



UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

H1
2021



H1 2021



Merchandise sales
decreased by

4.9%

to R1.6 billion

Revenue
decreased by

1.6%

to R3.0 billion

Cash generated
from operations at

R611.2 million

Gross profit
margin up to

40.5%



Operating profit
increased by

13.6%

to R276.8 million

Interim
dividend increased
by

10.8%

to 133 cents
per share

Earnings per share
increased by

10.6%

to 237 cents

Headline earnings
per share
increased by

9.9%

to 236 cents

Lewis Group Limited

Commentary

Overview

Lewis Group overcame severe trading restrictions in the first two months of the national Covid-19 lockdown to recover strongly and increase operating profit by 13.6% for the first six months of the 2021 financial year.

All stores in South Africa were closed from the start of the national lockdown on 27 March 2020. No sales were recorded until 18 May when trading restrictions were eased slightly to allow e-commerce sales. Stores reopened on 1 June 2020.

The board continues to demonstrate confidence in the group's prospects by declaring an interim dividend of 133 cents per share, an increase of 10.8% on the prior year, based on a dividend payout ratio of 55%.

Trading and financial performance

Following the reopening of the stores in South Africa at the beginning of June, the group experienced strong customer demand across all brands, with sales growth initially being supported by pent up demand and savings accumulated during lockdown. This momentum was maintained and contributed to sales for the four months to end September 2020 increasing by 20.1%.

Cash sales for the four months increased by 46% with credit sales growing by 1.5%.

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

Owing to these trading conditions, merchandise sales for the six months were 4.9% lower at R1.65 billion. Sales in the 125 stores outside South Africa grew by 3.8% and accounted for 18.8% of total sales.

During the past six months the group opened 12 and closed 1 store, increasing the store footprint to 805.

Other revenue, consisting of finance charges and initiation fees, insurance premiums and services rendered, was less impacted by the lockdown owing to the annuity nature of certain income streams and increased by 2.7%.

Total revenue, comprising merchandise sales and other revenue, decreased by 1.6% to R3.0 billion.

The gross profit margin expanded by 20 basis points to 40.5% and the gross profit margin remains well within the group's target range of 38% - 42%.

Operating costs, excluding debtor costs, were tightly managed through this period and reduced by 9.1%, with lower transport, occupancy and administration costs in the Covid-19 operating environment. Marketing expenditure reduced significantly owing to limited activity in April and May, and strategic changes implemented in the marketing strategy post lockdown.

The debtors book grew by 6.5% to R5.7 billion and debtor costs increased by 35.7%. The impairment provision was increased by R34.4 million for the first half. The debtors' impairment provision as a percentage of debtors increased from 39.8% to 44.7%. Debtor costs as a percentage of debtors at gross carrying value has increased from 5.5% to 7.1%.

Good expense management contributed to operating profit increasing by 13.6%, with the operating profit margin improving by 120 basis points to 9.1%.

Lewis Group Limited

Commentary continued

Net finance costs increased by R20.4 million owing to once off interest received from SARS of R20.1 million in the comparative period and the gain on forward exchange contracts being R6.3 million lower than in 2019.

Headline earnings increased by 6.0% to R181.5 million, with headline earnings per share (HEPS) increasing 9.9% to 236 cents, reflecting the benefit of the share buy-back programme.

Cash generated from operations increased by R273.6 million to R611.2 million despite the impact of lockdown in the first two months of the reporting period.

The group's robust balance sheet and cash position ensured that no bank funding was required as the business remained cash positive during the lockdown period. At the end of September 2020, the group was unborrowed, with a gearing ratio of 5.3% resulting from lease liabilities now included in the statement of financial position.

Performance of debtor book

The debtor book has performed satisfactorily in the six months to September 2020 and the board believe that the impairment provisions are adequate to meet future bad debts.

Collection rates declined to 66.5% (2020: 79.6%) for the first six months, impacted by the slow collections during the initial stages of lockdown. Collections recovered and averaged 73.2% for the second quarter. The level of satisfactory paid customers steadily improved post lockdown to reach 69.5% at end September, compared to 74.2% in the prior period.

Net bad debts as a percentage of debtors reduced to 6.5% from 8.7% in the prior year.

Share repurchase programme

The group repurchased 1.6 million shares during the reporting period, at an average market price of R16.91 per share. Since the commencement of the current share repurchase programme in 2017, the group has bought back 13.6 million shares at an average price of R28.65 per share. At the annual general meeting (AGM) in October 2020, shareholders granted management the authority to repurchase a further 10% of the issued share capital.

Outlook

Extensive merchandise and marketing promotions have been developed for the two biggest trading months of the year, covering Black Friday in November and the festive season in December, creating an opportunity for the group to gain market share.

Trading conditions are expected to become more challenging into the 2021 calendar year. Customers in the group's lower to middle income target market remain vulnerable to the rising levels of unemployment in the country due to the impact of Covid-19.

The group remains on track to open 20 new stores across its trading brands in the 2021 financial year.

Lewis Group Limited

Commentary continued

Dividend declaration

Notice is hereby given that an interim gross cash dividend of 133 cents per share in respect of the period ended 30 September 2020 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 75 235 607. 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 133 cents and the dividend tax payable is 26.6 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 106.40000 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	19 January 2021
Date trading commences "ex" dividend	20 January 2021
Record date	22 January 2021
Date of payment	25 January 2021

Share certificates may not be dematerialised or rematerialised between 20 January 2021 and 22 January 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

25 November 2020

Lewis Group Limited

Income statement

for the six months ended 30 September 2020

	Notes	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Revenue	4.1	3 034.0	3 083.2	6 453.3
Retail revenue	4.2	2 037.8	2 110.4	4 475.3
Merchandise sales		1 649.5	1 735.0	3 685.5
Ancillary services		388.3	375.4	789.8
Insurance revenue		353.9	328.3	666.1
Effective interest income		642.3	644.5	1 311.9
Cost of merchandise sales	7	(982.1)	(1 035.2)	(2 173.5)
Operating costs		(1 775.1)	(1 804.5)	(4 026.1)
Debtor costs	2.2	(406.3)	(299.4)	(1 010.1)
Employment costs		(621.7)	(599.3)	(1 214.4)
Occupancy costs		(61.5)	(73.4)	(144.2)
Administration and IT		(157.2)	(188.8)	(359.7)
Transport and travel		(92.9)	(127.2)	(273.2)
Marketing		(90.0)	(182.9)	(298.7)
Depreciation, amortisation and impairment	10	(173.9)	(168.3)	(375.5)
Other operating costs		(171.6)	(165.2)	(350.3)
Operating profit before investment income		276.8	243.5	253.7
Investment income	3.2	21.0	27.3	53.6
Profit before net finance costs		297.8	270.8	307.3
Net finance costs		(36.4)	(16.0)	(34.5)
Interest paid	5.3	(49.8)	(50.6)	(98.0)
Interest received	5.3	10.8	25.7	34.2
Forward exchange contracts	5.3	2.6	8.9	29.3
Profit before taxation		261.4	254.8	272.8
Taxation	9	(78.8)	(83.7)	(90.4)
Net profit attributable to ordinary shareholders		182.6	171.1	182.4
Earnings per share	(cents)	237.7	215.0	232.1
Diluted earnings per share	(cents)	237.7	211.3	225.4

Lewis Group Limited

Statement of comprehensive income

for the six months ended 30 September 2020

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Net profit for the period	182.6	171.1	182.4
Items that may be subsequently reclassified to income statement:			
Movement in other reserves	10.3	(1.2)	(3.4)
Fair value adjustments	17.1	(1.8)	(35.7)
Changes in the fair value of debt instruments at fair value through other comprehensive income - FVOCI debt investments	23.8	(2.5)	(49.5)
Tax effect	(6.7)	0.7	13.8
Disposal of FVOCI debt investments	0.1	0.2	1.0
Disposal	0.1	0.3	1.3
Tax effect	-	(0.1)	(0.3)
Foreign currency translation reserve	(6.9)	0.4	31.3
Items that may not be subsequently reclassified to income statement:			
Retirement benefit remeasurements	-	-	37.3
Remeasurements of the retirement asset and liabilities	-	-	51.1
Tax effect	-	-	(13.8)
Other comprehensive income/(loss)	10.3	(1.2)	33.9
Total comprehensive income for the period attributable to equity shareholders	192.9	169.9	216.3

Lewis Group Limited

Earnings and dividends per share

for the six months ended 30 September 2020

		6 months ended 30 Sept 2020 Unaudited	6 months ended 30 Sept 2019 Unaudited	12 months ended 31 March 2020 Audited
Weighted average number of shares				
Weighted average	('000)	76 795	79 567	78 615
Diluted weighted average	('000)	76 795	80 946	80 936
Headline earnings				
Attributable earnings	(Rm)	182.6	171.1	182.4
(Profit)/ loss on disposal of fixed assets	(Rm)	(1.1)	0.1	2.3
Impairment of right-of-use assets	(Rm)	–	–	19.8
Headline earnings	(Rm)	181.5	171.2	204.5
Earnings per share				
Earnings per share	(cents)	237.7	215.0	232.1
Diluted earnings per share	(cents)	237.7	211.3	225.4
Headline earnings per share				
Headline earnings per share	(cents)	236.3	215.1	260.2
Diluted headline earnings per share	(cents)	236.3	211.4	252.7
Dividends per share				
Dividends paid per share				
Final dividend 2020 (2019)	(cents)	65.0	129.0	129.0
Interim dividend 2021 (2020)	(cents)	–	–	120.0
	(cents)	65.0	129.0	249.0
Dividends declared per share				
Interim dividend 2021 (2020)	(cents)	133.0	120.0	120.0
Final dividend 2020 (2019)	(cents)	–	–	65.0
	(cents)	133.0	120.0	185.0

Lewis Group Limited

Balance sheet

as at 30 September 2020

	Notes	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Assets				
Non-current assets				
Property, plant and equipment		318.6	315.9	324.4
Right-of-use assets	11.2	653.2	678.3	693.7
Intangible assets		117.6	121.3	120.6
Goodwill		187.6	187.6	187.6
Deferred taxation		118.8	195.7	166.1
Retirement benefit asset		106.8	74.8	106.8
Financial assets – insurance investments	3.1	251.5	273.3	228.0
		1 754.1	1 846.9	1 827.2
Current assets				
Inventories		857.9	806.0	740.7
Trade and other receivables	2.1	3 321.0	3 384.8	3 326.1
Taxation		56.2	5.8	54.9
Financial assets – insurance investments	3.1	246.8	319.2	245.9
Cash-on-hand and deposits	5.1	563.9	242.8	1 193.4
		5 045.8	4 758.6	5 561.0
		6 799.9	6 605.5	7 388.2
Total assets				
Equity and liabilities				
Capital and reserves				
Share capital and premium		0.9	0.9	0.9
Treasury shares		(0.4)	(0.4)	(1.0)
Other reserves		34.6	40.4	52.3
Retained earnings		4 778.3	4 739.9	4 657.3
		4 813.4	4 780.8	4 709.5
Non-current liabilities				
Lease liabilities	11.1	567.1	599.6	611.1
Deferred taxation		27.2	36.4	23.3
Retirement benefit liability		77.5	89.0	70.7
		671.8	725.0	705.1
Current liabilities				
Trade and other payables		796.8	634.8	547.9
Payments in advance		131.8	157.3	150.1
Insurance liabilities		132.5	94.2	104.8
Short-term interest-bearing borrowings	5.1	–	–	922.1
Lease liabilities	11.1	251.8	213.4	226.8
Taxation		1.8	–	21.9
		1 314.7	1 099.7	1 973.6
		6 799.9	6 605.5	7 388.2
Total equity and liabilities				

Lewis Group Limited

Statement of changes in equity

for the six months ended 30 September 2020

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Share capital and premium			
Opening balance	0.9	0.9	0.9
Cost of own shares acquired	(28.2)	(62.5)	(101.7)
Transfer of cost of cancelled shares	28.2	62.5	101.7
	0.9	0.9	0.9
Treasury shares			
Opening balance	(1.0)	(0.5)	(0.5)
Share awards to employees	23.6	21.1	20.5
Cost of own shares acquired	(23.0)	(21.0)	(21.0)
	(0.4)	(0.4)	(1.0)
Other reserves			
Opening balance	52.3	48.4	48.4
Other comprehensive income:			
Changes in fair value of FVOCI debt investments	17.1	(1.8)	(35.7)
Disposal of FVOCI debt investments	0.1	0.2	1.0
Foreign currency translation reserve	(6.9)	0.4	31.3
Equity-settled share-based payments	12.2	14.1	29.0
Transfer of share-based payments reserve to retained earnings on vesting	(40.2)	(20.9)	(20.9)
Transfer of other reserve to retained earnings	–	–	(0.8)
	34.6	40.4	52.3
Retained earnings			
Opening balance as previously reported	4 657.3	4 827.3	4 827.3
IFRS 16 Transitional adjustments	–	(92.8)	(92.8)
Opening balance (Restated)	4 657.3	4 734.5	4 734.5
Net profit attributable to ordinary shareholders	182.6	171.1	182.4
Distribution to shareholders	(50.0)	(103.0)	(196.4)
Transfer of cost of cancelled shares	(28.2)	(62.5)	(101.7)
Transfer of share-based payments reserve to retained earnings on vesting	40.2	20.9	20.9
Retirement benefit remeasurements	–	–	37.3
Share awards to employees	(23.6)	(21.1)	(20.5)
Transfer of other reserve to retained earnings	–	–	0.8
	4 778.3	4 739.9	4 657.3
Balance as at the end of the period	4 813.4	4 780.8	4 709.5

Lewis Group Limited

Cash flow statement

for the six months ended 30 September 2020

	Notes	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Cash flow from operating activities				
Cash flow from trading	8.1	527.5	234.2	892.1
Changes in working capital	8.2	83.7	103.4	(255.8)
Cash flow from operations		611.2	337.6	636.3
Interest received other than from trade receivables		31.7	52.6	86.5
Interest paid	5.3	(49.8)	(50.6)	(98.0)
Taxation (paid)/refunded		(56.0)	42.9	25.2
		537.1	382.5	650.0
Cash utilised in investing activities				
Net (purchases)/disposals of insurance business investments		(0.4)	22.4	96.0
Purchases of insurance investments		(24.9)	(68.3)	(76.0)
Disposals of insurance investments		24.5	90.7	172.0
Acquisition of fixed assets		(30.6)	(58.4)	(108.1)
Proceeds on disposal of fixed assets		0.5	2.6	4.0
		(30.5)	(33.4)	(8.1)
Cash flow from financing activities				
Dividends paid		(50.0)	(103.0)	(196.4)
Payment of principal portion of lease liabilities	11.1	(112.8)	(124.5)	(256.2)
(Repayments)/advances of borrowings		(922.1)	–	922.1
Purchase of own shares		(51.2)	(83.5)	(122.7)
		(1 136.1)	(311.0)	346.8
Net (decrease)/increase in cash and cash equivalents				
		(629.5)	38.1	988.7
Cash and cash equivalents at the beginning of the period		1 193.4	204.7	204.7
Cash and cash equivalents at the end of the period		563.9	242.8	1 193.4

Notes to the summary financial statements

for the six months ended 30 September 2020

1. Basis of reporting

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS 34 Interim Financial Reporting), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

The interim financial statements were prepared by the group's Finance Department under the supervision of the Chief Financial Officer, Mr. J Bestbier CA(SA).

2. Trade and other receivables

2.1 Trade receivables

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Trade receivables	5 750.3	5 399.6	5 746.5
Provision for impairment	(2 568.4)	(2 151.3)	(2 534.0)
Trade receivables (net)	3 181.9	3 248.3	3 212.5
Due within 12 months	2 028.1	2 038.6	2 040.3
Due after 12 months	1 153.8	1 209.7	1 172.2
Other receivables	139.1	136.5	113.6
Total trade and other receivables	3 321.0	3 384.8	3 326.1
Debtors' impairment provision as percentage of debtors at gross carrying value (%)	44.7	39.8	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, forward exchange contracts and investment in insurance cell captive.

2. Trade and other receivables continued

2.1 Trade receivables continued

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.

Payment ratings for customers classified as satisfactory paid at the end of February 2020, were retained for the March and April 2020 COVID-19 lockdown period.

Impairment modelling

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

The probability weighted cash flows are calculated using the following:

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

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

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

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

The payment performance for each payment state is calculated using the actual payment history for each payment rating over the last 12 months (excluding the lockdown months of March and April 2020).

Notes to the summary financial statements continued

for the six months ended 30 September 2020

2. Trade and other receivables continued

2.1 Trade receivables continued

Economic overlay

IFRS 9 requires a forward-looking economic overlay to account for the potential impact of macro-economic conditions on the impairment provision. The methodology used in the standard model previously applied, anticipates deterioration in the general business environment and is not calibrated towards disruptive events such as the COVID-19 pandemic.

To incorporate the potential impact of COVID-19 on future customer payment behaviour in the calculation of the expected credit losses, an expanded economic overlay model was introduced at 31 March 2020 as the primary model.

The expanded economic overlay model applies a regression analysis between payment behaviour and GDP growth where the payment behaviour is correlated to the GDP growth with a three-month lag. General expectation of GDP growth is used for each of the countries in which the group operates. Base, upside and downside scenarios were created for GDP growth with a five-year horizon. Management assigned a probability of 15% to the upside scenario, 50% to the base scenario and 35% to the downside scenario. The weighted average of the three scenarios project the forward-looking impact on the impairment provision.

Impact of forward-looking information on ECL

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Economic overlay	302.1	125.7	294.5

	6 months ended 30 Sept 2020 Unaudited		6 months ended 30 Sept 2019 Unaudited		12 months ended 31 March 2020 Audited	
	Rm	% change	Rm	% change	Rm	% change
Probability weighted impact of all three scenarios	302.1		125.7		294.5	
100% downside scenario	403.2	33	148.5	18	388.8	32
100% base scenario	265.3	(12)	104.5	(17)	260.2	(12)
100% upside scenario	188.0	(38)	52.0	(59)	188.1	(36)

2. Trade and other receivables continued

2.1 Trade receivables continued

Contractual arrears

The key aspect of the arrear calculation is Lewis' policy not to reschedule arrears nor to amend the terms of the original contract. In other words, the contractual arrears calculated is the actual arrears in terms of the originally signed agreement.

From the onset of the agreement, contractual arrears is calculated by comparing payments made life to date with the originally calculated instalments due life to date, causing a customer who is paying less than the required contracted instalment to immediately fall into arrears. Once the customer exceeds the term of the agreement by paying less than the required contracted instalments, the full balance owing will be in arrear. The group does not consider arrears the leading indicator, but rather payment ratings for reasons mentioned previously.

Combined impairment and contractual arrears table

The table reflects the following:

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

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

Notes to the summary financial statements continued

for the six months ended 30 September 2020

2. Trade and other receivables continued

2.1 Trade receivables continued

Debtors analysis 30 September 2020

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
Satisfactory paid Customers who have paid 70% or more of amounts due over the contract period. (%)	408 556 69.5	3 237 843 56.3	595 765 23.2	18.4	603 584	170 710	126 531	93 928	212 415
Slow payers Customers who have paid 55% to 70% of amounts due over the contract period. (%)	93 028 15.8	1 051 369 18.3	687 567 26.8	65.4	637 830	75 865	73 773	71 448	416 744
Non-performing accounts Customers who have paid less than 55% of amounts due over the contract period. (%)	86 504 14.7	1 461 080 25.4	1 285 053 50.0	88.0	1 008 387	75 070	74 316	73 688	785 313
Gross debtor analysis	588 088	5 750 292	2 568 385	44.7	2 249 801	321 645	274 620	239 064	1 414 472

Credit impaired debtors as at 30 September 2020

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in three consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
Gross carrying value	1 461 080	889	1 160	27 655	61 473	91 710	259 252	1 903 219
Impairment provision	(1 285 053)	(288)	(814)	(6 274)	(39 062)	(26 562)	(176 689)	(1 534 742)
Amortised cost	176 027	601	346	21 381	22 411	65 148	82 563	368 477

Notes to the summary financial statements continued

for the six months ended 30 September 2020

2. Trade and other receivables continued

2.1 Trade receivables continued

Debtors analysis

30 September 2019

	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Installments in arrears				
						1 R'000	2 R'000	3 R'000	>3 R'000	
Customer grouping										
Satisfactory paid Customers who have paid 70% or more of amounts due over the contract period. (%)	426 782	3 374 370	679 125	20.1	541 164	159 109	109 560	79 892	192 603	
Slow payers Customers who have paid 55% to 70% of amounts due over the contract period. (%)	74.2	62.5	31.6							
Non-performing accounts Customers who have paid less than 55% of amounts due over the contract period. (%)	82 152	904 682	545 552	60.3	568 416	65 057	62 040	58 683	382 636	
Gross debtor analysis	66 037	1 120 505	926 625	82.7	826 496	56 473	55 327	54 424	660 272	
	11.5	20.7	43.0							
	574 971	5 399 557	2 151 302	39.8	1 936 076	280 639	226 927	192 999	1 235 511	

Credit impaired debtors as at 30 September 2019

	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
Credit impaired categories								
Gross carrying value	1 120 505	23 318	53 449	37 798	71 302	64 734	157 731	1 528 837
Impairment provision	(926 625)	(7 924)	(35 372)	(8 387)	(39 671)	(15 591)	(89 491)	(1 123 061)
Amortised cost	193 880	15 394	18 077	29 411	31 631	49 143	68 240	405 776

Notes to the summary financial statements continued

for the six months ended 30 September 2020

2. Trade and other receivables continued

2.1 Trade receivables continued

Debtors analysis

31 March 2020

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

Credit impaired debtors as at 31 March 2020

Credit impaired categories	Non-performing accounts R'000	In duplum		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

Notes to the summary financial statements continued

for the six months ended 30 September 2020

2. Trade and other receivables continued

2.1 Trade receivables continued

Interest rate risk

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

The average effective interest rate on instalment sale and loan receivables is 22.1% (2019: 22.8%) and the average term of the sale is 32.5 months (2019: 32.8 months).

Fair value

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

2.2 Debtor costs

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Bad debts	398.9	499.1	877.5
Bad debts before adjustment for interest on credit impaired accounts	467.8	546.2	979.9
Adjustment for interest on credit impaired accounts	(68.9)	(47.1)	(102.4)
Bad debt recoveries	(27.0)	(27.9)	(78.3)
Movement in debtors' impairment provision	34.4	(171.8)	210.9
Closing balance	2 568.4	2 151.3	2 534.0
Opening balance	(2 534.0)	(2 323.1)	(2 323.1)
	406.3	299.4	1 010.1
Debtor costs as a percentage of debtors at gross carrying value (%)	7.1	5.5	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 six months ended 30 September 2020

3. Insurance

3.1 Insurance investments

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Financial assets – insurance investments			
<i>Listed investments</i>			
Fixed income securities – FVOCI debt investments	251.5	273.3	228.0
<i>Unlisted Investments</i>			
Money market – FVOCI debt investments	246.8	319.2	245.9
	498.3	592.5	473.9
Analysed as follows:			
Non-current	251.5	273.3	228.0
Current	246.8	319.2	245.9
	498.3	592.5	473.9
Movement for the period			
Beginning of the period	473.9	616.8	616.8
Additions to investments	24.9	68.3	76.0
Disposals of investments	(24.4)	(90.4)	(170.7)
Fair value adjustment	23.9	(2.2)	(48.2)
End of the period	498.3	592.5	473.9

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

Notes to the summary financial statements continued

for the six months ended 30 September 2020

3. Insurance continued

3.1 Insurance investments continued

Fair value hierarchy

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

	Level 2 Rm	Total Rm
30 September 2020		
Insurance investments:		
Fixed income securities – FVOCI debt investments	251.5	251.5
Money market – FVOCI debt investments	246.8	246.8
	498.3	498.3
30 September 2019		
Insurance investments:		
Fixed income securities – FVOCI debt investments	273.3	273.3
Money market – FVOCI debt investments	319.2	319.2
	592.5	592.5
31 March 2020		
Insurance investments:		
Fixed income securities – FVOCI debt investments	228.0	228.0
Money market – 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.

3.2 Investment income

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Interest – insurance business	20.9	27.0	52.3
Realised gain on disposal of insurance investments	0.1	0.3	1.3
	21.0	27.3	53.6

Notes to the summary financial statements continued

for the six months ended 30 September 2020

4. Revenue

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
4.1 Revenue	3 034.0	3 083.2	6 453.3
Retail revenue			
- revenue from contracts with customers	2 037.8	2 110.4	4 475.3
Merchandise sales	1 649.5	1 735.0	3 685.5
Ancillary services	388.3	375.4	789.8
Insurance revenue	353.9	328.3	666.1
Effective interest income	642.3	644.5	1 311.9
Finance charges and initiation fees earned	711.2	691.6	1 414.3
Adjustment for interest on credit impaired accounts	(68.9)	(47.1)	(102.4)

4.2 Retail revenue

	Traditional Rm	Cash Rm	Group Rm
30 September 2020			
Merchandise sales			
- Cash	608.5	231.6	840.1
- Credit	809.4	-	809.4
Ancillary services			
- At a point in time	67.3	4.5	71.8
- Over time	316.5	-	316.5
	1 801.7	236.1	2 037.8
30 September 2019			
Merchandise sales			
- Cash	476.2	250.6	726.8
- Credit	1 008.2	-	1 008.2
Ancillary services			
- At a point in time	80.9	4.8	85.7
- Over time	289.7	-	289.7
	1 855.0	255.4	2 110.4
31 March 2020			
Merchandise sales			
- Cash	1 058.6	530.1	1 588.7
- Credit	2 096.8	-	2 096.8
Ancillary services			
- At a point in time	167.8	10.3	178.1
- Over time	611.7	-	611.7
	3 934.9	540.4	4 475.3

Notes to the summary financial statements continued

for the six months ended 30 September 2020

5. Borrowings, cash and net finance costs

5.1 Borrowings, banking facilities and cash

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Interest-bearing borrowings			
Short-term banking facilities	–	–	(922.1)
Cash-on-hand and deposits	563.9	242.8	1 193.4
Net cash	563.9	242.8	271.3
Available facilities			
Banking facilities	1 150.0	1 500.0	1 150.0
Domestic Medium-Term Note Programme	2 000.0	2 000.0	2 000.0
	3 150.0	3 500.0	3 150.0
Available funds	3 713.9	3 742.8	3 421.3
Interest rate profile			
Interest rate profile of borrowings is as follows:			
Bank borrowings include revolving credit and overnight facilities. Revolving credit facilities are at interest rates linked to three-month JIBAR. The interest rates on the overnight facilities are based on rates as determined by each of the banks based on market conditions.			
	–	–	922.1
	–	–	922.1
Cash and cash equivalents			
Cash-on-hand and deposits	563.9	242.8	1 193.4
	563.9	242.8	1 193.4

Notes to the summary financial statements continued

for the six months ended 30 September 2020

5. Borrowings, cash and net finance costs continued

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
5.2 Capital management			
Net debt	255.0	570.2	566.6
Shareholder's equity	4 813.4	4 780.8	4 709.5
Gearing ratio (%)	5.3	11.9	12.0
5.3 Net finance costs			
Interest paid	(49.8)	(50.6)	(98.0)
Borrowings	(10.4)	(10.5)	(20.1)
Lease liabilities	(36.4)	(36.6)	(71.5)
Other	(3.0)	(3.5)	(6.4)
Interest received – bank	10.8	5.5	12.4
Interest received – other	–	20.2	21.8
Forward exchange contracts	2.6	8.9	29.3
Net finance costs	(36.4)	(16.0)	(34.5)

Notes to the summary financial statements continued

for the six months ended 30 September 2020

6. Reportable segments

Primary

	Traditional Rm	Cash Rm	Group Rm
For the six months ended 30 September 2020 (Unaudited)			
Revenue	2 797.9	236.1	3 034.0
Merchandise sales	1 417.9	231.6	1 649.5
Operating profit before investment income	257.5	19.3	276.8
Operation margin (%)	18.2	8.3	16.8
Segment assets	3 907.5	132.3	4 039.8
For the six months ended 30 September 2019 (Unaudited)			
Revenue	2 827.8	255.4	3 083.2
Merchandise sales	1 484.4	250.6	1 735.0
Operating profit before investment income	216.0	27.5	243.5
Operation margin (%)	14.6	11.0	14.0
Segment assets	3 871.7	182.5	4 054.2
For the 12 months ended 31 March 2020 (Audited)			
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
Operation margin (%)	6.7	8.3	6.9
Segment assets	3 828.9	124.3	3 953.2

The omni-channel has been discontinued as a separate business and has been integrated into the traditional business in the 2020 financial year. Due to the integration, the omni-channel business is no longer considered a separate segment and in accordance with IFRS 8, the comparatives have been restated as if the integration of the omni-channel business was in place last year.

Notes to the summary financial statements continued

for the six months ended 30 September 2020

6. Reportable segments continued

Geographical

	South Africa Rm	Namibia Rm	BLE ⁽¹⁾ Rm	Group Rm
For the six months ended 30 September 2020 (Unaudited)				
Revenue	2 564.5	248.0	221.5	3 034.0
For the six months ended 30 September 2019 (Unaudited)				
Revenue	2 616.9	238.6	227.7	3 083.2
For the 12 months ended 31 March 2020 (Audited)				
Revenue	5 492.7	475.9	484.7	6 453.3

⁽¹⁾ Botswana, Lesotho and Eswatini

7. Gross profit

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Merchandise sales	1 649.5	1 735.0	3 685.5
Cost of merchandise sales	(982.1)	(1 035.2)	(2 173.5)
Merchandise gross profit	667.4	699.8	1 512.0
Gross profit percentage	(%) 40.5	40.3	41.0

Notes to the summary financial statements continued

for the six months ended 30 September 2020

8. Cash flow from operations

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
8.1 Cash flow from trading:	527.5	234.2	892.1
Operating profit before investment income	276.8	243.5	253.7
<i>Adjusted for:</i>			
Share-based payments	17.9	16.8	33.3
Depreciation, amortisation and impairment	173.9	168.3	375.5
Movement in debtors' impairment provision	34.4	(171.8)	210.9
Movement in other provisions	16.4	(37.7)	13.8
Other movements	8.1	15.1	4.9
Included in cash flow from trading is interest received on trade receivables of R711.2 million (2019: R691.6 million).			
8.2 Changes in working capital:	83.7	103.4	(255.8)
Increase in inventories	(123.7)	(148.3)	(85.0)
(Increase)/decrease in trade and other receivables	(36.0)	73.3	(213.3)
Increase in trade and other payables	234.0	187.6	48.3
Decrease in payments in advance	(18.3)	(0.7)	(7.9)
Increase/(decrease) in insurance liabilities	27.7	(8.5)	2.1

Notes to the summary financial statements continued

for the six months ended 30 September 2020

9. Taxation

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Taxation charge			
Normal taxation	34.6	49.0	34.7
Current year	30.6	39.1	66.4
Prior year	4.0	9.9	(31.7)
Deferred taxation	44.2	34.7	45.7
Current year	44.2	32.5	12.1
Prior year	–	2.2	33.6
Withholding tax	–	–	10.0
Taxation per income statement	78.8	83.7	90.4
Tax rate reconciliation			
Profit before taxation	261.4	254.8	272.8
Taxation calculated at a tax rate of 28% (2019: 28%)	73.2	71.3	76.4
Differing tax rates in foreign countries	0.4	(0.3)	2.6
Disallowances	9.0	8.6	14.0
Exemptions	(7.8)	(8.0)	(14.5)
Prior years	4.0	12.1	1.9
Withholding tax	–	–	10.0
Taxation per income statement	78.8	83.7	90.4
Effective tax rate	30.1	32.9	33.1

Notes to the summary financial statements continued

for the six months ended 30 September 2020

10. Depreciation, amortisation and impairment

	6 months ended 30 Sept 2020 Unaudited Rm	6 months ended 30 Sept 2019 Unaudited Rm	12 months ended 31 March 2020 Audited Rm
Depreciation and impairment			
Right-of-use assets	133.5	128.6	298.4
Property, plant and equipment	33.9	36.5	66.1
Amortisation			
Intangible assets	6.5	3.2	11.0
	173.9	168.3	375.5

11. Leases

11.1 Lease liabilities recognised

Opening balance	837.9	–	–
Recognised on adoption of IFRS 16	–	856.1	856.1
Reallocated to restoration provision	–	(33.4)	(33.4)
Additions and renewed leases	93.0	114.8	269.3
Expired, renegotiated and modified leases	0.9	–	2.1
Principal portion of lease liabilities	(112.8)	(124.5)	(256.2)
Interest on lease liabilities	36.4	36.6	71.5
Lease liability payments	(149.2)	(161.1)	(327.7)
Closing balance	818.9	813.0	837.9
Analysed as follows:	818.9	813.0	837.9
Non-current	567.1	599.6	611.1
Current	251.8	213.4	226.8

11.2 Right-of-use assets

Retail premises

Opening balance	693.7	–	–
Recognised on adoption of IFRS 16	–	726.2	726.2
Additions and renewed leases	93.0	80.7	269.3
Expired, renegotiated and modified leases	–	–	(3.4)
Depreciation and impairment	(133.5)	(128.6)	(298.4)
Closing balance	653.2	678.3	693.7

The average remaining lease term is 2.5 years (2019: 2.4 years). The group's portfolio of qualifying leases has a weighted average borrowing rate of 8.40% (2019: 9.04%).

Notes to the summary financial statements continued

for the six months ended 30 September 2020

12. COVID-19 lockdown and its impact on the group's trading

On 11 March 2020, the World Health Organization formally declared COVID-19 a pandemic. Government restrictions were imposed in South Africa on the 27th of March 2020, and shortly afterwards in other territories 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 second week of May 2020 saw some stores in the African territories being allowed to trade under strict regulation and on the 18th of May 2020, sales through electronic communication channels were allowed in South Africa. On the 1st of June 2020, all South African stores were allowed to trade with a full merchandise offering under strict compliance with COVID-19 safety protocols.

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

As reported in the financial statements for the year ended 31 March 2020, the impact of COVID-19 on the attributable earnings and headline earnings for that year was R243.3 million and R223.5 million respectively.

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 has subsequently repaid all of its short-term borrowings.

13. Post balance sheet events

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

Lewis Group Limited

Key ratios

		6 months ended 30 Sept 2020 Unaudited	6 months ended 30 Sept 2019 Unaudited	12 months ended 31 March 2020 Audited
Operating efficiency ratios				
Gross profit margin	(%)	40.5	40.3	41.0
Operating profit margin – based on revenue	(%)	9.1	7.9	3.9
Operating profit margin – based on sales	(%)	16.8	14.0	6.9
Number of stores		805	787	794
Number of employees	(average)	8 519	7 894	8 374
Trading space	(sqm)	252 127	248 876	249 538
Inventory turn (annualised)	(times)	2.3	2.6	2.9
Current ratio		3.8	4.3	2.8
Credit ratios				
Credit sales	(%)	49.1	58.1	56.9
Debtor costs as a percentage of debtors at gross carrying value	(%)	7.1	5.5	17.6
Debtors' impairment provision as a percentage of debtors at gross carrying value	(%)	44.7	39.8	44.1
Arrear instalments on satisfactory paid accounts as a percentage of total debtors at gross carrying value	(%)	10.5	10.0	10.7
Arrear instalments on slow paying and non-performing accounts as a percentage of total debtors at gross carrying value	(%)	28.6	25.8	26.0
Credit applications decline rate	(%)	41.1	37.9	37.5
Shareholder ratios				
Net asset value per share	(cents)	6 398	6 111	6 126
Gearing ratio	(%)	5.3	11.9	12.0
Dividend payout ratio	(%)	54.8	54.9	78.9
Return on average shareholders' funds (annualised) after tax	(%)	7.7	7.1	3.8
Return on average capital employed (annualised) after tax	(%)	6.9	7.0	3.7
Return on average assets managed (annualised) pre-tax	(%)	8.6	8.9	4.8

Notes:

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

² The net asset value has been calculated using 75 235 607 shares in issue (2019: 78 225 000).

³ Total assets exclude the deferred tax asset.

Lewis Group Limited

Corporate information

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