

# AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH

# 2021



# 2021



Merchandise  
sales increased by

**6.7%**  
to R3.9 billion

Revenue  
increased by

**4.2%**  
to R6.7 billion

Cash generated from  
operations at

**R915 million**

Gross profit  
margin at

**41.8%**



Operating profit up

**174.2%**  
to R696 million

Total dividend at

**328 cents**  
per share

Earnings per share  
increased by

**148.3%**  
to 576 cents

Headline earnings  
per share up

**136.9%**  
to 616 cents

# Lewis Group Limited: Summary financial statements

## Commentary

### Introduction

Lewis Group delivered a strong operational performance despite the first quarter of the financial year being adversely impacted by the Covid-19 trading restrictions.

Buoyant merchandise sales following the lockdown, together with the improving quality of the debtors' book and prudent cost management, contributed to the group increasing operating profit by 174.2% for the year.

The board has declared a final dividend of 195 cents per share (2020: 65 cents), increasing the total dividend for the year by 77.3% to 328 cents per share.

### Trading and financial performance

Merchandise sales recovered strongly after stores reopened in June 2020. After declining by 4.9% in the first half of the year, sales grew by 17.0% in the second half to post an annual increase of 6.7% to R3.9 billion. Excluding April and May 2020 when the group lost approximately R360 million in merchandise sales due to lockdown, merchandise sales increased by 18.2%.

The growth was driven by cash sales which increased by 25.9%, with credit sales declining by 7.9% as a result of the hard lockdown period. This contributed to cash sales accounting for 50.9% (2020: 43.1%) of total merchandise sales.

Sales were also supported by new ranges introduced in the second half of the year and high levels of stock availability. The group took a strategic decision not to cancel any merchandise orders when the country went into lockdown which ensured that stores were well stocked to meet the post lockdown demand.

During the year the group opened 24 and closed 11 stores, increasing the store base by 13 to 807. A net 10 Beares stores were opened while UFO expanded its store footprint in the Eastern Cape and opened its first store in the Western Cape.

Other revenue, consisting of interest income and initiation fees, insurance revenue and ancillary services income, increased by 1.0%, with interest income being impacted by the lower interest rate environment.

Total revenue, comprising merchandise sales and other revenue, increased by 4.2% to R6.7 billion.

The gross profit margin expanded by 80 basis points to 41.8% and is at the upper end of the group's target range of 38% – 42%.

Operating costs, excluding debtor costs, continued to be tightly managed and reduced by 2.9%, with lower transport and administration costs in the Covid-19 operating environment. Marketing expenditure reduced significantly owing to limited activity during lockdown and revised marketing strategies adopted post lockdown.

Debtor costs reduced by 19.5% over the prior year when an additional Covid-19 debtors' impairment provision of R189.5 million was raised. This reflects the improving quality of the debtors' book which is being supported by enhanced collection practices.

The higher gross profit, good expense management and reduced debtor costs contributed to operating profit increasing by 174.2%, with the operating profit margin improving from 6.9% to 17.7% for the year.

Net finance costs increased by R95.7 million owing to a year-on-year movement of R71.4 million in forward exchange contracts (losses of R42.1 million in 2021; gains of R29.3 million in 2020) and once-off interest received from the SA Revenue Service of R20 million in the comparative period.

Headline earnings increased by 126.4% to R463.0 million, with headline earnings per share ("HEPS") increasing 136.9% to 616 cents, reflecting the benefit of the share buy-back programme. This is in line with the earnings forecast range provided in the group's trading statement released on SENS on 12 May 2021.

Inventory levels were 28% higher at year-end as management took a conscious decision to ensure adequate stock levels to counter challenges in the supply chain which include a global shortage of shipping containers and severe port congestion.

Cash generated from operations increased by R291.4 million to R914.6 million despite the impact of lockdown in the first two months of the reporting period.

The group's balance sheet remains robust and at year-end the group had no borrowings, with a gearing ratio of 7.4% resulting from lease liabilities.

### Performance of debtor book

The health of the debtors' book continued to improve during the year. The level of satisfactory paid customers increased from 70.5% in 2020 to 74.4% in 2021, while collection rates recovered steadily after lockdown. After losing approximately R250 million in customer account collections when stores were closed in April and May 2020, collections improved to 73.2% for the second quarter, 75.6% for the third quarter and 79.4% for the fourth quarter, averaging 71.8% for the year (2020: 74.5%).

The debtors' impairment provision as a percentage of debtors declined from 44.1% in 2020 to 42.6% for the current year. Debtor costs as a percentage of debtors at gross carrying value reduced from 17.6% to 14.3%.

### Share repurchase programme

The group repurchased 5.4 million shares during the financial year at an average market price of R20.92 per share. Since the commencement of the current share repurchase programme in 2017, the group has bought back 17.3 million shares at an average price of R27.38 per share. At the annual general meeting in October 2020, shareholders granted management the authority to repurchase a further 10% of the issued share capital. By 31 March 2021, the group had repurchased shares accounting for 4.6% of the shares in issue.

### Outlook

The sales momentum reported for the second half of the 2021 financial year has continued into the new year, supported by good stock availability.

However, trading conditions are expected to become increasingly challenging in the months ahead. The potential impact of a third wave of Covid-19 infections, together with Covid relief grants being discontinued, could result in further economic pressure on the group's customer base.

The group plans to open 15 to 20 stores in the new financial year, mainly in the Beares and UFO chains.

Lewis Group Limited: Summary financial statements  
**Commentary** continued

**Dividend declaration**

Notice is hereby given that a final gross cash dividend of 195 cents per share in respect of the year-ended 31 March 2021 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 71 535 913. The dividend has been declared out of income reserves and is subject to a dividend tax of 20%. The dividend for determining the dividend tax is 195 cents and the dividend tax payable is 39 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 156.00000 cents. The dividend tax rate may be reduced where the shareholder is tax resident in a foreign jurisdiction which has a Double Tax Convention with South Africa and meets the requirements for a reduced tax rate. The company's tax reference number is 9551/419/15/4.

The following dates are applicable to this declaration:

Last date to trade "cum" dividend	20 July 2021
Date trading commences "ex" dividend	21 July 2021
Record date	23 July 2021
Date of payment	26 July 2021

Share certificates may not be dematerialised or rematerialised between 21 July 2021 and 23 July 2021, both days inclusive.

For and on behalf of the board



**Hilton Saven**  
*Independent non-executive  
chairman*



**Johan Enslin**  
*Chief executive officer*



**Jacques Bestbier**  
*Chief financial officer*

**Cape Town**  
27 May 2021

# 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, contained in the accompanying abridged report, which comprise the summary consolidated balance sheet as at 31 March 2021, the summary consolidated income statement, the summary consolidated statement of comprehensive income, the summary consolidated statement of 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 2021.

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 requirements of the JSE Limited Listings Requirements for abridged reports, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

### Summary consolidated financial statements

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

### The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 27 May 2021. 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 requirements of the JSE Limited Listings Requirements for abridged reports, 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.**

**Director: MC Hamman**

Registered Auditor

Cape Town, South Africa

27 May 2021

# Lewis Group Limited: Summary financial statements

## Income statement

for the year ended 31 March 2021

	Notes	2021 Audited Rm	2020 Audited Rm
<b>Revenue</b>	4.1	<b>6 725.9</b>	6 453.3
Retail revenue	4.2	<b>4 747.7</b>	4 475.3
Merchandise sales		<b>3 931.2</b>	3 685.5
Ancillary services		<b>816.5</b>	789.8
Insurance revenue		<b>707.2</b>	666.1
Effective interest income		<b>1 271.0</b>	1 311.9
<b>Cost of merchandise sales</b>	7	<b>(2 288.8)</b>	(2 173.5)
<b>Operating costs</b>		<b>(3 741.6)</b>	(4 026.1)
Debtor costs	2.2	<b>(813.0)</b>	(1 010.1)
Bad debts net of recoveries		<b>(923.3)</b>	(799.2)
Movement in debtors' impairment provision		<b>110.3</b>	(210.9)
Employment costs		<b>(1 259.1)</b>	(1 214.4)
Administration and IT		<b>(325.3)</b>	(359.7)
Transport and travel		<b>(241.9)</b>	(273.2)
Marketing		<b>(184.2)</b>	(298.7)
Depreciation, amortisation and impairment	10	<b>(343.0)</b>	(375.5)
Other operating costs		<b>(575.1)</b>	(494.5)
<b>Operating profit before investment income</b>		<b>695.5</b>	253.7
Investment income	3.2	<b>39.1</b>	53.6
<b>Profit before net finance costs</b>		<b>734.6</b>	307.3
<b>Net finance costs</b>		<b>(130.2)</b>	(34.5)
Interest paid	5.3	<b>(105.3)</b>	(98.0)
Interest received	5.3	<b>17.2</b>	34.2
Forward exchange contracts	5.3	<b>(42.1)</b>	29.3
<b>Profit before taxation</b>		<b>604.4</b>	272.8
Taxation	9	<b>(171.5)</b>	(90.4)
<b>Net profit attributable to ordinary shareholders</b>		<b>432.9</b>	182.4
Earnings per share	(cents)	<b>576.4</b>	232.1
Diluted earnings per share	(cents)	<b>565.3</b>	225.4

# Lewis Group Limited: Summary financial statements

## Statement of comprehensive income

for the year ended 31 March 2021

	2021 Audited Rm	2020 Audited Rm
Net profit for the year	432.9	182.4
Items that may be subsequently reclassified to income statement:		
Movement in other reserves	(2.8)	(3.4)
Fair value adjustments	19.1	(35.7)
Changes in the fair value of debt instruments at fair value through other comprehensive income – FVOCI debt investments	26.5	(49.5)
Tax effect	(7.4)	13.8
Disposal of FVOCI debt investments	(0.4)	1.0
Disposal	(0.5)	1.3
Tax effect	0.1	(0.3)
Foreign currency translation reserve	(21.5)	31.3
Items that may not be subsequently reclassified to income statement:		
Retirement benefit remeasurements	(8.6)	37.3
Remeasurements of the retirement asset and liabilities	(11.9)	51.1
Tax effect	3.3	(13.8)
Other comprehensive income	(11.4)	33.9
<b>Total comprehensive income for the year attributable to equity shareholders</b>	<b>421.5</b>	<b>216.3</b>



# Lewis Group Limited: Summary financial statements

## Earnings and dividends per share

for the year ended 31 March 2021

		2021 Audited	2020 Audited
<b>Weighted average number of shares</b>			
Weighted average	('000)	<b>75 109</b>	78 615
Diluted weighted average	('000)	<b>76 580</b>	80 936
<b>Headline earnings</b>			
Attributable earnings	(Rm)	<b>432.9</b>	182.4
(Profit)/loss on disposal of fixed assets	(Rm)	<b>(0.1)</b>	2.3
Impairment of right-of-use assets	(Rm)	<b>24.3</b>	19.8
Goodwill write-off	(Rm)	<b>5.9</b>	–
Headline earnings	(Rm)	<b>463.0</b>	204.5
<b>Earnings per share</b>			
Earnings per share	(cents)	<b>576.4</b>	232.1
Diluted earnings per share	(cents)	<b>565.3</b>	225.4
<b>Headline earnings per share</b>			
Headline earnings per share	(cents)	<b>616.5</b>	260.2
Diluted headline earnings per share	(cents)	<b>604.6</b>	252.7
<b>Dividends per share</b>			
Dividends paid per share			
Final dividend 2020 (2019)	(cents)	<b>65.0</b>	129.0
Interim dividend 2021 (2020)	(cents)	<b>133.0</b>	120.0
	(cents)	<b>198.0</b>	249.0
Dividends declared per share			
Interim dividend 2021 (2020)	(cents)	<b>133.0</b>	120.0
Final dividend 2021 (2020)	(cents)	<b>195.0</b>	65.0
	(cents)	<b>328.0</b>	185.0

# Lewis Group Limited: Summary financial statements

## Balance sheet

as at 31 March 2021

	Notes	2021 Audited Rm	2020 Audited Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		386.0	324.4
Right-of-use assets	11.2	635.0	693.7
Intangible assets		114.2	120.6
Goodwill		182.4	187.6
Deferred taxation		112.2	166.1
Retirement benefit asset		105.4	106.8
Financial assets – insurance investments	3.1	253.6	228.0
		<b>1 788.8</b>	1 827.2
<b>Current assets</b>			
Inventories		947.8	740.7
Trade, insurance and other receivables	2.1	3 367.3	3 326.1
Taxation		48.8	54.9
Financial assets – insurance investments	3.1	223.7	245.9
Cash-on-hand and deposits	5.1	447.0	1 193.4
		<b>5 034.6</b>	5 561.0
<b>Total assets</b>		<b>6 823.4</b>	7 388.2
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium		0.9	0.9
Treasury shares		(0.4)	(1.0)
Other reserves		33.6	52.3
Retained earnings		4 838.6	4 657.3
		<b>4 872.7</b>	4 709.5
<b>Non-current liabilities</b>			
Lease liabilities	11.1	556.0	611.1
Deferred taxation		20.6	23.3
Retirement benefit liability		79.1	70.7
		<b>655.7</b>	705.1
<b>Current liabilities</b>			
Trade and other payables		674.5	547.9
Payments in advance		162.8	150.1
Insurance liabilities		123.1	104.8
Short-term interest-bearing borrowings	5.1	–	922.1
Lease liabilities	11.1	249.8	226.8
Taxation		84.8	21.9
		<b>1 295.0</b>	1 973.6
<b>Total equity and liabilities</b>		<b>6 823.4</b>	7 388.2

# Lewis Group Limited: Summary financial statements

## Statement of changes in equity

for the year ended 31 March 2021

	2021 Audited Rm	2020 Audited Rm
<b>Share capital and premium</b>		
Opening balance	0.9	0.9
Cost of own shares acquired	(112.6)	(101.7)
Transfer of cost of cancelled shares	112.6	101.7
	0.9	0.9
<b>Treasury shares</b>		
Opening balance	(1.0)	(0.5)
Share awards to employees	23.6	20.5
Cost of own shares acquired	(23.0)	(21.0)
	(0.4)	(1.0)
<b>Other reserves</b>		
Opening balance	52.3	48.4
Other comprehensive income for the year:		
Changes in fair value of FVOCI debt investments	19.1	(35.7)
Disposal of FVOCI debt investments	(0.4)	1.0
Foreign currency translation reserve	(21.5)	31.3
Equity-settled share-based payments	24.3	29.0
Transfer of share-based payments reserve to retained earnings on vesting	(40.2)	(20.9)
Transfer of other reserve to retained earnings	–	(0.8)
	33.6	52.3
<b>Retained earnings</b>		
Opening balance as previously reported	4 657.3	4 827.3
IFRS 16 Transitional adjustments	–	(92.8)
Opening balance	4 657.3	4 734.5
Net profit attributable to ordinary shareholders	432.9	182.4
Distribution to shareholders	(147.0)	(196.4)
Transfer of cost of cancelled shares	(112.6)	(101.7)
Transfer of share-based payments reserve to retained earnings on vesting	40.2	20.9
Retirement benefit remeasurements	(8.6)	37.3
Share awards to employees	(23.6)	(20.5)
Transfer of other reserve to retained earnings	–	0.8
	4 838.6	4 657.3
<b>Balance as at 31 March</b>	<b>4 872.7</b>	<b>4 709.5</b>

# Lewis Group Limited: Summary financial statements

## Cash flow statement

for the year ended 31 March 2021

	Notes	2021 Audited Rm	2020 Audited Restated Rm
<b>Cash flow from operating activities</b>			
Cash flow from trading	8.1	<b>1 053.3</b>	879.0
Changes in working capital	8.2	<b>(138.7)</b>	(255.8)
Cash flow from operations		<b>914.6</b>	623.2
Interest received other than from trade receivables		<b>55.8</b>	86.5
Interest paid	8.3	<b>(90.4)</b>	(98.0)
(Losses)/gains on forward exchange contracts		<b>(16.6)</b>	13.1
Taxation (paid)/refunded		<b>(55.3)</b>	25.2
		<b>808.1</b>	650.0
<b>Cash utilised in investing activities</b>			
Purchases of insurance investments	3.1	<b>(61.1)</b>	(76.0)
Disposals of insurance investments		<b>84.2</b>	172.0
Acquisition of property, plant and equipment and intangible assets		<b>(121.3)</b>	(108.1)
Proceeds on disposal of property, plant and equipment		<b>2.6</b>	4.0
		<b>(95.6)</b>	(8.1)
<b>Cash flow from financing activities</b>			
Dividends paid		<b>(147.0)</b>	(196.4)
Payment of principal portion of lease liabilities	11.1	<b>(254.2)</b>	(256.2)
(Repayments)/advances of borrowings	5.1	<b>(922.1)</b>	922.1
Purchase of own shares		<b>(135.6)</b>	(122.7)
		<b>(1 458.9)</b>	346.8
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(746.4)</b>	988.7
Cash and cash equivalents at the beginning of the year		<b>1 193.4</b>	204.7
<b>Cash and cash equivalents at the end of the year</b>		<b>447.0</b>	1 193.4

## Notes to the summary financial statements

for the year ended 31 March 2021

### 1. Basis of reporting

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements for abridged reports 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 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 moved to a trading cycle of 1 April to 31 March aligned with its statutory year-end. In prior periods, the trading cycle ended on the fifth day after the month being reported on, unless such day fell on a Sunday, in which case it ended on the fourth day. For the current financial year, the trading period was from 5 April 2020 to 31 March 2021. The impact of the change was insignificant due to the Covid-19 lockdown implemented on 27 March 2020 where 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 2021. 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](http://www.lewisgroup.co.za).

# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 2. Trade, other receivables and debtor costs

### 2.1 Trade, insurance and other receivables

	2021 Audited Rm	2020 Audited Rm
Trade and insurance receivables	5 691.4	5 746.5
Trade receivables	5 551.5	5 599.5
Insurance receivables	139.9	147.0
Provision for impairment	(2 423.7)	(2 534.0)
Trade receivables	(2 338.5)	(2 469.0)
Insurance receivables	(85.2)	(65.0)
Trade and insurance receivables (net)	3 267.7	3 212.5
Due within 12 months	2 098.5	2 040.3
Due after 12 months	1 169.2	1 172.2
Other receivables	99.6	113.6
<b>Total trade, insurance and other receivables</b>	<b>3 367.3</b>	<b>3 326.1</b>
Debtors' impairment provision as percentage of debtors at gross carrying value (%)	42.6	44.1

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.

#### Impairment provision

##### 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 customers actual payments received over the lifetime of the account relative to the instalments due in terms of the contract. These payment ratings are used to categorise and report on customers at the store level 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.

# Lewis Group Limited: Summary financial statements

## Notes to the summary financial statements continued

for the year ended 31 March 2021

## 2. Trade, other receivables and debtor costs continued

### 2.1 Trade, insurance and other receivables continued

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 until the account is settled or written off.

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

#### 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 ("standard model") has been developed by performing a regression analysis between key economic variables with reference to the non-performing category. 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.

To allow for the potential impact of Covid-19, an expanded economic overlay model ("expanded model") was introduced as the primary model at 31 March 2020. This model applied a regression analysis between payment behaviour and expected GDP growth. The projected impact of the expanded model on the impairment provision was R294.5 million for the year-ended 31 March 2020. The expanded model was based on the expected future contraction of GDP on 31 March 2020 and has now become obsolete.

Due to the severely disrupted economic environment, a lower statistical correlation was observed when performing the standard model assessment and a distortion is expected in the historical relationship between the macroeconomic variables and the non-performing category in the short- to medium-term. Management therefore concluded that a statistical model based on macroeconomic variables is not appropriate at this time.

Covid-19 continues to pose a significant threat to the economy and management are of the view that trading conditions will become tougher. The impairment model uses the last 12 months' payment performance and is therefore calibrated to allow for a distressed macroeconomic environment in the new financial year, similar to the experience of the year-ended March 2021.

## **2. Trade, other receivables and debtor costs** continued

### **2.1 Trade, insurance and other receivables** continued

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 include 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 is R114.1 million. 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 deemed to be immaterial.

#### **Combined impairment and contractual arrears table**

The table reflects the following:

- A summary of the main groupings of payment ratings describing payment behaviour.
- For each of the main groupings of payment ratings, the following is disclosed:
  - Number of customers.
  - Gross carrying value.
  - Impairment provision allocated to each grouping.
  - 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 2021

## 2. Trade, other receivables and debtor costs continued

### 2.1 Trade, insurance and other receivables continued

#### Debtors 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
<b>Satisfactory paid</b> Customers who have paid 70% or more of amounts due over the contract period (%)	430 459 74.4	3 537 586 62.2	733 902 30.3	20.7	592 247	169 226	118 916	88 177	215 928
<b>Slow payers</b> Customers who have paid 55% to 70% of amounts due over the contract period (%)	78 608 13.6	915 822 16.1	618 421 25.5	67.5	568 282	64 802	62 430	59 197	381 853
<b>Non-performing accounts</b> Customers who have paid less than 55% of amounts due over the contract period (%)	69 751 12.0	1 238 029 21.7	1 071 346 44.2	86.5	895 977	61 765	60 953	60 193	713 066
<b>Gross debtor analysis</b>	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		Debt counselling		No payment in three consecutive months		
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	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

# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 2. Trade, other receivables and debtor costs continued

### 2.1 Trade, insurance and other receivables continued

#### Debtors analysis – 31 March 2020

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

#### Credit impaired debtors as at 31 March 2020

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

Lewis Group Limited: Summary financial statements

## Notes to the summary financial statements continued

for the year ended 31 March 2021

## 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 21.2% (2020: 22.9%) and the average term of the sale is 32.4 months (2020: 32.8 months).

#### Fair value

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

### 2.2 Debtor costs

	2021 Audited Rm	2020 Audited Rm
Bad debts	982.2	877.5
Bad debts before adjustment for interest on credit impaired accounts	1 133.0	979.9
Adjustment for interest on credit impaired accounts	(150.8)	(102.4)
Bad debt recoveries	(58.9)	(78.3)
Movement in debtors' impairment provision	(110.3)	210.9
Closing balance	2 423.7	2 534.0
Opening balance	(2 534.0)	(2 323.1)
	813.0	1 010.1
Debtor costs as a percentage of debtors at gross carrying value (%)	14.3	17.6

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

# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 3. Insurance

### 3.1 Insurance investments

	2021 Audited Rm	2020 Audited Rm
<b>Financial assets – insurance investments</b>		
<i>Listed investments</i>		
Fixed income securities – FVOCI debt investments	253.6	228.0
<i>Unlisted Investments</i>		
Money market – FVOCI debt investments	223.7	245.9
	477.3	473.9
Analysed as follows:		
Non-current	253.6	228.0
Current	223.7	245.9
	477.3	473.9
<b>Movement for the year</b>		
Beginning of the year	473.9	616.8
Additions to investments	61.1	76.0
Disposals of investments	(119.8)	(219.5)
Interest	36.1	48.8
Fair value adjustment	26.0	(48.2)
End of the year	477.3	473.9

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
<b>31 March 2021</b>		
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
<b>31 March 2020</b>		
Insurance investments:		
Fixed income securities – FVOCI debt investments	228.0	228.0
Money market floating rate notes – FVOCI debt investments	245.9	245.9
	473.9	473.9

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

## Notes to the summary financial statements continued

for the year ended 31 March 2021

### 3. Insurance continued

#### 3.2 Investment income

	2021 Audited Rm	2020 Audited Rm
Interest and other income – insurance business	38.6	52.3
Realised gain on disposal of insurance investments	0.5	1.3
	39.1	53.6

### 4. Revenue

#### 4.1 Revenue

	2021 Audited Rm	2020 Audited Rm
Retail revenue – revenue from contracts with customers	4 747.7	4 475.3
Merchandise sales	3 931.2	3 685.5
Ancillary services	816.5	789.8
Insurance revenue	707.2	666.1
Effective interest income	1 271.0	1 311.9
Finance charges and initiation fees earned	1 421.8	1 414.3
Adjustment for interest on credit impaired accounts	(150.8)	(102.4)
	6 725.9	6 453.3

# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 4. Revenue continued

### 4.2 Retail revenue

	Traditional Rm	Cash Rm	Group Rm
<b>31 March 2021</b>			
<b>Merchandise sales</b>			
– Cash	1 434.4	566.5	2 000.9
– Credit	1 930.3	–	1 930.3
<b>Ancillary services</b>			
– At a point in time	153.5	10.4	163.9
– Over time	652.6	–	652.6
	<b>4 170.8</b>	<b>576.9</b>	<b>4 747.7</b>
<b>31 March 2020</b>			
<b>Merchandise sales</b>			
– Cash	1 058.6	530.1	1 588.7
– Credit	2 096.8	–	2 096.8
<b>Ancillary services</b>			
– At a point in time	167.8	10.3	178.1
– Over time	611.7	–	611.7
	<b>3 934.9</b>	<b>540.4</b>	<b>4 475.3</b>

# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 5. Borrowings, cash and net finance costs

### 5.1 Borrowings, banking facilities and cash

	2021 Audited Rm	2020 Audited Rm
<b>Interest-bearing borrowings</b>		
Short-term banking facilities	–	(922.1)
Cash-on-hand and deposits	447.0	1 193.4
<b>Net cash</b>	447.0	271.3
<b>Available facilities</b>		
Banking facilities	1 150.0	1 150.0
Domestic Medium-Term Note programme	2 000.0	2 000.0
	3 150.0	3 150.0
<b>Available funds</b>	3 597.0	3 421.3
<b>Interest rate profile</b>		
Interest rate profile of borrowings is as follows:		
– Bank borrowings include revolving credit and overnight facilities. Revolving credit facilities are at interest rates linked to three-month JIBAR. The interest rates on the overnight facilities are based on rates as determined by each of the banks based on market conditions. The weighted average interest rate at the end of the reporting period is 5.9% (2020: 7.6%).	–	922.1
	–	922.1
<b>Cash and cash equivalents</b>		
Cash-on-hand and deposits	447.0	1 193.4
	447.0	1 193.4
<b>5.2 Capital management</b>		
Net debt	358.8	566.6
Shareholders' equity	4 872.7	4 709.5
Gearing ratio (%)	7.4	12.0
<b>5.3 Net finance costs</b>		
Interest paid	(105.3)	(98.0)
Borrowings	(14.3)	(20.1)
Lease liabilities	(66.0)	(71.5)
Other	(25.0)	(6.4)
Interest received – bank	17.2	12.4
Interest received – other	–	21.8
Forward exchange contracts	(42.1)	29.3
<b>Net finance costs</b>	(130.2)	(34.5)

## Notes to the summary financial statements continued

for the year ended 31 March 2021

### 6. Reportable segments

Primary	Traditional Rm	Cash Rm	Group Rm
<b>For the year ended 31 March 2021</b>			
Revenue	6 149.0	576.9	6 725.9
Merchandise sales	3 364.7	566.5	3 931.2
Operating profit before investment income	602.7	92.8	695.5
Operating margin (%)	17.9	16.4	17.7
Segment assets	4 074.0	141.5	4 215.5
<b>For the year ended 31 March 2020</b>			
Revenue	5 912.9	540.4	6 453.3
Merchandise sales	3 155.4	530.1	3 685.5
Operating profit before investment income	209.9	43.8	253.7
Operating margin (%)	6.7	8.3	6.9
Segment assets	3 828.9	124.3	3 953.2

Geographical	South Africa Rm	Namibia Rm	BLE <sup>(1)</sup> Rm	Group Rm
<b>For the year ended 31 March 2021</b>				
Revenue	5 724.8	498.7	502.4	6 725.9
<b>For the year ended 31 March 2020</b>				
Revenue	5 492.7	475.9	484.7	6 453.3

<sup>(1)</sup> Botswana, Lesotho and Eswatini



# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 7. Gross profit

	2021 Audited Rm	2020 Audited Rm
Merchandise sales	3 931.2	3 685.5
Cost of merchandise sales	(2 288.8)	(2 173.5)
Merchandise gross profit	1 642.4	1 512.0
Gross profit percentage (%)	41.8	41.0

## 8. Cash flow from operations

	2021 Audited Rm	2020 Audited Restated Rm
<b>8.1 Cash flow from trading:</b>	<b>1 053.3</b>	879.0
Operating profit before investment income	695.5	253.7
<i>Adjusted for:</i>		
Share-based payments	43.6	33.3
Depreciation, amortisation and impairment	343.0	375.5
Movement in debtors' impairment provision	(110.3)	210.9
Movement in other provisions	43.7	13.8
Other non-cash flow movements	37.8	(8.2)

Included in cash flow from trading is interest received on trade receivables of R1 421.8 million (2020: R1 414.3 million).

	2021 Audited Rm	2020 Audited Rm
<b>8.2 Changes in working capital:</b>	<b>(138.7)</b>	(255.8)
Increase in inventories	(211.7)	(85.0)
Decrease/(increase) in trade and other receivables	30.3	(213.3)
Increase in trade and other payables	11.7	48.3
Increase/(decrease) in payments in advance	12.7	(7.9)
Increase in insurance liabilities	18.3	2.1

# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 8. Cash flow from operations continued

	2021 Audited Rm	2020 Audited Rm
<b>8.3 Interest paid per cash flow statement:</b>		
Interest paid per the income statement	(105.3)	(98.0)
Non-cash flow movement	14.9	–
Interest paid per the cash flow statement	(90.4)	(98.0)

### Restatement

The realised portion of gains and losses on forward exchange contracts in the prior year was restated from “cash flow from trading” to the face of the consolidated cash flow statement. This is reflected in a separate line item, “gains and losses on forward exchange contracts”. See below for the effect of the restatement:

	Cash flow from trading Rm	Gains and losses on forward exchange contracts Rm
March 2020 – previously reported	892.1	–
Restatement	(13.1)	13.1
March 2020 – restated	879.0	13.1

# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 9. Taxation

	2021 Audited Rm	2020 Audited Rm
<b>Taxation charge</b>		
Normal taxation	124.3	34.7
Current year	123.6	66.4
Prior year	0.7	(31.7)
Deferred taxation	47.2	45.7
Current year	57.0	12.1
Prior year	(9.8)	33.6
Withholding tax	–	10.0
Taxation per income statement	171.5	90.4
<b>Tax rate reconciliation</b>		
Profit before taxation	604.4	272.8
Taxation calculated at a tax rate of 28% (2020: 28%)	169.2	76.4
Differing tax rates in foreign countries	4.3	2.6
Disallowances	37.1	14.0
Exemptions	(30.0)	(14.5)
Prior years	(9.1)	1.9
Withholding tax	–	10.0
Taxation per income statement	171.5	90.4
Effective tax rate (%)	28.4	33.1

## 10. Depreciation, amortisation and impairment

<b>Depreciation</b>		
Right-of-use assets	239.7	271.8
Property, plant and equipment	50.6	66.1
<b>Amortisation</b>		
Intangible assets	13.0	11.0
<b>Impairment</b>		
Right-of-use assets	33.8	26.6
<b>Write-off</b>		
Goodwill	5.9	–
	343.0	375.5

# Notes to the summary financial statements continued

for the year ended 31 March 2021

## 11. Leases

	2021 Audited Rm	2020 Audited Rm
<b>11.1 Lease liabilities recognised</b>		
Opening balance	837.9	–
Recognised on adoption of IFRS 16	–	856.1
Reallocated to restoration provision	–	(33.4)
Additions and renewed leases	239.3	269.3
Expired, renegotiated and modified leases	(3.8)	2.1
Rent concessions	(13.4)	–
Principal portion of lease liabilities	(254.2)	(256.2)
Interest on lease liabilities	66.0	71.5
Lease liability payments	(320.2)	(327.7)
Closing balance	805.8	837.9
Analysed as follows:	805.8	837.9
Non-current	556.0	611.1
Current	249.8	226.8
<b>11.2 Right-of-use assets</b>		
<b>Retail premises</b>		
Opening balance	693.7	–
Recognised on adoption of IFRS 16	–	726.2
Additions and renewed leases	239.3	269.3
Expired, renegotiated and modified leases	(3.2)	(3.4)
Remeasurement of restoration provision	(7.9)	–
Rent concessions	(13.4)	–
Depreciation	(239.7)	(271.8)
Net impairment	(33.8)	(26.6)
Closing balance	635.0	693.7

## **12. 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.

As part of the initial phase of the project, the group is currently reviewing all insurance and reinsurance contracts held, to determine whether the general model or the premium allocation approach would apply.

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.

### **Amendments to IFRS 16: Covid-19-related Rent Concessions**

The amendments are mandatory for annual reporting periods beginning on or after 1 June 2020, however, early adoption is permitted. The amendment provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. The election of the expedient will result in the concession received being accounted for as a variable lease payment in the period in which the event or condition that triggers the reduced payment occurs, effectively bringing an immediate saving in the rent expense.

Consideration was given to the application of the above and the group has elected not to apply the optional practical expedient to rent concessions received.

## Notes to the summary financial statements continued

for the year ended 31 March 2021

### 13. Covid-19 lockdown and its impact on the group's trading

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

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

Management estimate that the group lost approximately R360 million in merchandise sales and R250 million in customer account collections resulting from the lockdown.

While the Covid-19 lockdown had a material impact on the group's trading performance in April and May, the resilience of the group's business model was evident during this period. The group's strong balance sheet ensured that the group did not need to access any borrowings during the lockdown period, despite significant decline in cash flow when stores were closed or trading under restrictions. The group repaid all borrowings during June 2020 and ended the year in an unborrowed position. The board has reviewed the cash flow forecast for the next 12 months and is of the opinion that the group has more than sufficient liquidity to adequately support its working capital requirements and consequently, is satisfied of the group's ability to continue as a going concern for the foreseeable future.

### 14. Post balance sheet events

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

# Lewis Group Limited: Summary financial statements

## Key ratios

for the year ended 31 March 2021

		2021	2020
<b>Operating efficiency ratios</b>			
Gross profit margin	(%)	<b>41.8</b>	41.0
Operating profit margin – based on revenue	(%)	<b>10.3</b>	3.9
Operating profit margin – based on sales	(%)	<b>17.7</b>	6.9
Number of stores		<b>807</b>	794
Number of employees	(average)	<b>8 847</b>	8 374
Trading space	(sqm)	<b>249 758</b>	249 538
Inventory turn	(times)	<b>2.4</b>	2.9
Current ratio		<b>3.9</b>	2.8
<b>Credit ratios</b>			
Credit sales	(%)	<b>49.1</b>	56.9
Debtor costs as a % of debtors at gross carrying value	(%)	<b>14.3</b>	17.6
Debtors' impairment provision as a % of debtors at gross carrying value	(%)	<b>42.6</b>	44.1
Arrear instalments on satisfactory paid accounts as a % of total debtors at gross carrying value	(%)	<b>10.4</b>	10.7
Arrear instalments on slow paying and non-performing accounts as a % of total debtors at gross carrying value	(%)	<b>25.7</b>	26.0
Credit applications decline rate	(%)	<b>38.1</b>	37.5
<b>Shareholder ratios</b>			
Net asset value per share	(cents)	<b>6 814</b>	6 126
Gearing ratio	(%)	<b>7.4</b>	12.0
Dividend payout ratio	(%)	<b>55.0</b>	78.9
Return on average shareholders' funds (after-tax)	(%)	<b>9.0</b>	3.8
Return on average capital employed (after-tax)	(%)	<b>8.7</b>	3.7
Return on average assets managed (pre-tax)	(%)	<b>10.5</b>	4.8

Notes:

<sup>1</sup> All ratios are based on figures at the end of the period unless otherwise disclosed.

<sup>2</sup> The net asset value has been calculated using 71 508 904 shares in issue (2020: 76 873 000).

<sup>3</sup> Total assets exclude the deferred tax asset.

## Corporate information

<b>Non-executive directors:</b>	Hilton Saven (Independent non-executive chairman), Prof. Fatima Abrahams, Adheera Bodasing, Daphne Motsepe, Tapiwa Njikizana, Duncan Westcott
<b>Executive directors:</b>	Johan Enslin (Chief executive officer) Jacques Bestbier (Chief financial officer)
<b>Company secretary:</b>	Ntokozo Makomba
<b>Transfer secretaries:</b>	Computershare Investor Services (Pty) Ltd; Private Bag X9000, Saxonwold, 2132, South Africa Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa.
<b>Auditors:</b>	PricewaterhouseCoopers Inc.
<b>Sponsor:</b>	UBS South Africa (Pty) Ltd
<b>Debt sponsor:</b>	Absa Bank Limited, acting through its Corporate and Investment Banking Division
<b>Registered office:</b>	53A Victoria Road, Woodstock, 7925
<b>Registration number:</b>	2004/009817/06
<b>Share code:</b>	LEW
<b>ISIN:</b>	ZAE 000058236
<b>Bond code:</b>	LEWI



[www.lewisgroup.co.za](http://www.lewisgroup.co.za)