil unrest and shipping delays on imported merchandise in the third quarter which affected festive season sales. Close to 70% of UFO's products are imported and the business was severely impacted by lockdowns and port congestion in Malaysia and China.

Credit sales expanded by 16.7% and cash sales by 6.4%, with credit sales accounting for 51.4% (2021: 49.1%) of total merchandise sales. During this time the Group has maintained its strict credit granting criteria and has attracted lower risk credit customers.

Sales in the stores outside South Africa, which represent 15.8% of the store base, increased by 11.9% and accounted for 17.9% of the Group's sales.

In the product categories, furniture accounted for 61.6% of total sales (2021: 62.1%) and appliances 25.8% (2021: 26.2%), with the contribution from audiovisual increasing to 12.6% (2021: 11.7%).

We continued to follow our strategy of carrying higher inventory levels to ensure that the Group has adequate stock cover to meet customer demand and to counter the ongoing challenges in the supply chain. These include the global shortage of shipping containers and severe port congestion. The local supply chain was further impacted by the floods in KwaZulu-Natal in April 2022 which damaged the critical rail link between the Durban port and Gauteng.

Despite the cost pressures and disruption in the supply chain, the Group's gross profit margin at 40.5% (2021: 41.8%) remains within the Group's target range of 40% – 42%.

The Group's financial performance is covered in the chief financial officer's report on page 61.

HIGH QUALITY DEBTORS' BOOK

Prudent credit risk management, together with the appeal of the Group's merchandise offering and innovative promotional strategies, has contributed to the quality of the debtors' book reaching a multi-year high.

Customer account collection rates improved from 71.8% in 2021 to 79.0% for the reporting period.

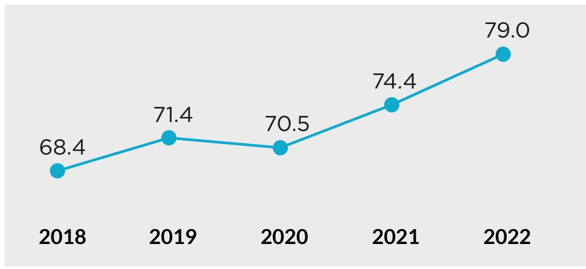
The level of satisfactory paid customers increased to 79.0% (2021: 74.4%) which is positive for repeat sales as additional credit is extended to good paying customers.

The credit application decline rate for the year was 36.1% compared to 38.1% in the prior year.

Debtor costs reduced by 13.6% and debtor costs as a percentage of debtors at gross carrying value reduced from 14.3% to 12.3%. The debtors' impairment provision as a percentage of debtors reduced from 42.6% to 40.4% for the current year.

Refer to the Managing credit risk report on pages 56 to 57 for further analysis of the debtors' book.

Satisfactory paid accounts (%)



EXPANDING STORE FOOTPRINT

The Group's store footprint increased to 819 following the opening of 18 stores and the closure of 6 stores across all brands during the year. This includes three new stores outside South Africa, bringing the store base in our neighbouring countries to 129.

Lewis continued its successful strategy of opening smaller format stores, which now comprise 48% of the brand's 485 stores.

Despite the difficult trading conditions the Group will continue to expand its store base in the new year, with a net 16 new stores planned, including 12 traditional retail and 4 UFO stores.

The Group's store refurbishment programme ensures that stores remain modern and appealing to promote merchandise. Stores are refurbished on average every five years. During the past year the targeted 150 stores across the portfolio were refurbished, with a further 150 refurbishments planned for the new financial year.

"We aim to increase market share through innovative marketing strategies, new merchandise ranges as well as high levels of stock availability."

Johan Enslin

Merchandise sales up
11.5%

Credit sales increased
16.7%

Collection rates at all-time high
79.0%

03 CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

OUTLOOK

It is encouraging to report that the sales momentum for the fourth quarter of the 2022 financial year has continued into the new year.

The current challenging retail trading conditions are expected to continue in the short- to medium-term, with increasing pressure on consumer disposable income through rising interest rates, transport costs, energy and food prices. Electricity load shedding will continue to disrupt trade and impact sales patterns.

In this constrained environment, we aim to increase market share through innovative marketing strategies, supported by new merchandise ranges to be launched across all brands in August and September 2022 as well as high levels of stock availability.

We are committed to the continued growth and expansion of UFO which is a strategic brand in our portfolio. The business has traded well in the past and we are confident of restoring the brand's performance.

The Group's business model has proven its resilience through several economic downturns, and our strong cash flows and robust balance sheet will provide protection in these challenging times.

APPRECIATION

Thank you to our chairman Hilton Saven and our non-executive directors for their guidance, counsel and oversight of the Group's affairs over the past year. My executive management colleagues continue to lead by example, and I thank them for their unwavering support in these challenging times.

The Group's performance confirms the commitment of our management and staff at head office and our stores across southern Africa, and I thank them for continuing to deliver outstanding service to our customers.

Johan Enslin
Chief executive officer

03 EXECUTIVE MANAGEMENT

Johan Enslin (48)

CHIEF EXECUTIVE OFFICER

28 years of service

Johan is the chief executive officer of the Group.

Waleed Achmat (59)

HUMAN RESOURCES DIRECTOR

BA Hons (Industrial Psychology)

5 years of service

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

Jacques Bestbier (49)

CHIEF FINANCIAL OFFICER

CA(SA)

10 years of service

Jacques is the chief financial officer of the Group.

Derek Loudon (59)

MERCHANDISE DIRECTOR

21 years of service

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

Rinus Oliphant (48)

OPERATIONS DIRECTOR

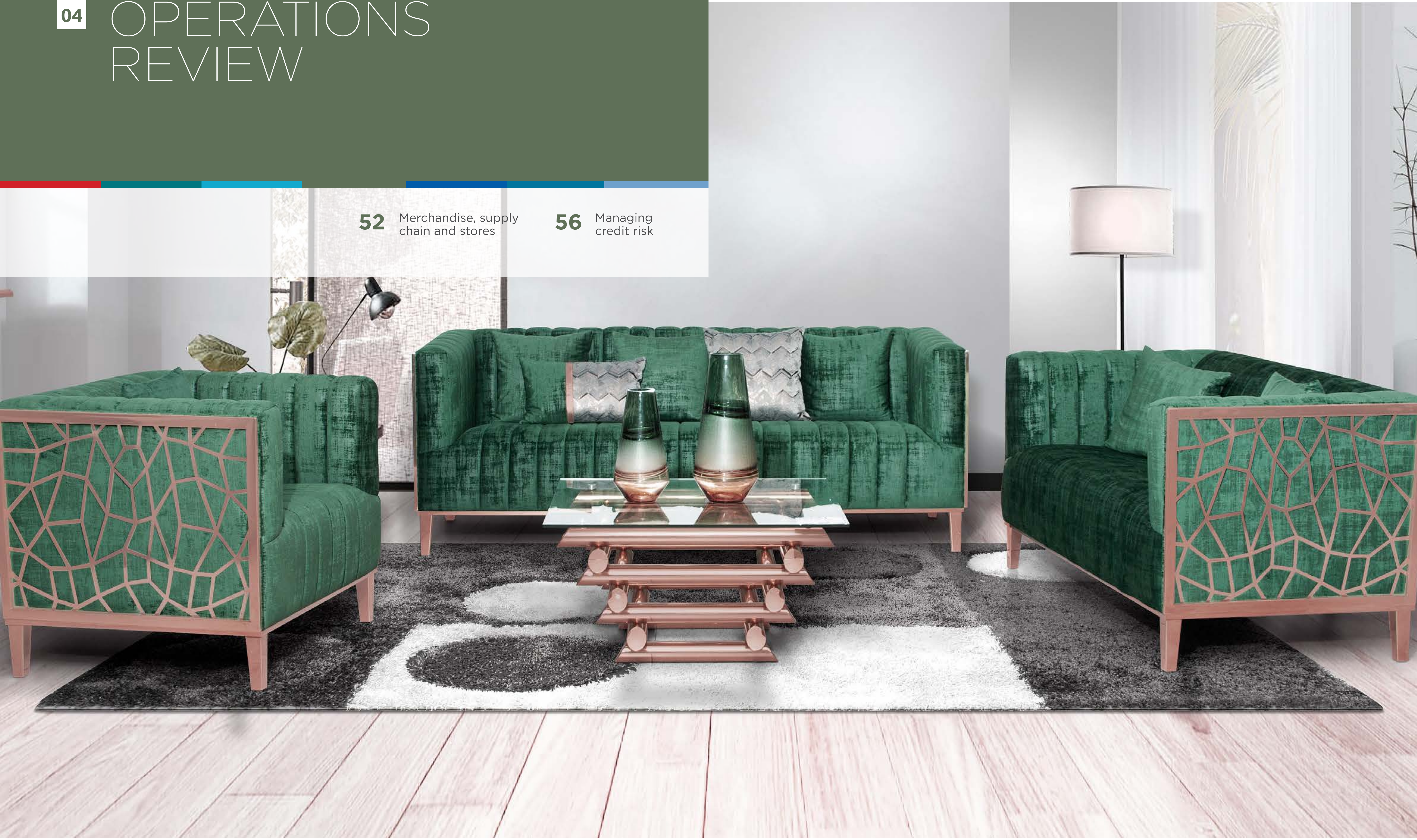
24 years of service

Rinus is responsible for the retail operations of the Group.

04 OPERATIONS REVIEW

52 Merchandise, supply chain and stores

56 Managing credit risk



04 MERCHANDISE, SUPPLY CHAIN AND STORES

MERCHANDISE STRATEGY

The Group's merchandise strategy is aimed at offering customers distinctive ranges, and this is achieved through innovative product sourcing and long-term supplier relationships both locally and offshore. During the reporting period management maintained its strategic focus on carrying higher inventory levels to ensure stock security during a period of global supply chain disruptions.

New ranges are launched frequently across all brands to offer customers ongoing newness of the merchandise. Added-value features and components ensure differentiation and enhance the value of the merchandise.

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.

MERCHANDISE OFFERING

Quality, exclusivity and differentiation are the hallmarks of the Group's merchandise ranges.

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 65.5% 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, LG and Kelvinator.

Audiovisual

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

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

Management continues to focus 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.

ELECTRONIC MERCHANDISE CATALOGUE

An electronic merchandise catalogue is used in all traditional retail stores, providing the customer access to the complete merchandise range, despite space limitations in stores.

The full product range, including all available colour and fabric options, is 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. Local supply accounted for 67% (2021: 63%) of stock purchases in the reporting period.

Owing to the global shipping and logistics challenges in the past year, including the shortage of shipping containers and severe congestion at local ports, the Group continued to pursue its strategy of increased inventory levels to ensure adequate stock cover to meet customer demand and to counter these ongoing supply chain challenges.

As a member of Proudly South African, the Group is committed to promoting social and economic change. The Group sources 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 merchandise being delivered directly by suppliers 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 enable an average of 90% of deliveries to be completed within 24 hours.

04 MERCHANDISE, SUPPLY CHAIN AND STORES CONTINUED

STORES

The Group's store base increased to 819 following the opening of 18 stores and the closure of 6 stores in the past financial year.

Traditional retail

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 flagship brand, Lewis, carries a comprehensive range of merchandise, and caters for specific markets and regional differences.

Stores have an average trading space of 314 m² and the smaller format stores are approximately 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 235 (2021: 227) 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 (2021: 100) stores across the portfolio were refurbished.

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

In the traditional retail brands, a significant volume 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.

Cash retail

UFO stores are located in high-end malls and shopping centres, with the chain's flagship store in Marlboro, Johannesburg, recognised as a destination shopping location. Stores average 614 m² with most product displayed on the shop floor.

TOTAL STORES

485

412 stores in SA

73 stores outside SA

152 072 m² trading space

Average store size 314 m²

TOTAL STORES

146

131 stores in SA

15 stores outside SA

18 940 m² trading space

Average store size 130 m²

TOTAL STORES

143

102 stores in SA

41 stores outside SA

51 991 m² trading space

Average store size 364 m²

TOTAL STORES

45

45 stores in SA

27 640 m² trading space

Average store size 614 m²

04 MANAGING CREDIT RISK

The Group's proven strategy of centralised credit granting, and decentralised collections is a core strength in managing credit risk and debtor costs in the current constrained economic environment.

PERFORMANCE OF THE DEBTORS' BOOK

The health of the debtors' book has continued to improve in the post Covid-19 lockdown environment, with all key metrics across the credit portfolio improving year-on-year as credit sales gained momentum.

Debtor costs continued the improving trend and reduced by 13.6% due to stronger collections and lower bad debts. Collections rates improved to 79.0% for the year (2021: 71.8%), while the level of satisfactory paid customers increased to 79.0% (2021: 74.4%).

The debtors' impairment provision as a percentage of debtors reduced from 42.6% to 40.4% for the current year. Debtor costs as a percentage of debtors at gross carrying value reduced from 14.3% to 12.3%.

Credit ratios and statistics		2022	2021
Credit sales as a percentage of total sales	%	51.4	49.1
Gross debtors	Rm	5 697	5 691
Increase/(decrease) in gross debtors	%	0.1	(1.0)
Collection rates from instalment sales	%	79.0	71.8
Total collections from instalment sales	Rm	4 437	3 911
Debtor impairment provision	Rm	2 300	2 424
Debtor impairment provision as a percentage of gross debtors at carrying value	%	40.4	42.6
Debtor costs	Rm	702	813
Debtor costs as a percentage of debtors at gross carrying value	%	12.3	14.3
Bad debts as a percentage of debtors at gross carrying value	%	14.5	16.2
Satisfactory paid accounts as a percentage of total customers	%	79.0	74.4
Credit application decline rate	%	36.1	38.1
Active credit customer base		576 893	578 818

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 insurer, which offers a range of optional microinsurance products to customers purchasing merchandise on credit. Insurance cover is offered in the event of death, disability, retrenchment, and accidental loss of goods. Monarch is registered with the Financial Sector Conduct Authority and operates under a microinsurance 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 processed 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, 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 as well as the National Credit Regulator's expense table in determining the customer's minimum living expense.

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 scorecards 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 refine the scorecards, as 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 products and services 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 offered 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.

The call centre agent needs to establish that the store manager conducted the interview to explain the contract to the customer. Furthermore, 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 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 interrupt the call at any time 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 referred back to the store manager who 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 the 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 delivered or invoiced.

CREDIT COLLECTION

Lewis operates a decentralised credit collection process, with store-based follow-up and cash collections. 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.

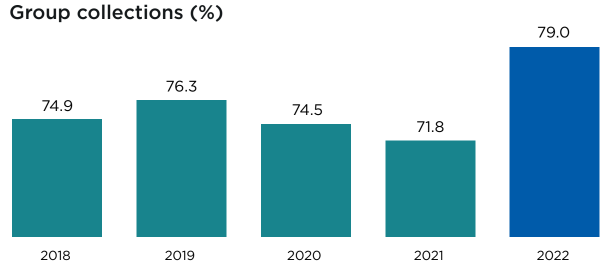
In addition to the decentralised credit collection process, the Group has also increased the number of customers that pay their monthly instalments by debit order.

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. The decision to write off accounts considers the customer's payment rating, recent payment behaviour, whether the customer has exceeded the contractual term and the age of the account.

Refer to note 2 to the Summary financial statements on pages 73 to 78 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.

Group collections (%)



05 FINANCIAL REVIEW

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66 Independent auditor's report

67 Summary consolidated financial statements

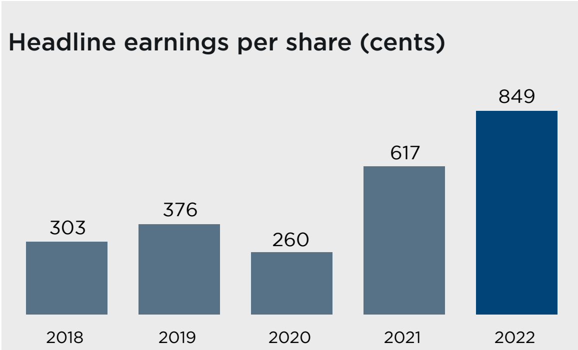
05 CHIEF FINANCIAL OFFICER'S REPORT

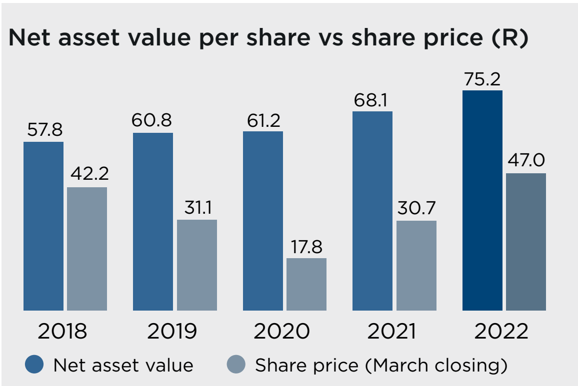
The Group demonstrated its resilience in challenging retail trading conditions to deliver a strong merchandise sales and operating performance for the year, with headline earnings increasing by 21.2% to R561 million.

Headline earnings per share increased by 37.7% to 849 cents, reflecting the positive leverage effect from the Group's aggressive share repurchase programme.

The total dividend was increased by 25.9% to 413 cents per share (2021: 328 cents), based on a 55% payout ratio.

Cash generated from operations totalled R863 million (2021: R915 million) and the Group's balance sheet remains robust, with the net asset value increasing by 10.4% to R75.27 per share.





CIVIL UNREST INSURANCE CLAIM

During the civil unrest in KwaZulu-Natal and parts of Gauteng in July 2021, 57 of the Group's stores were damaged. The Group's material damage insurance claim amounted to approximately R78.8 million (excluding VAT), including stock losses of R48.1 million and R30.7 million for damaged assets. A total of R71.9 million of the claim has been received and recognised as insurance recoveries in the results for the reporting period.

FINANCIAL PERFORMANCE

The following review of the Group's financial performance should be read together with the audited Summary financial statements on pages 67 to 87.

Revenue

Merchandise sales increased by 11.5% to R4 383 million (2021: R3 931 million).

Traditional retail increased sales by 13.3% for the year. Cash retail grew sales by 0.5%, with UFO being particularly impacted by the civil unrest and shipping delays on imported merchandise in the third quarter.

Credit sales grew by 16.7% and cash sales by 6.4%, with credit sales accounting for 51.4% (2021: 49.1%) of total merchandise sales. Comparable store sales increased by 9.2%.

Other revenue, consisting of effective interest income, insurance revenue and ancillary services income, increased by 2.8%.

Total revenue, comprising merchandise sales and other revenue, increased by 7.9% to R7 256 million (2021: R6 726 million).

Gross profit

Despite the cost pressures and disruption in the supply chain, the Group's gross profit margin at 40.5% (2021: 41.8%) remains within the Group's target range of 40% – 42%.

Operating costs

Operating costs excluding debtor costs, impairments and capital items, were tightly managed and increased by 10% as business operations normalised post lockdown. Expenses have increased by 6.5% relative to the year ended March 2020, the reporting period before the start of the pandemic.

Analysis of costs (excluding debtor costs, impairments and other capital items)	2022 Rm	2021 Rm	%
Employment cost	**1 412**	1 259	12.1
Admin and IT	**345**	325	6.1
Marketing	**280**	184	52.0
Transport and travel	**279**	242	15.2
Depreciation and amortisation	**328**	303	8.3
Other operating costs	**536**	575	(6.8)
Total	**3 180**	2 888	10.0

"We are committed to the successful share buy-back programme and will seek shareholder approval to repurchase a further 10% of the issued share capital."

Jacques Bestbier

Headline earnings per share up
37.7%

Cash generated from operations
R863.3 million

Return on equity
10.1%

05

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

Debtor performance

	2022	2021	Pre-Covid 2019
Collections (Rm)			
Collections from instalment sales	4 437	3 911	4 041
Actual collections achieved			
As a % of one contract instalment per customer per month	79.0%	71.8%	76.3%
Contractual arrears (Rm)	1 883	2 057	2 129
% of debtors at gross carrying value	33.1%	36.1%	38.5%
Debtor costs (Rm)			
Debtor costs (-13.6%)	702	813	733
Net bad debts written off	825	923	832
Debtors' impairment provision	(123)	(110)	(99)
Debtor costs as a % of debtors at gross carrying value	12.3%	14.3%	13.3%

Debtor costs reduced by 13.6% and debtor costs as a percentage of debtors at gross carrying value reduced from 14.3% to 12.3%. Collection rates improved to 79.0% for the year (2021: 71.8%).

The level of satisfactory paid customers increased to 79.0% (2021: 74.4%). The debtors' impairment provision as a percentage of debtors reduced from 42.6% to 40.4% for the current period.

Operating profit

Operating profit before impairments and capital items increased by 4.3% to R766.8 million (2021: R735.1 million). Owing to the slower trading in UFO in the second half of the year, an impairment of R31.4 million was recognised against goodwill. An impairment of R99.2 million was recognised against the Group's right-of-use assets. Operating profit for the year declined by 4.0% to R667.9 million (2021: R695.5 million).

Impact of impairments and capital items	2022 Rm	2021 Rm	%
Operating profit before impairments and capital items	766.8	735.1	4.3
Impairments and capital items	(98.9)	(39.6)	
Impairment of right-to-use assets	(99.2)	(33.8)	
Impairment/write-off of goodwill	(31.4)	(5.9)	
Profit on disposal of fixed assets	17.7	0.1	
Profit on disposal of fixed assets due to civil unrest	14.0	–	
Losses due to scrapping of assets	(9.8)	–	
Insurance recoveries due to damaged assets	23.8	–	
Operating profit	667.9	695.5	(4.0)

Finance costs

Net finance costs declined by R101.6 million, benefiting from favourable year-on-year movements in net interest and foreign exchange losses.

SEGMENTAL PERFORMANCE

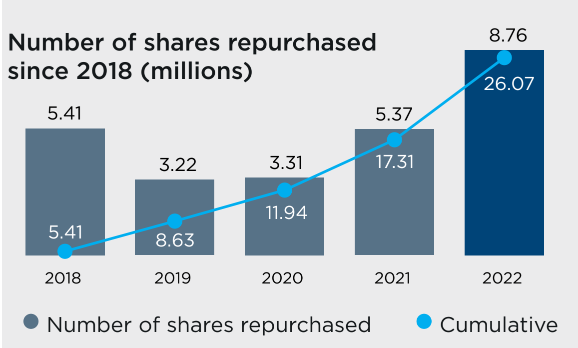
The operational performance of the Group is reported for the traditional segment, comprising the Lewis, Best Home and Electric, and Beares brands, and the cash segment which houses the UFO brand. Further detail on the operational performance of the brands is included in the Merchandise, supply chain and stores report on page 52 to 55.

	Group	Traditional	Cash
Revenue (Rm)	7 256	6 678	578
Merchandise sales (Rm)	4 383	3 813	569
Operating profit before impairments and capital items (Rm)	767	728	39
Operating profit (Rm)	668	704	(36)
Operating margin:			
Before impairments and capital items (%)	17.5	19.1	6.8
After impairments and capital items (%)	15.2	18.5	(6.4)

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 R863.3 million (2021: R914.6 million) and the Group held cash resources of R308.1 million at year-end (2021: R447.0 million).

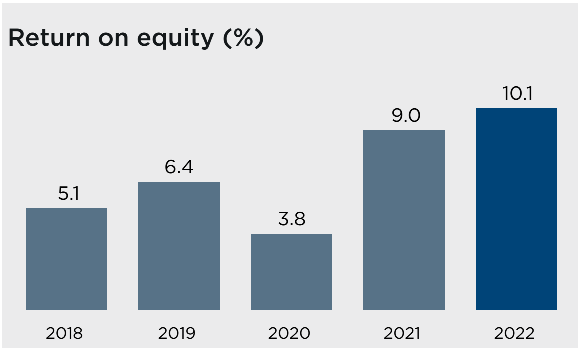


The Group repurchased 8.7 million shares at a cost of R353.2 million during the year, at an average price of R40.34 per share. Since the commencement of the current share repurchase programme in 2017, the Group has bought back 26 million shares at an average price of R31.82 per share.

The total dividend for the year amounted to R266 million (2021: R238 million).

The gearing ratio at year end was 15.3% (2021: 7.4%), with short-term borrowings on the balance sheet of R81 million. The borrowings were repaid early in the new financial year.

Capital ratios (%)	2022 Rm	2021 Rm
Return on equity	10.1	9.0
Return on average capital employed	8.8	8.7
Return on average assets managed	10.4	10.5
Gearing ratio (including IFRS 16)	15.3	7.4



OUTLOOK FOR 2023

Efficient capital allocation remains a priority for the year ahead, together with tight expense control and margin management.

The directors are committed to continuing the successful share repurchase programme. The Group has utilised 48% of the share repurchase mandate granted by shareholders at the annual general meeting (AGM) in 2021. Once the current mandate has been executed, management will seek shareholder approval to repurchase a further 10% of the issued share capital.

The Group's financial and operating targets have been reviewed and revised to reflect the expected performance for 2023 and over the medium term.

Financial and operating targets

Performance indicators (%)	2022 Actual %	2023 targets %	Medium-term targets %
Gross profit margin	40.5	40 – 42	41 – 43
Operating profit margin	15.2	14 – 18	16 – 20
Increase in operating costs	10.0	4 – 8	3 – 6
Credit sales as a % of total sales	51.4	52 – 56	52 – 56
Satisfactory paid customers	79.0	74 – 79	75 – 80
Debtor costs as a % of debtors at gross carrying value	12.3	12 – 15	12 – 15
Gearing	15.3	<20	<25

APPRECIATION

Thank you to our shareholders for your belief in our investment case and to the broader investment community for your ongoing engagement with management. We look forward to resuming in-person meetings in the months ahead where possible. I also extend my thanks to my Group finance colleagues for their commitment and support.

Jacques Bestbier
Chief financial officer

05 FIVE-YEAR REVIEW

Ratios and Statistics		2022	2021	2020	2019	2018
Returns						
Return on average shareholders' funds (after-tax)	(%)	**10.1**	9.0	3.8	6.4	5.1
Return on average capital employed (after-tax)	(%)	**8.8**	8.7	3.7	6.5	5.1
Return on average assets managed (pre-tax)	(%)	**10.4**	10.5	4.8	8.5	6.6
Margins						
Gross profit margin	(%)	**40.5**	41.8	41.0	41.2	41.4
Operating profit margin before impairments and capital items	(%)	**17.5**	18.7	7.7	12.5	13.1
Operating profit margin	(%)	**15.2**	17.7	6.9	12.6	13.2
Productivity						
Number of stores		**819**	807	794	784	773
Revenue per store	(R'000)	**8 860**	8 334	8 128	7 828	7 189
Operating profit per store	(R'000)	**816**	862	320	565	491
Average number of permanent employees		**8 952**	8 847	8 248	8 101	8 093
Revenue per employee	(R'000)	**811**	760	782	758	687
Operating profit per employee	(R'000)	**75**	79	31	55	47
Trading space	(sqm)	**250 643**	249 758	249 538	254 590	258 463
Revenue per square metre	(R)	**28 950**	26 930	25 861	24 106	21 499
Operating profit per square metre	(R)	**2 665**	2 785	1 017	1 740	1 468
Inventory turn	(times)	**2.6**	2.4	2.9	3.1	2.8
Credit ratios						
Credit sales	(%)	**51.4**	49.1	56.9	57.9	65.8
Bad debts as a percentage of debtors at gross carrying value	(%)	**14.5**	16.2	13.9	15.1	16.0
Debtor costs as a percentage of debtors at gross carrying value	(%)	**12.3**	14.3	17.6	13.3	17.1
Debtors impairment provision as a percentage of debtors at gross carrying value	(%)	**40.4**	42.6	44.1	42.0	43.2
Satisfactory paid accounts as a percentage of total customers	(%)	**79.0**	74.4	70.5	71.4	68.4
Arrear instalments on satisfactory paid accounts as a percentage of debtors at gross carrying value	(%)	**10.4**	10.4	10.7	8.8	9.2
Arrear instalments on slow paying and non-performing accounts as a percentage of debtors at gross carrying value	(%)	**22.7**	25.7	26.0	26.2	28.8
Credit applications decline rate	(%)	**36.1**	38.1	37.5	37.4	37.1

Ratios and Statistics		2022	2021	2020	2019	2018
Solvency and liquidity						
Financing cover	(times)	**24.6**	5.6	8.9	16.7	9.0
Gearing ratio – pre IFRS 16	(%)	**–**	–	(5.6)	(4.2)	(1.6)
Gearing ratio – post IFRS 16	(%)	**15.3**	7.4	12.0	–	–
Current ratio	(times)	**3.6**	3.9	2.8	5.9	3.8
Share Performance						
Earnings per share	(cents)	**730.7**	576.4	232.1	377.5	306.8
Headline earnings per share	(cents)	**848.7**	616.5	260.2	376.2	302.7
Cash flow per share	(cents)	**1 305.8**	1 217.7	792.7	795.8	822.8
Net asset value per share	(cents)	**7 526.5**	6 814.1	6 126.4	6 080.4	5 777.8
Share price:						
Closing price	(R)	**47.00**	30.71	17.82	31.10	42.20
High	(R)	**54.00**	31.00	37.50	48.00	44.40
Low	(R)	**28.35**	12.22	16.00	26.20	23.67
Price-earnings ratio		**6.4**	5.3	7.7	8.2	13.8
Dividends per share for the financial year	(cents)	**413.0**	328.0	185.0	234.0	200.0
Dividend payout ratio	(%)	**55.0**	55.0	78.9	61.1	71.1
Volume of shares traded	(million)	**24.4**	38.0	26.4	34.6	58.3
Value of shares traded	(million)	**370.7**	631.1	625.0	1 137.4	1 844.2
Market capitalisation	(million)	**2 951.6**	2 195.8	1 370.4	2 494.2	3 521.0
Number of shareholders		**3 788**	2 225	1 722	1 773	1 732
Number of shares in issue	('000)	**62 780**	71 536	76 899	80 210	92 652

Explanatory Notes:

[1] *All ratios are based on figures at the end of the period unless otherwise disclosed.*

[2] *Total assets for ratio purposes exclude the deferred tax asset.*

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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 67 to 87 of the Lewis Group Limited Integrated Annual Report 2022, which comprise the summary consolidated balance sheet as at 31 March 2022, the summary consolidated income statement, the summary consolidated statement of comprehensive income, summary consolidated changes in equity and summary consolidated cash flow statement 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 2022.

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 summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

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 26 May 2022. 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, South Africa
30 June 2022

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

for the year ended 31 March 2022

	Notes	2022 Audited Rm	2021 Audited Rm
Revenue	4.1	7 256.1	6 725.9
Retail revenue	4.2	5 200.5	4 747.7
Merchandise sales		4 382.5	3 931.2
Ancillary services		818.0	816.5
Insurance revenue		776.0	707.2
Effective interest income		1 279.6	1 271.0
Cost of merchandise sales	5	(2 607.6)	(2 288.8)
Operating costs		(3 881.7)	(3 702.0)
Debtor costs	2.2	(702.4)	(813.0)
Bad debts net of recoveries		(825.7)	(923.3)
Movement in debtors' impairment provision		123.3	110.3
Employment costs		(1 411.7)	(1 259.1)
Administration and IT		(345.1)	(325.3)
Transport and travel		(278.6)	(241.9)
Marketing		(279.9)	(184.2)
Depreciation and amortisation	8.1	(327.8)	(303.3)
Other operating costs		(536.2)	(575.2)
Operating profit before impairments and capital items		766.8	735.1
Impairments and capital items	14	(98.9)	(39.6)
Operating profit		667.9	695.5
Investment income	3.2	34.6	39.1
Interest paid	9.3	(48.9)	(105.3)
Interest received	9.3	25.4	17.2
Foreign exchange losses	9.3	(5.1)	(42.1)
Profit before taxation		673.9	604.4
Taxation	10	(190.8)	(171.5)
Net profit attributable to ordinary shareholders		483.1	432.9
Earnings per share (cents)		730.7	576.4
Diluted earnings per share (cents)		709.9	565.3

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SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	2022 Audited Rm	2021 Audited Rm
Net profit for the year	483.1	432.9
Items that may be subsequently reclassified to income statement:		
Movement in other reserves	(3.9)	(2.8)
Fair value adjustments	9.0	19.1
Changes in the fair value of debt instruments at fair value through other comprehensive income – FVOCI debt investments	12.5	26.5
Tax effect	(3.5)	(7.4)
Disposal of FVOCI debt investments	–	(0.4)
Disposal	–	(0.5)
Tax effect	–	0.1
Foreign currency translation reserve	(12.9)	(21.5)
Items that may not be subsequently reclassified to income statement:		
Retirement benefit remeasurements	6.5	(8.6)
Remeasurements of the retirement asset and liabilities	9.1	(11.9)
Tax effect	(2.6)	3.3
Other comprehensive income	2.6	(11.4)
Total comprehensive income for the year attributable to equity shareholders	485.7	421.5

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

EARNINGS AND DIVIDENDS PER SHARE

for the year ended 31 March 2022

		2022 Audited	2021 Audited
Weighted average number of shares			
Weighted average	('000)	66 112	75 109
Diluted weighted average	('000)	68 056	76 580
Headline earnings			
Attributable earnings	(Rm)	483.1	432.9
Profit on disposal of fixed assets	(Rm)	(14.0)	(0.1)
Impairment of right-of-use assets	(Rm)	70.6	24.3
Goodwill impairment	(Rm)	31.4	–
Profit on scrapping of fixed assets due to civil unrest	(Rm)	(10.0)	–
Scrapping of assets	(Rm)	7.1	–
Compensation from insurers	(Rm)	(17.1)	–
Goodwill write-off	(Rm)	–	5.9
Headline earnings	(Rm)	561.1	463.0
Earnings per share			
Earnings per share	(cents)	730.7	576.4
Diluted earnings per share	(cents)	709.9	565.3
Headline earnings per share			
Headline earnings per share	(cents)	848.7	616.5
Diluted headline earnings per share	(cents)	824.5	604.6
Dividends per share			
Dividends paid per share			
Final dividend 2021 (2020)	(cents)	195.0	65.0
Interim dividend 2022 (2021)	(cents)	195.0	133.0
	(cents)	390.0	198.0
Dividends declared per share			
Interim dividend 2022 (2021)	(cents)	195.0	133.0
Final dividend 2022 (2021)	(cents)	218.0	195.0
	(cents)	413.0	328.0

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SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

as at 31 March 2022

	Notes	2022 Audited Rm	2021 Audited Rm
Assets			
Non-current assets			
Property, plant and equipment		**396.4**	386.0
Right-of-use assets	7.2	**747.1**	635.0
Intangible assets		**107.3**	114.2
Goodwill		**151.0**	182.4
Deferred taxation		**82.7**	112.2
Retirement benefit asset		**109.8**	105.4
Financial assets – insurance investments	3.1	**266.1**	253.6
		1 860.4	1 788.8
Current assets			
Inventories		**1 018.8**	947.8
Trade, insurance and other receivables	2.1	**3 535.0**	3 367.3
Taxation		**28.1**	48.8
Financial assets – insurance investments	3.1	**156.7**	223.7
Cash-on-hand and deposits	9.1	**308.1**	447.0
		5 046.7	5 034.6
Total assets		**6 907.1**	6 823.4
Equity and liabilities			
Capital and reserves			
Share capital and premium		**0.9**	0.9
Treasury shares		**(3.7)**	(0.4)
Other reserves		**11.4**	33.6
Retained earnings		**4 708.4**	4 838.6
		4 717.0	4 872.7
Non-current liabilities			
Lease liabilities	7.1	**700.1**	556.0
Deferred taxation		**27.4**	20.6
Retirement benefit liability		**77.3**	79.1
		804.8	655.7
Current liabilities			
Trade and other payables		**685.0**	674.5
Payments in advance		**181.1**	162.8
Insurance liabilities		**102.2**	123.1
Short-term interest-bearing borrowings	9.1	**80.8**	–
Lease liabilities	7.1	**250.2**	249.8
Taxation		**86.0**	84.8
		1 385.3	1 295.0
Total equity and liabilities		**6 907.1**	6 823.4

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	2022 Audited Rm	2021 Audited Rm
Share capital and premium		
Opening balance	**0.9**	0.9
Cost of own shares acquired	**(353.2)**	(112.6)
Transfer of cost of cancelled shares	**353.2**	112.6
	0.9	0.9
Treasury shares		
Opening balance	**(0.4)**	(1.0)
Share awards to employees	**51.8**	23.6
Cost of own shares acquired	**(55.1)**	(23.0)
	(3.7)	(0.4)
Other reserves		
Opening balance	**33.6**	52.3
Other comprehensive income for the year:		
Changes in fair value of FVOCI debt investments	**9.0**	19.1
Disposal of FVOCI debt investments	**–**	(0.4)
Foreign currency translation reserve	**(12.9)**	(21.5)
Equity-settled share-based payments	**21.1**	24.3
Transfer of share-based payments reserve to retained earnings on vesting	**(39.4)**	(40.2)
	11.4	33.6
Retained earnings		
Opening balance	**4 838.6**	4 657.3
Net profit attributable to ordinary shareholders	**483.1**	432.9
Distribution to shareholders	**(254.2)**	(147.0)
Transfer of cost of cancelled shares	**(353.2)**	(112.6)
Transfer of share-based payments reserve to retained earnings on vesting	**39.4**	40.2
Retirement benefit remeasurements	**6.5**	(8.6)
Share awards to employees	**(51.8)**	(23.6)
	4 708.4	4 838.6
Balance as at 31 March	**4 717.0**	4 872.7

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SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

CASH FLOW STATEMENT

for the year ended 31 March 2022

	Notes	2022 Audited Rm	2021 Audited Rm
Cash flow from operating activities			
Cash flow from trading	11.1	1 019.5	1 053.3
Changes in working capital	11.2	(156.2)	(138.7)
Cash flow from operations		863.3	914.6
Interest received other than from trade receivables		25.4	55.8
Interest paid	11.3	(74.7)	(90.4)
Foreign exchange losses		(4.8)	(16.6)
Taxation paid		(104.2)	(55.3)
		705.0	808.1
Cash utilised in investing activities			
Purchases of insurance investments	3.1	(51.2)	(61.1)
Disposals of insurance investments		152.8	84.2
Acquisition of property, plant and equipment and intangible assets		(119.5)	(121.3)
Proceeds on disposal and scrapping of property, plant and equipment		52.3	2.6
		34.4	(95.6)
Cash flow from financing activities			
Dividends paid		(254.2)	(147.0)
Payment of principal portion of lease liabilities	7.1	(296.6)	(254.2)
Repayments of borrowings		–	(922.1)
Purchase of own shares		(408.3)	(135.6)
		(959.1)	(1 458.9)
Net decrease in cash and cash equivalents		(219.7)	(746.4)
Cash and cash equivalents at the beginning of the year		447.0	1 193.4
Cash and cash equivalents at the end of the year	9.1	227.3	447.0

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the year ended 31 March 2022

1. BASIS OF REPORTING

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require abridged reports to be prepared in accordance with the framework concepts; and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and the 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.

The Group has a trading cycle of 1 April to 31 March aligned with its statutory year-end. The trading period of the previous financial year ran from 5 April 2020 to 31 March 2021. The impact of the shorter trading period in the previous financial year was insignificant due to the Covid-19 lockdown implemented from 27 March 2020 when stores were closed in accordance with Level 5 regulations.

These financial statements are a summary of the Group's audited Annual Financial Statements for the year ended 31 March 2022. 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 on the Group website, www.lewisgroup.co.za.

These summary consolidated financial statements for the year-ended 31 March 2022 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the Annual Financial Statements from which these summary consolidated financial statements were derived. The audited financial statements and the auditor's report thereon are available for inspection at the company's registered office and on the Group website, www.lewisgroup.co.za.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS

2.1 Trade, insurance and other receivables

	2022 Audited Rm	2021 Audited Rm
Trade and insurance receivables	5 696.7	5 691.4
Trade receivables	5 581.3	5 551.5
Insurance receivables	115.4	139.9
Provision for impairment	(2 300.4)	(2 423.7)
Trade receivables	(2 233.3)	(2 338.5)
Insurance receivables	(67.1)	(85.2)
Trade and insurance receivables (net)	3 396.3	3 267.7
Due within 12 months	2 162.4	2 098.5
Due after 12 months	1 233.9	1 169.2
Other receivables	138.7	99.6
Total trade, insurance and other receivables	3 535.0	3 367.3
Debtors' impairment provision as a percentage of debtors at gross carrying value (%)	40.4	42.6

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 and investment in insurance cell captive.

Payment ratings

The customer's payment profile is managed by using payment ratings. Payment ratings are determined on an individual customer level and aggregated over all the customer's sub-accounts. Payment ratings measure the customer's actual payments received over the lifetime of the account relative to the instalments due in terms of the contract.

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

There are 13 payment ratings with customers being allocated to one of these 13 payment ratings in accordance with their payment behaviour. For the purpose of managing the business, the 13 payment ratings are summarised into 3 main groupings, namely:

- **Satisfactory paid**

These represent customers with a payment rating of between 9 and 13, with the lowest rated customers having paid an average of approximately 70% over the contract period.

- **Slow payers**

These represent customers with a payment rating of 7 and 8, with the lowest rated customers having paid an average of approximately 55% of amounts due over the contract period.

- **Non-performing accounts**

These represent customers not classified as Satisfactory paid or Slow payers with a payment rating of 6 and lower.

These payment ratings are used to categorise and report on customers at the store level to re-sell to satisfactory paid customers and to follow up the slow paying and non-performing customers.

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 (“ECL”). This policy has been applied to all trade receivables. Lifetime ECL 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.
- 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 matrices have been developed for each of the countries which 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.
- Term of the contract.

For each term, lifetime payment rating and age, the transitional matrix maps the probability of an account transitioning into future lifetime payment ratings for the remaining months on book. Cash flows are forecasted up to month 60 of the account.

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

Forward-looking information

IFRS 9 requires that the ECL impairment provision considers potential future changes in the economic environment. To achieve this, an economic overlay model has been developed by performing a regression analysis between key economic variables and the percentage of performing accounts rolling into non-performing states in the following 12 months. This analysis is done on an annual basis to identify the relevant economic variables and assess the degree of correlation with the non-performing category.

The assessment for 2022 has identified the following economic variables as those with the highest degree of statistical significance:

- Real durable consumption, adjusted to account for GDP growth.
- Year-on-year change in debt/disposable income.

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.

The economic environment has been severely disrupted in the recent past and management is of the view that trading conditions will become tougher. Covid-19 and the Russia/Ukraine war continues to pose a significant threat to the global economy, whilst recent unrests and floods placed further pressure on the local economy. Record high unemployment rates, rising inflation and higher interest rates are likely to result in additional strain on the South African consumer.

Taking the above aggravating circumstances into consideration, management has assigned a probability of 70% to the downside scenario, 25% to the base scenario and 5% to the upside scenario for the 12-month forecast. The resultant impact of R270.4 million was included in the Group’s ECL impairment provision.

Management’s areas of judgement include the probabilities of these scenarios occurring, the severity of the scenarios and the potential impact it might have on payment performance. A sensitivity analysis has been performed and the impact is illustrated below:

	2022	
Probability-weighted impact of all three scenarios	**Rm**	**% change**
	270.4	
100% downside scenario	302.1	11.7
100% base scenario	211.6	(21.7)
100% upside scenario	120.3	(55.5)

In the prior year, due to the severely disrupted economic environment as a result of Covid-19, a lower statistical correlation was observed when performing this assessment at 31 March 2021 resulting in the conclusion that a pure statistical correlation model based on a regression analysis was not appropriate. Covid-19 continued to pose a significant threat to the economy and management’s view was that trading conditions would become tougher. The impairment model used the last 12 months’ payment performance and was therefore calibrated to allow for a distressed macroeconomic environment in the new financial year, similar to the experience of the year-ended March 2021. To incorporate the potential further impact of Covid-19 on the forward-looking information, the impact of event risk not accounted for was quantified by building stressed macroeconomic variables into the impairment model. These included further economic strain that could result from another hard lockdown, the discontinuation of Covid-19 social grants and the impact of government employees wage freeze on their ability to service debt. The combined impact on the Group’s ECL for these variables was R114.1 million.

Combined impairment and contractual arrears table

The table reflects the following:

- 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.
  - 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 2022

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Debtor analysis – 31 March 2022

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	455 999	3 905 943	841 709	21.5	592 552	169 347	116 257	85 423	221 525
(%)	79.0	68.6	36.6						
Slow payers	69 098	819 412	599 732	73.2	530 575	58 173	56 023	52 726	363 653
(%)	12.0	14.4	26.1						
Non-performing accounts	51 796	971 311	858 977	88.4	759 918	47 276	46 618	45 898	620 126
(%)	9.0	17.0	37.3						
Total	576 893	5 696 666	2 300 418	40.4	1 883 045	274 796	218 898	184 047	1 205 304

Credit impaired debtors as at 31 March 2022

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	971 311	1 708	1 878	44 838	60 200	43 703	58 981	1 182 619
Impairment provision	(858 977)	(817)	(1 474)	(13 135)	(41 628)	(13 300)	(41 175)	(970 506)
Amortised cost	112 334	891	404	31 703	18 572	30 403	17 806	212 113

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Debtor analysis – 31 March 2021

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	430 459	3 537 586	733 902	20.7	592 247	169 226	118 916	88 177	215 928
(%)	74.4	62.2	30.3						
Slow payers	78 608	915 822	618 421	67.5	568 282	64 802	62 430	59 197	381 853
(%)	13.6	16.1	25.5						
Non-performing accounts	69 751	1 238 029	1 071 346	86.5	895 977	61 765	60 953	60 193	713 066
(%)	12.0	21.7	44.2						
Total	578 818	5 691 437	2 423 669	42.6	2 056 506	295 793	242 299	207 567	1 310 847

Credit impaired debtors as at 31 March 2021

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	1 238 029	2 047	1 974	32 973	56 203	53 074	80 068	1 464 368
Impairment provision	(1 071 346)	(939)	(1 364)	(10 496)	(35 820)	(18 325)	(53 172)	(1 191 462)
Amortised cost	166 683	1 108	610	22 477	20 383	34 749	26 896	272 906

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SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Interest rate risk

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

The average effective interest rate on instalment sale receivables is 19.6% (2021: 21.2%) and the average term of the sale is 32.7 months (2021: 32.4 months).

Fair value

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

2.2 Debtor costs

		2022 Audited Rm	2021 Audited Rm
Bad debts		**902.0**	982.2
Bad debts before adjustment for interest on credit impaired accounts		**1 021.3**	1 133.0
Adjustment for interest on credit impaired accounts		**(119.3)**	(150.8)
Bad debt recoveries		**(76.3)**	(58.9)
Movement in debtors' impairment provision		**(123.3)**	(110.3)
Closing balance		**2 300.4**	2 423.7
Opening balance		**(2 423.7)**	(2 534.0)
Total debtor costs		**702.4**	813.0
Debtor costs as a percentage of debtors at gross carrying value	(%)	**12.3**	14.3

"Bad debts before adjustment for interest on credit impaired accounts" is the gross carrying amounts of the trade receivables written off. For credit impaired accounts, 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.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

3. INSURANCE

3.1 Insurance investments

	2022 Audited Rm	2021 Audited Rm
Financial assets – insurance investments		
Listed investments		
Fixed income securities – FVOCI debt investments	**266.1**	253.6
Unlisted investments		
Money market – FVOCI debt investments	**156.7**	223.7
	422.8	477.3
Analysed as follows:		
Non-current	**266.1**	253.6
Current	**156.7**	223.7
	422.8	477.3
Movement for the year		
Beginning of the year	**477.3**	473.9
Additions to investments	**51.2**	61.1
Disposals of investments	**(152.8)**	(119.8)
Interest	**34.6**	36.1
Fair value adjustment	**12.5**	26.0
End of the year	**422.8**	477.3

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

Fair value hierarchy

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

	Level 2 Rm	Total Rm
31 March 2022		
Insurance investments:		
Fixed income securities – FVOCI debt investments	**266.1**	**266.1**
Money market floating rate notes – FVOCI debt investments	**156.7**	**156.7**
	422.8	**422.8**
31 March 2021		
Insurance investments:		
Fixed income securities – FVOCI debt investments	253.6	253.6
Money market floating rate notes – FVOCI debt investments	223.7	223.7
	477.3	477.3

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

	2022 Audited Rm	2021 Audited Rm
Interest and other income – insurance business	**34.6**	38.6
Realised gain on disposal of insurance investments	**–**	0.5
	34.6	39.1

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

4. REVENUE

4.1 Revenue

	2022 Audited Rm	2021 Audited Rm
Retail revenue – revenue from contracts with customers	**5 200.5**	4 747.7
Merchandise sales	**4 382.5**	3 931.2
Ancillary services	**818.0**	816.5
Insurance revenue	**776.0**	707.2
Effective interest income	**1 279.6**	1 271.0
Finance charges and initiation fees earned	**1 398.9**	1 421.8
Adjustment for interest on credit impaired accounts	**(119.3)**	(150.8)
	7 256.1	6 725.9

4.2 Retail revenue

	Traditional Rm	Cash Rm	Group Rm
31 March 2022			
Merchandise sales			
– Cash	**1 560.3**	**569.1**	**2 129.4**
– Credit	**2 253.1**	**–**	**2 253.1**
Ancillary services			
– At a point in time	**166.4**	**9.0**	**175.4**
– Over time	**642.6**	**–**	**642.6**
	4 622.4	**578.1**	**5 200.5**
31 March 2021			
Merchandise sales			
– Cash	1 434.4	566.5	2 000.9
– Credit	1 930.3	–	1 930.3
Ancillary services			
– At a point in time	153.5	10.4	163.9
– Over time	652.6	–	652.6
	4 170.8	576.9	4 747.7

5. GROSS PROFIT

		2022 Audited Rm	2021 Audited Rm
Merchandise sales		**4 382.5**	3 931.2
Cost of merchandise sales		**(2 607.6)**	(2 288.8)
Merchandise gross profit		**1 774.9**	1 642.4
Gross profit margin	(%)	**40.5**	41.8

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

6. REPORTABLE SEGMENTS

Primary		Traditional Rm	Cash Rm	Group Rm
For the year ended 31 March 2022				
Revenue		**6 678.0**	**578.1**	**7 256.1**
Merchandise sales		**3 813.4**	**569.1**	**4 382.5**
Segment operating profit before impairments and capital items		**728.2**	**38.6**	**766.8**
Segment operating margin before impairments and capital items	(%)	**19.1**	**6.8**	**17.5**
Segment operating profit/(loss)		**704.2**	**(36.3)**	**667.9**
Segment operating margin	(%)	**18.5**	**(6.4)**	**15.2**
Segment assets [(1)]		**4 211.4**	**203.7**	**4 415.1**
For the year ended 31 March 2021				
Revenue		6 149.0	576.9	6 725.9
Merchandise sales		3 364.7	566.5	3 931.2
Segment operating profit before impairments and capital items		642.3	92.8	735.1
Segment operating margin before impairments and capital items	(%)	19.1	16.4	18.7
Segment operating profit		602.7	92.8	695.5
Segment operating margin	(%)	17.9	16.4	17.7
Segment assets [(1)]		4 074.0	141.5	4 215.5

(1) Segment assets include net trade and insurance receivables of R3 396.3 million (2021: R3 267.7 million) and inventory of R1 018.8 million (2021: R947.8 million).

Geographical	South Africa Rm	Namibia Rm	BLE [(1)] Rm	Group Rm
For the year ended 31 March 2022				
Revenue	**6 165.6**	**545.3**	**545.2**	**7 256.1**
For the year ended 31 March 2021				
Revenue	5 724.8	498.7	502.4	6 725.9

(1) Botswana, Lesotho and Eswatini

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

7. LEASES

	2022 Audited Rm	2021 Audited Rm
7.1 Lease liabilities		
Opening balance	805.8	837.9
Additions and renewed leases	444.9	239.3
Expired, renegotiated and modified leases	(4.1)	(3.8)
Rent concessions	0.3	(13.4)
Principal portion of lease liabilities	(296.6)	(254.2)
Interest on lease liabilities	62.1	66.0
Lease liability payments	(358.7)	(320.2)
Closing balance	950.3	805.8
Analysed as follows:	950.3	805.8
Non-current	700.1	556.0
Current	250.2	249.8
7.2 Right-of-use assets		
Retail premises		
Opening balance	635.0	693.7
Additions and renewed leases	444.9	239.3
Expired, renegotiated and modified leases	(2.6)	(3.2)
Remeasurement of restoration provision	1.1	(7.9)
Rent concessions	0.3	(13.4)
Depreciation	(232.4)	(239.7)
Net impairment	(99.2)	(33.8)
Closing balance	747.1	635.0

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

8. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	2022 Audited Rm	2021 Audited Rm
8.1 Depreciation and amortisation		
Depreciation		
Right-of-use assets	232.4	239.7
Property, plant and equipment	81.1	50.6
Land and buildings	1.2	1.2
Vehicles	32.1	28.4
Furniture, fixtures and equipment	47.8	21.0
Amortisation		
Intangible assets	14.3	13.0
	327.8	303.3
8.2 Impairment/write-off		
Right-of-use assets	99.2	33.8
Goodwill	31.4	5.9
	130.6	39.7

9. BORROWINGS, CASH AND NET FINANCE COSTS

9.1 Borrowings, banking facilities and cash

		2022 Audited Rm	2021 Audited Rm
Short-term banking facilities		(80.8)	–
Cash-on-hand and deposits		308.1	447.0
Cash and cash equivalents		227.3	447.0
Available facilities			
Banking facilities		950.0	1 150.0
Domestic Medium-Term Note programme		2 000.0	2 000.0
		2 950.0	3 150.0
Available funds		3 177.3	3 597.0
9.2 Capital management			
Net debt		723.0	358.8
Shareholders' equity		4 717.0	4 872.7
Gearing ratio	(%)	15.3	7.4
9.3 Net finance costs			
Interest paid		(48.9)	(105.3)
Borrowings		(12.6)	(14.3)
Lease liabilities		(62.1)	(66.0)
Other		25.8*	(25.0)
Interest received – bank		14.4	17.2
Interest received – other		11.0	–
Foreign exchange losses		(5.1)	(42.1)
Net finance costs		(28.6)	(130.2)

* *Included in this amount is a reversal of interest accrued in prior periods.*

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

10. TAXATION

		2022 Audited Rm	2021 Audited Rm
Taxation charge			
Normal taxation		**160.6**	124.3
Current year		**150.9**	123.6
Prior year		**9.7**	0.7
Deferred taxation		**30.2**	47.2
Current year		**19.3**	57.0
Tax rate change		**2.2**	–
Prior year		**8.7**	(9.8)
Taxation per income statement		**190.8**	171.5
Tax rate reconciliation			
Profit before taxation		**673.9**	604.4
Taxation calculated at a tax rate of 28%		**188.7**	169.2
Differing tax rates in foreign countries		**4.1**	4.3
Disallowances		**36.0**	37.1
Exemptions		**(58.6)**	(30.0)
Prior years		**18.4**	(9.1)
Tax rate change		**2.2**	–
Taxation per income statement		**190.8**	171.5
Effective tax rate	(%)	**28.3**	28.4

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

11. CASH FLOW FROM OPERATIONS

	Notes	2022 Audited Rm	2021 Audited Rm
11.1 Cash flow from trading		**1 019.5**	1 053.3
Operating profit		**667.9**	695.5
Adjusted for:			
Share-based payments		**68.4**	43.6
Depreciation and amortisation	8.1	**327.8**	303.3
Impairment/write-off	8.2	**130.6**	39.7
Profit on disposal of fixed assets		**(17.7)**	(0.1)
Profit on scrapping of fixed assets due to civil unrest	13	**(14.0)**	–
Movement in debtors' impairment provision	2.2	**(123.3)**	(110.3)
Movement in other provisions		**(9.2)**	43.7
Other non-cash flow movements		**(11.0)**	37.9
Included in cash flow from trading is interest earned on trade receivables of R1 398.9 million (2021: R1 421.8 million).			
11.2 Changes in working capital		**(156.2)**	(138.7)
Increase in inventories		**(49.8)**	(211.7)
(Increase)/decrease in trade and other receivables		**(58.1)**	30.3
(Decrease)/increase in trade and other payables		**(45.7)**	11.7
Increase in payments in advance		**18.3**	12.7
(Decrease)/increase in insurance liabilities		**(20.9)**	18.3
11.3 Interest paid per cash flow statement		**(74.7)**	(90.4)
Interest paid per the income statement		**(48.9)**	(105.3)
Non-cash flow movement		**(25.8)**	14.9

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2022

12. SHARE REPURCHASES

Shares were repurchased in terms of section 48 of the Companies Act as follows:

	Number of shares repurchased 000's	Average price R	Total value repurchased Rm
Share repurchases made during the 2022 financial year	**8 756**	**40.34**	**353.2**
Share repurchases made during the 2021 financial year	5 363	21.00	112.6

The shares repurchased above have reverted to authorised but unissued equity securities of the issuer in accordance with section 35(5) of the Companies Act.

13. IMPACT OF CIVIL UNREST IN SOUTH AFRICA

The widespread violence and looting experienced in KwaZulu-Natal and parts of Gauteng during July 2021 had a significant impact on the Group's store operations during the current reporting period.

A total of 57 stores were looted and damaged, including 53 stores in the 'Traditional' segment across the Lewis, Beares and Best Home & Electric brands and 4 UFO stores. At the height of the unrest, over 260 stores across the Group were closed as a precautionary measure to ensure the safety of employees and customers, and to minimise losses.

By 31 March 2022, 52 stores (49 Traditional and 3 UFO) had been reopened following their restoration. The remaining 5 stores (4 Traditional and 1 UFO) are trading from temporary premises whilst damages are being repaired.

The Group has adequate South African Special Risks Insurance Association (SASRIA) cover for material damage losses arising from the riot action. The year-end results includes inventory write-offs, losses relating to scrapping of assets and the related insurance recoveries.

The Group's material damage insurance claim amounted to approximately R78.8 million (excluding VAT), including stock losses of R48.1 million and R30.7 million for damaged assets. A total of R71.9 million of the claim has been received and recognised as insurance recoveries in the results for the reporting period.

The Group has separate cover for business interruption losses and has submitted a claim for the losses incurred, however, this is still being finalised.

The table below shows the impact on the financial statements of the abovementioned items.

	2022 Audited Rm
Impact on the Income Statement	
Cost of merchandise sales	–
Inventory write-off	48.1
Inventory insurance recoveries	(48.1)
Impairments and capital items	(14.0)
Losses due to scrapping of assets	9.8
Insurance recoveries due to damaged assets	(23.8)

14. IMPAIRMENTS AND CAPITAL ITEMS

	Notes	2022 Audited Rm	2021* Audited Rm
Impairment of right-of-use assets	8.2	**99.2**	33.8
Impairment/write-off of goodwill	8.2	**31.4**	5.9
Profit on disposal of fixed assets		**(17.7)**	(0.1)
Profit on scrapping of fixed assets due to civil unrest	13	**(14.0)**	–
Losses due to scrapping of assets		**9.8**	–
Insurance recoveries due to damaged assets		**(23.8)**	–
		98.9	39.6

* *In the prior year, these costs were included under operating costs.*

This includes the before tax effect of all re-measurements and capital items excluded from headline earnings per share in accordance with the guidance contained in SAICA Circular 1/2021: Headline Earnings.

15. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 17 Insurance Contracts

The IASB issued IFRS 17, Insurance Contracts, as a replacement to current standard, IFRS 4, which allows insurers to use their local GAAP. IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements.

Under IFRS 17, the general model requires entities to measure an insurance contract on initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less.

Following comprehensive testing and assessments performed by the Group, together with the assistance of an IFRS 17 implementation partner, the conclusion was reached that both the South African direct insurance business as well as the inwards reinsurance business in Botswana, Lesotho and Eswatini, are likely to be eligible to utilise the premium allocation approach.

The new standard will become effective for the 2024 financial year with full retrospective adoption, therefore requiring the restatement of comparatives from 1 April 2022.

16. COVID-19 LOCKDOWN AND ITS IMPACT ON THE GROUP'S TRADING

The government-imposed lockdown restrictions in April and May 2020 had a material impact on the Group's trading performance in the comparative period. It was estimated by management that the Group lost approximately R360 million in merchandise sales and R250 million in customer account collections.

The lockdown restrictions has had an ongoing impact on the business as a whole in the current reporting period, however the continued resilience of the business model as well as the Group's strong balance sheet adequately supports the Group's ability to continue as a going concern for the foreseeable future.

17. POST BALANCE SHEET EVENTS

During April 2022, the KwaZulu-Natal province experienced widespread flooding as a result of heavy rainfall. As at the date of reporting, management's assessment is that there has been no direct material impact to the Group's operations.

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

06 GOVERNANCE

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06 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

Through the application of the King IV report on Corporate Governance for South Africa, 2016 (King IV), 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 are presented on the website:www.lewisgroup.co.za/governance-sustainability/king4/.

Refer to https://www.lewisgroup.co.za/governance/corporate-governance-report/ for the full Corporate governance report.

BOARD COMPOSITION

The board consists of five non-executive directors and two executive directors. Four 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.

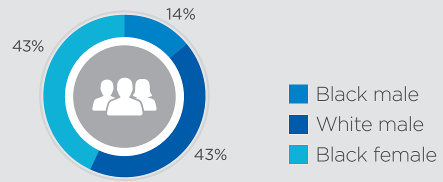
The age, tenure, experience and expertise of board members are set out briefly in the Board of directors' report on pages 44 to 45.

Key responsibilities

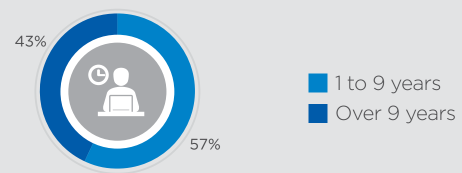
The board is governed in terms of a charter which sets out its role and responsibilities, which mainly include the following:

- ensuring that the company's strategy, as developed by management, is reviewed and approved;
- providing oversight of performance against targets and objectives;
- providing effective leadership based 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 a responsible corporate citizen.

Board diversity (%)



Non-executive director tenure



Independent non-executive director Duncan Westcott sadly passed away on 19 August 2021. His passing necessitated changes to certain board committees, with Daphne Motsepe being appointed as the chairperson of the audit committee on 17 September 2021 and chairperson of the risk committee on 22 November 2021. Fatima Abrahams was also appointed as a member of the audit committee on 17 September 2021.

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 at the board meeting following 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.

Non-executive director Adheera Bodasing previously provided consulting services to Lewis Stores through Polarity Consulting. These services were ended in 2021 and Adheera commenced a two-year 'cooling-off' period before she can be classified as an independent 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. In 2021, the board retained the voluntary targets for female representation and racial diversity on the board at 30%. Currently 43% of board members are female and 43% are black in terms of the Broad-Based Black Economic Empowerment (B-BBEE) Act. Independent non-executive director Tapiwa Njikizana is Zimbabwean by birth and is therefore not included for purposes of the B-BBEE 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.

06 CORPORATE GOVERNANCE REPORT CONTINUED

CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION EVALUATION

The audit committee conducted a formal evaluation of the appropriateness of the expertise of the chief financial officer, 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 are appropriate and that the finance function is sufficiently resourced to meet the required responsibilities of the function.

COMPANY SECRETARY

After the end of the reporting period, the company secretary Ntokozo Makomba resigned with effect from 30 April 2022. Ryan Lepart was appointed as the acting company secretary for an interim period before the permanent appointment of Marisha Gibbons with effect from 1 June 2022.

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 as set out in section 88 of the Companies Act of 2008.

The board is satisfied 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.

Refer to the full Corporate governance report on www.lewisgroup.co.za for details of board committees.

BOARD MEETINGS

The board held all meetings virtually during the period.

2021/2022 meeting attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
Number of meetings	4	4	4	2	2	2
Non-executive directors						
H Saven	4+	4*	4	2	2+	2
F Abrahams	4	4#	4	2+	2	2+
A Bodasing	4	4*	4	2	2	–
T Njikizana	4	4	4	2	2	–
D Motsepe^^	4	4+	4+	2	2	2
D Westcott*^	1	1+	1+	1	–	–
Executive directors						
J Enslin	4	4*	4	2*	2*	2
J Bestbier	4	4*	4	–	–	–

+ *Chairperson.*
* *Attends by invitation.*
\# *Attended as an invitee for two meetings and thereafter attended as a member once appointed.*
^ *Passed away on 19 August 2021.*
^^ *Appointed as chairperson of the audit committee on 17 September 2021 and chairperson of the risk committee on 22 November 2021.*

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.

The chief risk officer is responsible for the risk management process to identify, assess and manage potential risks and opportunities that may affect the Group's 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. The business units in the Group assess the risks on a quarterly basis. The RWG reviews the registers with a focus on:

06 CORPORATE GOVERNANCE REPORT CONTINUED

- 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 the 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 16 to 19.

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 are 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 current financial position as well as the budget and cash flows for the year to 31 March 2023. The financial statements have therefore been prepared on the going concern basis. The board appraises the Group's going concern status at the board meetings coinciding with the interim and final results.

EXTERNAL AUDIT FIRM ROTATION

In accordance with the mandatory audit firm rotation rule issued by the Independent Regulatory Board for Auditors, the Group has conducted a formal tender process to appoint a new firm of external auditors. The committee has recommended Ernst & Young Inc. (EY) as the external auditor with effect from the financial year ending 31 March 2024.

The appointment is still subject to approval by shareholders at the AGM to be held in 2023.

The incumbent external auditors, PricewaterhouseCoopers Inc. (PwC), will continue to act as the external auditors for the financial year ending 31 March 2023.

PwC's appointment will be terminated upon the conclusion of the audit of the financial year ending 31 March 2023.

INTERNAL AUDIT

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

Refer to the audit committee report in the Annual Financial Statements.

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 governance and compliance with applicable laws and regulations as well as any adopted non-binding rules, codes and standards. The Group has a zero-tolerance policy in respect of non-compliance or breach of compliance measures.

The board confirms that the Company is in compliance with the provisions of the Companies Act of 2008, specifically relating to its incorporation and operates in compliance with its memorandum of incorporation.

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 RWG. 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:

- 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.

Credit compliance

The company, as a registered credit provider, considers compliance with the National Credit Act and responsible lending as the foremost priority.

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. Without this approval, no transaction exists and the goods cannot be delivered or invoiced.

The company 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.

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, the Credit Industry Forum and the South African Insurance Industry Association.

Behavioural and ethical compliance

Ethics remain a key focus for the board and management. The board-approved Code of Ethics outlines the standards of honesty, integrity and mutual respect which employees are required to observe.

The Code of Ethics provides guidance on conflict of interest which 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.

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.

When the chairman of the board wants to deal in shares, he is required to obtain written permission from the chairperson 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.

06 REMUNERATION REPORT

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-oriented culture which fairly rewards staff for their contribution in achieving the Group's strategic, financial and operational objectives.

Scope of report

The Remuneration Report for the 2021 financial year covered the period to 15 June 2021. Consequently, this year's report covers the period from 16 June 2021 to the date of this report, being 15 June 2022.

Committee composition and meetings

The committee met on 18 March 2022 and 24 May 2022.

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	Independent non-executive director
Hilton Saven	Independent non-executive director
Duncan Westcott	Independent non-executive director (deceased 19 August 2021)

The chief executive officer (CEO) attends meetings at the invitation of the committee.

Non-binding advisory votes

At the annual general meeting (AGM) in October 2021, the Remuneration Policy was endorsed by shareholders and received 85.6% of the votes cast while the Implementation Report received 85.4% support (93.0% and 56.0% respectively in 2020).

The main areas of focus for the committee during the year were as follows:

- Considered and approved the total guaranteed pay for executive directors and the internal audit executive for the 2023 financial year
- Oversaw a remuneration benchmarking survey which benchmarked executive remuneration to a peer group of listed retailers
- Reviewed and approved the Remuneration Policy and Implementation Report included in the 2022 Integrated Report
- Set the Group's performance targets for all share incentive schemes, the cash-settled plan and cash-based performance bonus for the 2023 financial year
- Considered the measurement of the actual performance against targets for the 2022 financial year for the Lewis Long-Term and Short-Term Executive Performance Scheme (LSPS), 2019 Executive Performance Scheme (2019 LEPS) and Cash-Settled Long-Term and Short-Term Executive Performance Plan (CSLSPP)
- Considered the measurement of the actual performance against targets for the 2022 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

15 June 2022

06 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. 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 CEO 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.

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 chief financial officer (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 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 base 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 106.

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

Bonus conditions for executives in respect of the 2022 financial year are:

- below 90% of target results, no bonus would accrue;
- between 90% and 100% of target, 25% of cash salary increasing *pro rata* to 50% of cash salary at 100% of target;
- in the event of target results being exceeded by 6%, the bonus amount would result in a *pro rata* increase from 50% to 100% of cash salary at 106%; and
- in the event of target results being exceeded by 10%, the committee has the discretion to increase the bonus of directors to a maximum of 150% of cash salary.

As a consequence of the remuneration benchmarking survey taken this year, refer page 98, the bonus conditions for the executives have been amended for the 2023 financial year as follows:

- below 90% of target results, no bonus would accrue;
- between 90% and 100% of target, 25% of cash salary increasing *pro rata* to 75% (for the CEO – 85%) of cash salary at 100% of target;
- in the event of target results being exceeded by 6%, the bonus amount would result in a *pro rata* increase from 75% (for the CEO – 85%) to 150% (for the CEO – 170%) of cash salary at 106% of target.

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 2022 financial year	0%	25% increasing *pro rata* to 50%	50% increasing *pro rata* to 100%	100% increasing *pro rata* to 150%
CEO, CFO and executive team 2023 financial year	0%	25% increasing *pro rata* to 75% (CEO – 85%)	75% increasing *pro rata* to 150% (CEO – 170%)	N/A
Senior management	0%	12.5% to 17.5% increasing *pro rata* to 25% to 35%	25% to 35% increasing *pro rata* to 50% to 70%	N/A

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.

06 REMUNERATION REPORT CONTINUED

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 (the 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 adopted a cash-settled scheme in May 2019, which mirrors many of the terms and conditions of the equity-settled schemes operated through the 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.

Incentive awards to the management group are 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 2019 Executive Retention Scheme (2019 LERS)

The first awards under the 2019 LERS were made on 28 August 2020. Currently, the outstanding awards as at 15 June 2022 made under this scheme are on 28 August 2020 and 9 June 2021.

The 2019 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. Lewis Group operates a cash-based performance bonus scheme in terms of which bonuses are determined and paid annually based on Lewis Group's performance relative to board-approved targets. Executives will be offered the opportunity to invest a portion of their net after-tax annual performance bonus in the company's shares, with the maximum percentage that can be invested in the scheme being set by the committee, which can be between 25% and 100% of the net bonus payable.

Executives will then elect the percentage of their net bonus to be invested in shares, subject to a minimum of 10% of their respective net bonuses and the maximum being the percentage of the bonus set by the committee for that participant. 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, whereafter 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. As executives have already met the performance targets and/or standards determined by the committee, there are no additional performance criteria which are required to be complied with for exercise of the matching share options. The matching share options vest on the third anniversary of the date of grant of the matching share options, provided the executive remains in the employ of the Lewis Group.

The trust will purchase shares for the purpose of the 2019 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 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.

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 their duties;
- is accused of serious misconduct that would warrant dismissal, he or she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

Lewis Executive Retention Scheme (LERS)

The only outstanding award under the LERS was made on 30 June 2019.

The terms of the scheme are substantively the same as the 2019 LERS, except for the following clauses that are included in the 2019 LERS, but not in the LERS scheme:

- The percentage of the cash-based performance bonus that can be invested in the scheme is at the discretion of the committee, with the minimum percentage being 25% and the maximum percentage being 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 their duties;
  - is accused of serious misconduct that would warrant dismissal, he or she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

The company will utilise a maximum of 1 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 Performance Scheme (2019 LEPS)

This scheme was approved by shareholders at the AGM held on 25 October 2019. Currently, short-term awards made under this scheme include those on 28 August 2020 and 9 June 2021.

The purpose of the 2019 LEPS is to:

- motivate executives to continue to contribute to the growth and sustainability of the Lewis Group and to maintain a performance-oriented 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 provide them with the opportunity to acquire shares, thereby aligning the interests of the Lewis Group and its stakeholders.

Awards made under the 2019 LEPS 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 2019 LEPS:

Short-term awards

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

Long-term awards

- Four-year awards which vest as follows:
  - 50% on the third anniversary of the grant date.
  - The remaining 50% on the fourth anniversary of the grant date.
- Five-year awards which vest 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 or such later date as the committee may determine if extraordinary circumstances exist, as determined by the committee.

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

06 REMUNERATION REPORT CONTINUED

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/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 macroeconomic 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 scheme allows for a vesting at certain percentages where the performance target was not 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 trust will purchase shares for the purpose of the 2019 LEPS 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 2.25 million shares for purposes of the 2019 LEPS, 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 LEPS.

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;
- is accused of serious misconduct that would warrant dismissal, he/she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

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

The committee has approved an incentive scheme which will operate on a similar basis as the 2019 LEPS described above, except for the following:

- It will be a cash-settled scheme. This means that no shares are delivered, but the value of shares at the date of vesting will be paid in cash. The performance targets in the CSLSPP scheme are the same as that of the 2019 LEPS.
- Vesting is at 100% only, i.e. vesting only occurs when the performance targets are met. In other words, there is no vesting at all if the performance target is not met.
- There is no clawback clause in the CSLSPP scheme as there is in the 2019 LERS.

The CSLSPP will be aligned with the 2019 LEPS by including the vesting and clawback clauses in the 2019 LEPS scheme before the next awards are made. In other words, the schemes will be identical other than the fact that the CSLSPP will be a cash-settled scheme whereas the 2019 LEPS will be an equity-settled scheme.

The first awards were made on 30 June 2019. It is the intention of the Group to continue to use the scheme to incentivise management and to eliminate the dilution of shareholders that is a consequence of equity-settled schemes. The Group will voluntarily disclose the number of notional shares issued under the scheme to provide equivalent disclosure required for equity-settled schemes.

Lewis 2021 Executive Performance Scheme (2021 LEPS)

Shareholders approved this scheme at the AGM held on 22 October 2021. The terms and conditions of this scheme are the same as the 2019 LEPS.

Setting of performance targets

With respect to the bonus and share incentive schemes, targets are set in a rigorous manner, both for short-term and long-term targets. All targets are realistic stretch targets and are based on what is achievable at the time of setting the target.

For short-term targets, a budget for the next year is prepared. As a starting point, the company's budget is based on the prior year and is adjusted for all once-off items, fair value adjustments and significant accounting judgements, estimates and other IFRS adjustments not likely to recur, to arrive at a revised base, irrespective of whether the adjustment is positive or negative. Due to the nature of the business and the IFRS basis for preparing the financial statements, there are always a significant number of these adjustments on an annual basis. Using this revised base, assumptions of the main drivers of the company's growth, namely sales growth and collections, are added to form the basis of the new budget. These assumptions are subject to an assessment of the economic environment (in particular, the state of the consumer spending), the cyclical nature of the industry and company-specific factors at the time of setting the target.

For long-term targets, a five-year budget is prepared taking into consideration the long-term and medium-term targets of the company and the required returns of the shareholders.

The targets are set and approved by the remuneration committee prior to the annual audited results being released and are not changed during the performance period. Only once in the last seven years has an adjustment been made to a target and this occurred in the 2020 financial year when government imposed a hard Covid-19 lockdown which was deemed to be outside the control of management.

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.

Staff

Staff receive a base 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 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, debtor write-offs, stock management and expense control.

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. Non-executive director Adheera Bodasing previously provided consulting services to Lewis Stores through Polarity Consulting. These services were ended in 2021, and Adheera commenced a two-year 'cooling-off' period before she can be classified as an independent non-executive director.

The committee benchmarked the Group's non-executive directors' fees to PricewaterhouseCoopers and Willis Towers Watson surveys for non-executive director fees. The conclusion was that the non-executive fees were market-related except for the chairman's fee. Accordingly, the fee payable to the chairman in respect of his duties as chairman has been increased to bring him closer to a market-related level.

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

06 REMUNERATION REPORT CONTINUED

IMPLEMENTATION REPORT 2022

Approvals granted by shareholders

The Group's Remuneration Policy and Implementation Report were proposed to shareholders for non-binding advisory votes at the AGM on 22 October 2021. The Remuneration Policy and Implementation Report were endorsed by shareholders and received 85.6% and 85.4% support respectively:

Resolution	Votes for (%) 2021	Votes for (%) 2020	Votes against (%) 2021	Votes against (%) 2020	Abstentions (%) 2021	Abstentions (%) 2020
Approval of the company's Remuneration Policy	85.6	93.0	7.3	5.9	7.1	1.1
Approval of the company's Implementation Report	85.4	56.0	7.5	42.9	7.1	1.1

Shareholders also approved the fees payable to non-executive directors for the 2022 financial year by a vote of 87.7%.

Annual salary increase

The average staff increase, excluding unionised staff, was 6% for April 2022 (2021: 4%). Increases for senior management and executives were merit-based and averaged 9% in April 2022 and 6% in April 2021. Increases as a result of promotions were excluded from these averages.

Remuneration benchmarking survey

A detailed remuneration benchmarking survey was conducted for the executives this year by remuneration specialists, Rem Solutions. Rem Solutions was appointed on the recommendation of the committee. The scope of the remuneration survey was to benchmark the total guaranteed pay, short- and long-term incentives, remuneration mix and performance levels in relation to short-term incentives with a peer group which included mainly listed retail companies.

The remuneration survey concluded the following:

- The total guaranteed pay was on the low end of the peer group and certain executives were well below the 50th percentile for the peer group.
- The performance level and target measures with respect to the short-term and long-term incentives are appropriate except for the following:
  - The performance level was set slightly below the peer group for short-term incentives and, as a consequence, amendments to the annual cash-based performance bonus scheme for the 2023 financial year have been made. This has been set out in the Remuneration Policy section on page 99.
  - The level of share awards granted to the CEO has been increased to attempt to align with the peer group. This will be implemented with the share awards for 2022 in respect of the performance-based schemes.
- The need to include a minimum shareholder requirement. The committee has adopted this recommendation and will include this when a new retention scheme for executives is presented to shareholders at the next AGM. The minimum shareholder requirement will be equivalent to one to two years' annual cash salary for participants in the proposed new retention scheme.
- The remuneration mix is appropriate.

Annual cash-based performance bonus scheme

The committee approved a net profit before taxation target of R551.5 million for the 2022 financial year. The Group achieved R673.9 million or 122% of target and executives and senior management qualified for cash bonuses of between 50% and 150% of annual cash salary.

The strong collections performance during the year with satisfactory paid customers being 79%, the highest in 15 years, supported the solid result.

The committee approved a net profit before taxation target of R347.1 million for the 2021 financial year. The Group achieved R604.4 million or 174% of target and executives and senior management qualified for cash bonuses of between 50% and 150% of annual cash salary.

Lewis 2019 Executive Retention Scheme (2019 LERS)

This scheme was approved at the general meeting on 25 October 2019. The 2019 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. The details of the outstanding awards as at 15 June 2022 are reflected below:

Year	Vesting date	Average share price of award	Total shares purchased for executives	Total matching share awards
June 2021 awards	09/06/2024	R33.60	266 979	485 417
August 2020 awards	28/08/2023	R17.17	159 634	289 510

Lewis Executive Retention Scheme (LERS)

Similar to the 2019 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. There are differences to the 2019 LERS which have been articulated in the Remuneration Policy. There is only one outstanding award:

Year	Vesting date	Average share price of award	Total shares purchased for executives	Total matching share awards
2019 awards	30/06/2022	R33.03	238 767	433 538

Targets for the performance schemes

Below are the targets that were set for the LSPS and 2019 LEPS which are all performance-related schemes. For details of these schemes, refer to the Remuneration Policy.

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 percentage of net debtors
- Gross margin

The short-term award share allocations for executive directors are disclosed in the outstanding share awards table on page 110.

06 REMUNERATION REPORT CONTINUED

2022 financial year

For the 2022 financial year, all the targets for the respective measures were met as set out below:

2022 Targets	2022 Target	2022 Actual	2022 Award
Headline earnings per share	550.5 cents	848.7 cents	Achieved
Quality of the debtors' book			
– Level of satisfactory paid customers	≥ 72.0%	79.0%	Achieved
– Debtor costs as percentage of net debtors	≤ 14%	12.3%	Achieved
Gross margin	≥ 40.5%	40.5%	Achieved

The reasons for exceeding the 2022 HEPS target included the following:

- Strong collections performance during the year with satisfactory paid customers being at 79%, the highest level in 15 years, supported the solid result.
- With strong collections and tight cash flow management, the Group was able to leverage its share repurchase programme aggressively to improve the Group's per share metrics such as HEPS.

Prior years

The targets and the actual results for prior years are as follows:

2021 Targets	2021 Target	2021 Actual	2021 Award
Headline earnings per share	315.9 cents	616.5 cents	Achieved
Quality of the debtors' book			
– Level of satisfactory paid customers	≥ 67.0%	74.4%	Achieved
– Debtor costs as percentage of net debtors	≤ 15%	14.3%	Achieved
Gross margin	≥ 40.0%	41.8%	Achieved

2020 Targets	2020 Target	2020 Actual	2020 Adjusted[(1)]	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 percentage of net debtors	≤ 14.0%	17.6%	12.1%	Achieved
Gross margin	≥ 40.0%	41.0%	41.0%	Achieved

(1) The remuneration committee amended the performance targets as per the scheme rules as a consequence of the hard Covid-19 lockdown in March 2020.

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 percentage of net debtors	≤ 19.9%	13.3%	Achieved
Gross margin	≥ 40.0%	41.2%	Achieved

Lewis 2019 Executive Performance Scheme (2019 LEPS)

Awards made under the 2019 LEPS offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee. This scheme also provides for a clawback clause and vesting at certain percentages when performance targets are not met. The remuneration committee approved the granting of the first awards under this scheme on 28 August 2020.

Short-term awards – 2019 LEPS

The following awards are outstanding as at 15 June 2022:

Lewis 2019 Executive Performance Scheme

Summary of three-year awards as at 15 June 2022

Lewis 2019 Executive Performance Scheme	2020 Share award	2021 Share award	Total Share awards
Share price at award date	R17.30	R33.47	
	Number of shares	Number of shares	
Three-year awards	1 148 374	549 496	1 697 870
Total forfeitures – staff leaving			–
Total forfeitures – non-performance			–
Shares vested			–
Shares awards – 15 June 2022	1 148 374	549 496	1 697 870

Lewis Long-Term and Short-Term Executive Performance Scheme

There are no outstanding awards under this scheme and the shares utilised have reached the limits set out in the scheme. Refer table of awards made below:

Summary of three-year awards

Lewis Long-Term and Short-Term Executive Performance Scheme	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	
	Number of shares	Number of shares	Number of shares	Number of 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)	(80 522)	(408 376)
Total forfeitures – non-performance	(91 770)	(223 729)			(315 499)
Shares vested	(79 154)	(528 883)	(1 423 316)	(1 053 059)	(3 084 412)
Shares remaining – 31 March 2022	–	–	–	–	–

06 REMUNERATION REPORT CONTINUED

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

As noted above, this scheme operates on the same basis as the 2019 LEPS described above, except for the following:

- It will be a cash-settled scheme. This means that no shares are delivered, but the value of shares at the date of vesting will be paid in cash. The performance targets in the CSLSPP scheme are the same as that of the 2019 LEPS.
- Vesting is at 100% only, i.e. vesting only occurs when the performance targets are met. In other words, there is no vesting at all if the performance targets are not met.
- There is no clawback clause in the CSLSPP scheme as there is in the 2019 LERS.

As mentioned previously, there will be an alignment between the CSLSPP and the 2019 LEPS before the next awards are made under this scheme.

The outstanding awards under this scheme as at 15 June 2022 are as follows:

Cash-Settled Schemes	2019 Notional share award	2020 Notional share award	2021 Notional share award	Total Notional share awards
Share price at award date	R33.39	R17.30	R33.47	
	Number of shares	Number of shares	Number of shares	Number of shares
Three-year awards	1 200 299	1 037 873	529 439	2 767 611
Total forfeitures – staff leaving	(106 483)	(24 530)		(131 013)
Total forfeitures – non-performance				–
Shares vested	(101 698)	(12 265)		(113 963)
Shares remaining – 15 June 2022	992 118	1 001 078	529 439	2 522 635

Below is a table setting out the movements for the 2022 and 2021 financial years (i.e. from 1 April to 31 March):

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan – Notional Shares	2022	2021
Beginning of year	2 182 538	1 157 435
Granted	529 439	1 037 873
Forfeited	(75 379)	(12 770)
Vested	(113 963)	–
End of year	2 522 635	2 182 538

Summary of all equity-settled awards as at 31 March 2022

	Lewis 2019 Executive Retention Scheme	Lewis 2019 Executive Performance Scheme
2022		
Beginning of year	292 241	1 148 374
Granted	485 417	549 496
Forfeited	(1 878)	–
Vested	(853)	–
End of year	774 927	1 697 870
Maximum awards available over the life of the scheme	1 500 000	2 250 000
Utilised for the scheme to date	775 780	1 697 870
Invested shares	426 613	
2021		
Beginning of year	–	–
Granted	292 241	1 148 374
Forfeited	–	–
Vested	–	–
End of year	292 241	1 148 374
Maximum awards available over the life of the scheme	1 500 000	2 250 000
Utilised for the scheme to date	292 241	1 148 374
Invested shares	161 245	

	Lewis Executive Retention Scheme	Lewis Long-Term and Short-Term Executive Performance
2022		
Beginning of year	878 386	1 053 059
Granted		
Forfeited	(3 284)	
Vested	(441 564)	(1 053 059)
End of year	433 538	–
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	986 396	3 377 174
Invested shares	238 767	
2021		
Beginning of year	887 688	2 490 328
Granted	–	–
Forfeited	(9 302)	(13 953)
Vested	–	(1 423 316)
End of year	878 386	1 053 059
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	989 680	3 377 174
Invested shares	483 860	

06 REMUNERATION REPORT CONTINUED

Shareholder dilution

As at 31 March 2022, the maximum potential dilution is 2 906 335 shares, i.e. 4.6% of the issued share capital. The dilution as calculated in terms of IAS 33 to determine the diluted weighted average shares in issue is 1 944 256 shares, taking into consideration the number of shares that could be acquired at fair value less the number of shares that would be issued on the vesting of the awards.

Executive directors' remuneration

	J Enslin (CEO)				J Bestbier (CFO)		
Executive director's remuneration	Number of shares	Share price Rand	2022 R'000	2021 R'000	Number of shares	2022 R'000	2021 R'000
Cash remuneration							
Total guaranteed pay (GP)			5 633	5 241		3 330	3 120
Cash performance bonus (CPB)			6 541	2 698		4 034	1 681
Total GP and CPB			12 174	7 939		7 364	4 801
Share awards							
LERS – matching award			3 925	–		1 598	–
– Face value of award	119 154	30.00	3 575	–	48 493	1 455	–
– Share price performance	119 154	2.95	351	–	48 493	143	–
Add: LSPS – three-year award			6 208	2 731		3 766	1 482
– Face value of award	188 397	30.55	5 756	7 149	114 284	3 491	3 879
– Performance criteria			–	–		–	–
– Share price performance	188 397	2.40	451	(4 419)	114 284	274	(2 398)
Total share awards			10 133	2 731		5 364	1 482
Total earned remuneration			22 307	10 670		12 728	6 283

Outstanding shares for Lewis Group executive directors as at 15 June 2022

Outstanding share awards for executive directors Equity-settled schemes	Share price	Vesting date	J Bestbier	J Enslin
Lewis 2019 Executive Performance Scheme				
28 August 2020 – Short-term award	R14.90	28 August 2023	270 771	438 977
9 June 2021 – Short-term award	R33.44	9 June 2024	128 769	210 794
Lewis Executive Retention Scheme				
30 June 2019	R33.03	30 June 2022	70 256	115 816
Lewis 2019 Executive Retention Scheme				
28 August 2020	R17.17	28 August 2023	63 635	102 147
9 June 2021	R33.60	9 June 2024	78 047	126 533
			611 478	994 267

	Invested Shares	
	J Bestbier	J Enslin
Lewis Executive Retention Scheme	38 641	63 699
Lewis 2019 Executive Retention Scheme	77 925	125 774
As at 15 June 2022	116 566	189 473

Outstanding Notional Shares – Cash-Settled Schemes	Share price	Vesting date	J Bestbier	J Enslin
Lewis Cash-Settled Short-Term and Long-Term Executive Performance Scheme				
30 June 2019	R33.38	30 June 2022	116 217	187 347

Non-executive directors' remuneration disclosure per financial year

	Directors' fees R'000	Audit committee member R'000	Risk committee member R'000	Remuneration committee member R'000	Nomination committee member R'000	SET committee member R'000	Monarch directors' fees R'000	Monarch audit and risk committee member R'000	Total non-executive directors' fees R'000
2022									
H Saven	678*	139	98	77	107*	77	268*	80	1 524
F Abrahams	329	139	98	156*	45	156*	188	109*	1 220
A Bodasing	326	139	98	77	45	–	–	–	685
D Motsepe	327	242*	119*	77	46	77	–	–	888
T Njikizana	326	139	98	77	45	–	–	–	685
D Westcott[(1)]	155	158	76	37	22	–	94	81	623
Total	2 141	956	587	501	310	310	550	270	5 625

[(1)] *Passed away 19 August 2021.*
* *Chairperson*

	Directors' fees R'000	Audit committee member R'000	Risk committee member R'000	Remuneration committee member R'000	Nomination committee member R'000	SET committee member R'000	Monarch directors' fees R'000	Monarch audit and risk committee member R'000	Total non-executive directors' fees R'000
2021									
H Saven	644	133	93	73	102	73	245	76	1 439
F Abrahams	311	133	93	149	43	149	179	76	1 133
A Bodasing	310	133	93	73	43	–	–	–	652
D Motsepe	311	133	93	73	43	73	–	–	726
T Njikizana	265	133	93	73	43	–	–	–	607
A Smart[(1)]	–	–	–	–	–	–	16	5	21
D Westcott	310	310	150	73	43	–	179	154	1 219
Total	2 151	975	615	514	317	295	619	311	5 797

[(1)] *Retired 2 April 2020.*

Proposed non-executive director fees for 2023

Board/committee position	% Increase	Proposed fees for 2023 R'000	Fees earned for 2022 R'000
Non-executive chairman[(1)]	15.3	784	680
Non-executive director	6.2	345	325
Audit committee chairman	6.0	355	335
Audit committee member/invitee	6.3	152	143
Risk committee chairman	6.3	170	160
Risk committee member	6.0	106	100
Remuneration committee chairman	6.3	170	160
Remuneration committee member	6.3	84	79
Nomination committee chairman	6.4	117	110
Nomination committee member	6.4	50	47
Social, ethics and transformation committee chairman	6.3	170	160
Social, ethics and transformation committee member	6.3	84	79

[(1)] *Refer to page 103 for further detail on the non-executive chairman's increase.*

Directors' shareholding

At 31 March 2022, the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

	2022		2021	
Director	Direct	Indirect	Direct	Indirect
Hilton Saven		6 440		6 440
Jacques Bestbier	87 932	116 566	120 255	100 314
Johan Enslin	581 077	189 473	425 536	185 421
Total	669 009	312 479	545 791	292 175

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07 SHAREHOLDER ANALYSIS

SHAREHOLDERS' SPREAD AS AT 31 MARCH 2022

	Number of shareholders Total	%	Number of shares Total	%
1–1 000 shares	2 862	75.55	474 251	0.76
1 001–10 000 shares	597	15.76	1 954 401	3.11
10 001–100 000 shares	226	5.97	7 536 512	12.01
100 001–1 000 000 shares	91	2.40	28 128 131	44.80
1 000 001 shares and over	12	0.32	24 686 418	39.32
Total	3 788	100.00	62 779 713	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2022

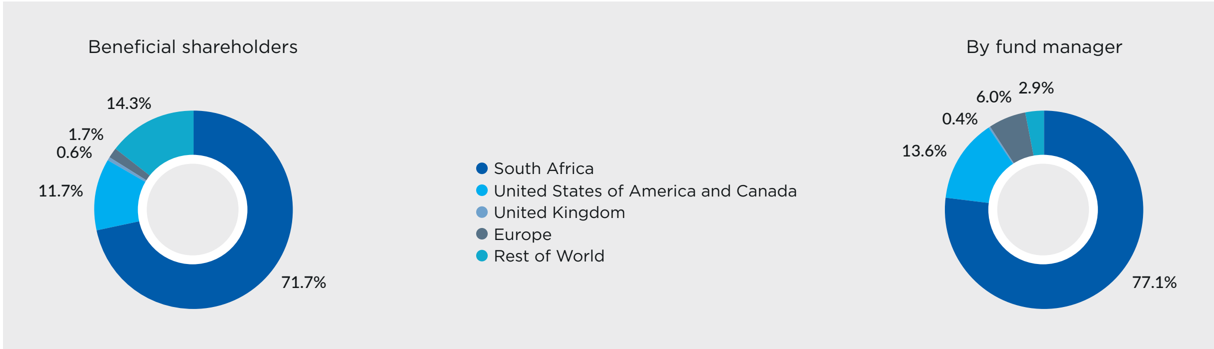
	Number of shareholders Total	%	Number of shares Total	%
Public:	3 781	99.82	60 890 136	96.99
Unit Trusts/Mutual Funds			25 431 489	40.51
Pension Funds			13 242 934	21.09
Other			22 215 713	35.39
Non-public:	7	0.18	1 889 577	3.01
Lewis Employee Incentive Scheme Trust	1	0.03	108 249	0.17
Directors:				
Lewis Group Limited				
Direct	2	0.05	669 009	1.07
Indirect	3	0.08	312 479	0.50
Lewis Stores (Pty) Limited				
Direct	3	0.08	586 436	0.93
Indirect	3	0.08	213 404	0.34
	3 788	100.00	62 779 713	100.00

MAJOR SHAREHOLDINGS AS AT 31 MARCH 2022

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 equal to or in excess of 5% of the company's shares as at 31 March 2022:

	Number of shares Total	%
Beneficial shareholders:		
Coronation Balanced Plus Fund (SA)	3 514 518	5.60
Corolife Special Opportunities Portfolio (SA)	3 088 275	4.92
By fund manager:		
Coronation Fund Managers (SA)	18 466 215	29.41
Mianzo Asset Management (SA)	4 220 267	6.72
LSV Asset Management (USA)	3 192 274	5.08
Ninety One (SA)	3 136 386	5.00
Dimensional Fund Advisors (USA)	3 048 431	4.86

GEOGRAPHIC ANALYSIS OF SHAREHOLDERS



07

SHAREHOLDERS' DIARY

Record date for voting at the annual general meeting	13 October 2022
Annual general meeting	28 October 2022
Interim profit announcement	24 November 2022
Financial year-end	31 March 2023
Final profit announcement	May 2023
Final dividend declared	May 2023
Integrated Report	June 2023

CORPORATE INFORMATION

Non-executive directors:	Hilton Saven (Chairman)* Prof. Fatima Abrahams* Adheera Bodasing Daphne Motsepe* Tapiwa Njikizana* ** Independent*
Executive directors:	Johan Enslin (Chief executive officer) Jacques Bestbier (Chief financial officer)
Company secretary:	Ntokozo Makomba (1 April 2021 to 30 April 2022) Marisha Gibbons (appointed 1 June 2022)
Acting company secretary:	Ryan Lepart (1 May 2022 to 31 May 2022)
Transfer secretaries:	Computershare Investor Services (Pty) Ltd; Private Bag X9000, Saxonwold, 2132, South Africa Rosebank Towers, 15 Biermann Avenue, Rosebank 2196, South Africa.
Auditors:	PricewaterhouseCoopers Inc.
Sponsor:	The Standard Bank of South Africa Limited (appointed 1 March 2022) UBS South Africa (Pty) Ltd (until 28 February 2022)
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:	ZAE 000058236
Bond code:	LEWI

Lewis Group Ltd