

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2021



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Company information

Primary statements

The primary statements are included in the beginning of the annual financial statements and include note references to specific underlying detailed notes.

Notes to the annual financial statements

The notes to the annual financial statements have been ordered on the basis set out in note 1.1.

Accounting policies

The principle accounting policies applied in the preparation of these annual financial statements are included in the specific notes to which they relate and are indicated with a light blue background.

Significant accounting estimates and judgements

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are included in the specific notes to which they relate and are indicated with a grey background.

Registration number:
2004/009817/06

Registered address:
53A Victoria Road, Woodstock, 7925

Postal address:
PO Box 43, Woodstock, 7915

Auditors:
PricewaterhouseCoopers Inc. Cape Town

Attorneys:
Edward Nathan Sonnenbergs

Bankers:
Absa Bank Limited
First National Bank of Africa Limited
Investec Bank Limited
Standard Bank of South Africa Limited
Nedbank Limited

Directors' responsibility statement

Management have prepared the annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and the Companies Act of South Africa.

The annual financial statements, which present the results and financial position of the company and its subsidiaries, are the responsibility of the directors.

In fulfilling its responsibility, the Board of Directors has approved the accounting policies applied and established that reasonable and sound estimates and judgements have been made by management when preparing the annual financial statements.

Adequate accounting records and an effective system of internal controls have been maintained to ensure the integrity of the underlying information. Internal audit has performed a written assessment confirming the effectiveness of the company's system of internal control and risk management, including internal financial controls. The Board is satisfied that the system of internal controls, which includes internal financial controls, operates effectively.

A well-established control environment, which incorporates risk management and internal control procedures, exists to provide reasonable, but not absolute, assurance that assets are safeguarded and the risk facing the business is being adequately managed. The Board confirms that during the period under review the group has maintained an efficient and effective process to manage key risks. The directors are not aware of any current or anticipated key risks that may threaten the sustainability of the business.

The Board of Directors has reviewed the business of the group together with budget and cash flows for the year to 31 March 2022 as well as the current financial position and have no reason to believe that the group will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the annual financial statements.

PricewaterhouseCoopers Inc. ("PwC"), as external auditors, have examined the annual financial statements and their report appears on pages 4 to 9.

The annual financial statements of the group and the company for the year-ended 31 March 2021, which appear on pages 17 to 97 have been approved by the Board of Directors and signed on their behalf by:



H Saven
Chairman

Cape Town
27 May 2021



J Enslin
Chief executive officer



J Bestbier
Chief financial officer

Chief executive officer and Chief financial officer's responsibility statement

In line with paragraph 3.84(k) of the JSE Limited ("JSE") Listings Requirements, the Chief executive officer and Chief financial officer hereby confirm that:

- the annual financial statements set out on pages 17 to 97, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- no facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV Report on Corporate Governance for South Africa, 2016. Where we are not satisfied, we have disclosed to the Audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



J Enslin
Chief executive officer

27 May 2021



J Bestbier
Chief financial officer

Preparation and presentation of audited annual financial statements

The preparation of the audited annual financial statements was supervised by Mr J Bestbier CA(SA).

Company secretary certificate

Compliance with the Companies Act, 2008

In terms of the Companies Act and for the year-ended 31 March 2021, I certify that the company has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission and that all such returns and notices are true, correct and up to date.



INT Makomba
Company secretary

27 May 2021

Independent auditor's report

TO THE SHAREHOLDERS OF LEWIS GROUP LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Lewis Group Limited (the company) and its subsidiaries (together the group) as at 31 March 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa.

What we have audited

Lewis Group Limited's consolidated and separate financial statements set out on pages 17 to 95 comprise:

- the consolidated and company balance sheets as at 31 March 2021;
- the consolidated income statement for the year then ended;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements section* of our report.

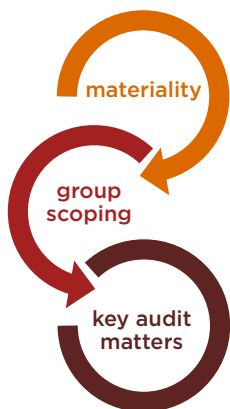
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview



Overall group materiality

- R67 million, which represents 1% of total consolidated revenue.

Group audit scope

- The consolidated financial statements are a consolidation of the company and eleven subsidiaries (directly and indirectly held, and which represent trading entities, dormant entities, an insurance company and a management services company). The group has six operating subsidiaries in South Africa, Botswana, Lesotho, Eswatini and Namibia.
- All subsidiaries within the group, in the five geographical locations considered to be financially significant, were subject to full scope audits. Analytical review procedures were performed over the remaining components. We also performed procedures in respect of the consolidation process, in order to gain sufficient evidence over the consolidated financial statements.

Key audit matters

- Expected credit losses (ECL) on trade receivables; and
- Valuation of the right-of-use assets and lease liabilities in terms of IFRS 16 'Leases'.

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Independent auditor's report continued

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R67 million.
How we determined it	1% of total consolidated revenue.
Rationale for the materiality benchmark applied	<p>We selected total consolidated revenue as the benchmark because, in our view, it most appropriately reflects the activity levels of the group. It is a benchmark against which the performance of the group can be consistently measured and thus would be most relevant to users of the consolidated financial statements, given the relatively low and volatile profit margins over the last five years, whilst the other key elements of the consolidated financial statements have remained constant.</p> <p>We chose 1% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that would typically apply when using consolidated revenue to compute materiality.</p>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group comprises the company and its eleven subsidiaries (directly and indirectly held, and which represent trading entities, dormant entities, an insurance company and a management services company). It operates mainly through its operating subsidiary, Lewis Stores Proprietary Limited, and provides insurance cover to customers through its registered short-term insurer subsidiary, Monarch Insurance Company Limited. The group operates across five different geographical locations – South Africa, Botswana, Lesotho, Eswatini and Namibia.

All subsidiaries within the group, in the five geographical locations considered to be financially significant, were subject to full scope audits by auditors from within the PricewaterhouseCoopers (PwC) network of firms. Analytical review procedures were performed over the remaining components. We also performed procedures in respect of the consolidation process, in order to gain sufficient evidence over the consolidated financial statements.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, and other component auditors from other PwC network firms, operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Independent auditor's report continued

Key audit matter

Expected credit losses (ECL) on trade receivables

Refer to note 4 (Trade, other receivables and debtor costs) to the consolidated financial statements.

As at 31 March 2021, the gross value of trade receivables was R5.6 billion, against which an ECL of R2.3 billion was recognised.

The ECL was calculated by applying IFRS 9 'Financial Instruments' ("IFRS 9").

The Group elected to apply the simplified model under IFRS 9 and measures the impairment allowance at an amount equal to the lifetime ECL of all trade receivables. Lifetime ECL's are based on probability weighted cash flows considering a range of possible outcomes and discounting these cash flows at the original effective interest rate, that includes initiation fees as they are integral to the effective interest rate.

In calculating the ECL, the key areas of significant management judgement and estimation applied included the following:

- Calculation of the probability weighted cash flows using the trade receivables population payment behaviour in combination with a transition matrix and conditional probabilities. The transition matrix and payment performance for each payment state has been developed using the group's customer payment history. 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;
- *Determination of the write-off point:* Write-offs take place where the customer's payment behaviour cannot be rehabilitated after all reasonable commercially and economically appropriate collection methods have been utilised and exhausted. The bad debt write-offs are initiated where the customer has not made a qualifying payment in the three months preceding the write-off for the certain categories of customers; and

Forward-looking information:

- In the current year the group could not identify reliable statistical relationships between macroeconomic variables and credit losses due to the severity and uniqueness of current economic conditions. The forecasted impact of future events and economic conditions in determining ECL include the impact of the Covid-19 pandemic and expected regulatory changes on ECL.
- The model used by the Group to determine ECL uses the most recent 12 months of data and therefore the effect of Covid-19 is inherent in the loss rate used in determining the ECL, without including an explicit macroeconomic link. Management has calibrated the ECL model to allow for the distressed macroeconomic environment and future customer experience.
- Management has further determined separate event-driven ECL overlays to cater for specific events which are not included in the ECL models, such as another hard lockdown, the ceasing of Covid-19 social grants and the impact of government employees' wage freeze on their ability to service debt. Management increases the results produced by the modelled output, which are not yet captured by the ECL models.

We considered the ECL on trade receivables to be a matter of most significance to our current year audit of the consolidated financial statements due to the following:

- the degree of subjective judgement and estimation applied by management in determining the ECL;
- the continued uncertainty the Covid-19 pandemic and related regulatory changes has on the macroeconomic environment and its impact on the ECL; and
- the magnitude of the ECL recognised in the consolidated financial statements.

How our audit addressed the key audit matter

Utilising our actuarial expertise we tested the calibration of ECL statistical model components as follows, noting no aspects which required further consideration, as well as no material exceptions:

- We assessed the appropriateness of the methodology applied by management in their IFRS 9 model documentation, which forms the basis of the ECL calculation, with reference to the requirements of IFRS 9;
- We tested the reasonability of the key assumptions, i.e. effective interest rate and probability weighted cash flows applied in the ECL calculation, through independent recalculation with reference to independent sources of information obtained where applicable; and
- We tested the accuracy of the methodology applied by management's experts in their calculation of the ECL by performing an independent recalculation of the ECL values as at 31 March 2021.

Determination of the write-off point:

We accepted management's write-off point following evaluation of management's assessment of historical post write-off recoveries performed by them to determine the point at which there was no reasonable expectation of further recovery. Through recalculation of the write-off point for all customers, we tested the application of the group's write-off policy using historical data. We excluded post write-off recoveries from expected cash flows for purposes of recalculating the ECL.

Making use of our actuarial expertise we performed the following procedures in respect of the forward-looking information included by management in their calculation of ECL:

- We evaluated the impact of economic stresses and the effect of Covid-19 by creating an independent ECL model that adjusted historical data (specifically loss rates) for the expected impact of Covid-19, based on industry benchmarks. We compared the results of our model to management's ECL model and found no material differences;
- We assessed the reasonableness of the separate event driven ECL overlays raised by management, with reference to our understanding of the group and industry, emerging risks and regulatory changes. We reperformed the overlay calculations performed by management and noted no material differences. Furthermore, based on our wider independent recalculation of the ECL, we considered effects already taken into account by management in their ECL models to assess whether the impact of the overlays were double counted. We noted no material exceptions.

Independent auditor's report continued

Key audit matter

Valuation of the right-of-use assets and lease liabilities in term of IFRS 16 'Leases'

Refer to note 17 (Leases) to the consolidated financial statements.

The group leases various properties. Leases are recognised as a lease liability and a corresponding right-of-use ("ROU") asset at the date of commencement of the lease agreement in terms of IFRS 16 'Leases' ("IFRS 16").

On initial recognition, the ROU asset and lease liability is measured at the present value of the future lease payments discounted over the lease term using the Group's relevant incremental borrowing rate. The lease term may include future lease periods for which the Group has extension options which it is reasonably certain to exercise.

ROU assets are tested for impairment whenever circumstances indicate that the carrying amount may exceed its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use ("VIU"). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The group considers each store to be a separate cash-generating unit ("CGU") for purposes of its impairment assessment, and calculated the recoverable amount of each CGU to be its VIU.

VIU is based on discounted future cash flow forecasts, requiring management to make judgements on certain key inputs, including expected sales growth, collection rates, growth in expenses, weighted average cost of capital and terminal growth rates.

We considered this matter to be of most significance to our current year audit of the consolidated financial statements due to the following:

- the degree of judgement and estimation applied by management in determining the lease term and discount rate;
- the magnitude of the ROU asset and lease liability due to the high number of leases; and
- the degree of judgement applied by management in determining the impairment charge relating to ROU assets.

How our audit addressed the key audit matter

We performed the following procedures:

- For a sample of new leases and modifications, we evaluated the lease terms, including the renewal periods where appropriate. We inspected the underlying contracts to assess management's judgements made in respect of the lease periods applied in the lease calculation, and to evaluate whether they are accurate and complete. We noted no material exceptions.
- We assessed the accuracy of the discount rates determined by management with reference to entity-specific borrowing rates and external market information. We compared management's discount rates used to our range of independently determined discount rates. We found that management's rates fell within our range of rates.
- For a sample of new leases and modifications, we tested the accuracy of the underlying lease data by agreeing the leases to original contracts or other underlying information. We noted no material exceptions.
- We tested the completeness of the lease data by reconciling the lease expenses recognised in the current year, to the lease data underpinning management's IFRS 16 calculations. We noted no material differences.
- We recalculated the ROU assets and lease liabilities for all leases. We compared our results to that of management, noting no material differences.

We performed the following procedures on the impairment assessment of ROU assets:

- We tested management's impairment calculation of the ROU assets by recalculating the VIU determined by management for a sample of stores.
- Utilising our valuation expertise, we tested the reasonableness of the discount rate used in the VIU calculations, by calculating a range of independent discount rates based on relevant market data as at year-end. We found that management's discount rate fell within our independent range of discount rates.
- We assessed the reasonableness of management's cash flow forecasts by agreeing prior year forecasts to actual results. We noted no matters in this regard requiring further consideration.
- We assessed the reasonability of the growth rates used in the forecast period as well as terminal growth rate used. These were assessed with reference to historical performance of the CGU and for that of the Group as applicable, as well as industry reports. Based on our procedures performed, we accepted the assumptions used by management in the impairment models.

Independent auditor's report continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Lewis Group Limited Annual Financial Statements for the year ended 31 March 2021", which includes the Directors' Report, the Audit Committee Report and the Company Secretary Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Lewis Group - Integrated Report 2021", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going-concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report continued

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Lewis Group Limited for 30 years.



PricewaterhouseCoopers Inc.

Director: MC Hamman

Registered Auditor

Cape Town, South Africa

27 May 2021

Audit committee report

FOR THE YEAR ENDED 31 MARCH 2021

The Audit committee (“the committee”) has pleasure in submitting its report for the year-ended 31 March 2021 in compliance with the Companies Act, No. 71 of 2008, as amended (“the Companies Act”).

Introduction

The committee is a statutory committee which carries out its statutory duties in accordance with the Companies Act. In addition to its statutory duties the committee provides independent oversight over external audit, internal audit and the finance function in terms of the recommendations of the King IV Report on Corporate Governance. The committee operates in accordance with a documented charter and complies with all relevant legislation, regulation and governance codes. The committee’s terms of reference are reviewed annually and approved by the Board.

The committee executed its duties in terms of the requirements of the Companies Act and King IV.

The committee acts as the Audit committee for all the subsidiaries in the Lewis Group except for Monarch Insurance Company Limited (“Monarch”) which has its own Audit and Risk committee.

Objectives

The objectives of the committee are:

- To assist the Board to discharge its duties relating to the safeguarding of assets, the operation of adequate systems and controls, overseeing integrated reporting, reviewing of financial information and the preparation of interim and annual financial statements in compliance with all applicable legal requirements and accounting standards.
- To facilitate and promote communication and liaison between the Board of Directors and the company’s management in respect of the matters referred to above.
- To recommend the introduction of measures which the committee believes may enhance the credibility and objectivity of financial statements and reports concerning affairs of the company.
- To perform their statutory functions under section 94 of the Companies Act.
- To advise on any matter referred to the committee by the Board of Directors.

Relationship with the Monarch Audit and Risk committee

- Due to the integrated nature of the group’s systems and processes, the Lewis Group Audit committee has responsibility relating to overseeing:
 - internal and external audit management; and
 - maintenance of an effective internal control system.
- In order for the Monarch Audit and Risk committee to discharge its responsibilities under the Insurance Act, the Lewis Group Audit committee refers any issues to the Monarch Audit and Risk committee where such issues impact on Monarch.
- The duty and scope of the Monarch Audit and Risk committee in monitoring the compliance with legal and regulatory requirements has been extended to include the Financial Advisory and Intermediary Services Act due to its interrelationship with the insurance activities of the group.
- The minutes of all Monarch Audit and Risk committee meetings are tabled at the meetings of the Lewis Group Audit committee.

Membership

The committee consists of three independent non-executive directors:

DJ Westcott (Chairman)

D Motsepe

T Njikizana

During the year there were no changes to the membership of the committee.

Biographical details of the committee members are provided in Appendix A.

The Chief executive officer, Chief financial officer, other relevant members of management and representatives of the internal and external auditors attend the meetings as invitees.

The committee meets separately with external auditors, without members of executive management being present, at least once a year. The effectiveness of the committee is assessed as part of the annual Board and committee self-evaluation process.

Audit committee report continued

FOR THE YEAR ENDED 31 MARCH 2021

Committee activities

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

Attendance of the members has been set out in Appendix B.

The committee attended to the following material matters:

Financial statements

As required by its terms of reference, the committee performed the following with respect to the financial statements.

- Reviewed the interim results and year-end financial statements, including the public announcements of the company's financial results, and made recommendations to the Board for their approval. In the course of its review the committee:
 - took appropriate steps to ensure that the financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS");
 - considered the appropriateness of accounting policies and disclosures and material judgements applied; and
 - completed a detailed review of the going concern assumption and confirmed that the going concern assumption was appropriate in the preparation of the financial statements.

Integrated Report

The committee fulfils an oversight role regarding the company's Integrated Report and the reporting process.

The committee considered the company's Integrated Report and assessed its consistency with operational, financial and other information known to the audit committee members, and for consistency with the annual financial statements.

The committee satisfied itself that the Integrated Report will be materially accurate, complete, reliable and consistent with the annual financial statements.

The committee recommended the Integrated Report for the year-ended 31 March 2021 for approval by the Board on 25 May 2021.

External auditors

With regards to external audit the committee performed the following functions:

- Reviewed the independence of PwC, the company's external auditors, and the designated auditor, before recommending to the Board that their re-election be proposed to shareholders (refer section on Independence of External Auditors).
- Approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2021 financial year. The fees paid to the auditors are disclosed in note 23.3 to the annual financial statements.
- Determined the nature and extent of allowable non-audit services and approved the policy for the provision of non-audit services. It is the policy of the group that the auditor is restricted from rendering accounting, IT consulting services, company secretarial, internal audit and human resource services.
- Reviewed and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable.
- Reviewed the external audit reports and management's response, considered their effect on the financial statements and internal financial control.

The committee was not required to deal with any complaints relating to accounting practices or internal audit, nor to the content or audit of the group's financial statements, the internal financial controls and related matters.

Audit committee report continued

FOR THE YEAR ENDED 31 MARCH 2021

Internal audit

With regards to internal audit the committee performed the following functions:

- Reviewed and approved the existing internal audit charter which ensures that the group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties.
- Satisfied as to the credibility, independence and objectivity of the internal audit function.
- Reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of significant business processes was acceptable.
- Reviewed the quarterly internal audit reports, covering the effectiveness of internal control, material fraud incidents and material non-compliance with group policies and procedures. The committee is advised of all internal control developments and advised of any material losses, with none being reported during the year.
- Considered and reviewed with management and internal auditors any significant findings and management responses thereto in relation to reliable financial reporting, corporate governance and effective internal control to ensure appropriate action is taken.
- Oversaw the co-operation between internal audit and external auditors, and the committee is satisfied that the company has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model.
- Assessed the performance and qualification of the internal audit function and found them to be satisfactory.

Internal financial control and compliance

- Reviewed and approved the group's existing treasury policy and reviewed the quarterly treasury reports prepared by management.
- Reviewed the quarterly legal and regulatory reports setting out the latest legislative and regulatory developments impacting the group.
- Reviewed the quarterly report on taxation.
- Reviewed information technology reports.
- Considered and, where appropriate, made recommendations on internal financial control.

Internal audit has performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This written assessment by internal audit, as well as other information available to the committee, formed the basis for the committee's recommendation to the Board, on the effectiveness of the system of internal controls to be included in the Integrated Report.

Governance of risk

The Board has assigned oversight of the company's risk management function to the Risk committee. The minutes of the Risk committee are made available to the Audit committee to assist it in fulfilling its oversight role with respect to financial reporting risks arising from internal financial controls, fraud and information technology risks.

Evaluation of expertise and experience of the Chief financial officer and finance function

- In terms of the JSE Listings Requirements, the committee satisfied itself as to the appropriateness of the expertise and experience of the group's Chief financial officer.
- The committee has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

Audit committee report continued

FOR THE YEAR ENDED 31 MARCH 2021

Independence of external auditors

The committee is satisfied that PwC is independent of the group. This assessment was made after considering the following:

- Confirmation from the external auditors that they, or their immediate family, do not hold any significant direct or indirect financial interest or have any material business relationship with Lewis. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.
- The auditors do not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from the group.
- The auditor's independence was not impaired by the non-audit work performed having regard to the quantum of audit fees relative to the total fee base and the nature of the non-audit work undertaken.
- The auditor's independence was not prejudiced as a result of any previous appointment as auditor. In addition, an audit partner rotation process is in place in accordance with the relevant legal and regulatory requirements.
- The criteria specified for independence by the Independent Regulatory Board for Auditors.
- The audit firm and the designated auditor is accredited with the JSE.

The designated auditor is Thinus Hamman who was appointed on 4 December 2017.

The committee confirms it has functioned in accordance with its terms of reference for the 2021 financial year.



D Westcott

Chairman, Audit Committee

25 May 2021

Directors' report

FOR THE YEAR ENDED 31 MARCH 2021

Nature of business

Lewis Group Limited is a holding company listed on the JSE, operating through two main subsidiaries, Lewis Stores Proprietary Limited and Monarch Insurance Company Limited ("the group").

The group offers a selected range of furniture and appliances through 483 Lewis, 144 Best Home and Electric and 137 Beares stores. Sales are mainly on credit. United Furniture Outlets Proprietary Limited ("UFO") is a cash furniture retailer with a retail footprint of 43 stores.

Monarch Insurance Company Limited, the group's insurer, offers optional microinsurance products to South African customers.

In addition, there are also trading subsidiaries in Botswana, Lesotho, Namibia and Eswatini operating under the Lewis, Best Home and Electric and Beares brands. The store presence outside South Africa now amounts to 126 stores.

The nature of the business of the subsidiaries is set out in note 22.

Review of financial results and activities

The financial results and affairs of the group are reflected in the annual financial statements set out on pages 17 to 97.

Segmental analysis

Segmental information is set out in note 10 to the annual financial statements.

Share capital

During the financial year, 5 363 177 shares (2020: 3 310 986 shares) were repurchased in terms of section 48 of the Companies Act.

Refer to note 13.4 for more detail. The number of shares in issue at the end of the financial year is 71 535 913 (2020: 76 899 090).

Treasury shares

The Lewis Employee Share Incentive Scheme Trust ("the Trust") effectively holds 27 009 shares (2020: 26 437 shares), all of which will be utilised to cover share awards granted to executives.

Directors' report continued

FOR THE YEAR ENDED 31 MARCH 2021

Dividends

The following dividends have been declared or proposed for the financial year-ended 31 March 2021:

	Dividend per share	Date declared	Date payable
Interim – declared	133 cents	25 November 2020	25 January 2021
Final – proposed	195 cents	27 May 2021	26 July 2021
For the year	328 cents		

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.

Directors

The directors as at 31 March 2021 are as follows:

- Mr Hilton Saven
- Prof. Fatima Abrahams
- Mr Jacques Bestbier
- Mrs Adheera Bodasing
- Mr Johan Enslin
- Mrs Daphne Motsepe
- Mr Tapiwa Njikizana
- Mr Duncan Westcott

Company secretary

Ms INT Makomba remained the company secretary throughout the financial year. The address of the company secretary is that of registered offices as stated on page 1.

Directors' report continued

FOR THE YEAR ENDED 31 MARCH 2021

Directors' interests

At 31 March 2021, the directors' beneficial direct and indirect interest in the company's issued shares were as follows:

	2021		2020	
	Direct	Indirect	Direct	Indirect
H Saven		6 440		6 440
J Bestbier	120 255	100 314	1 148	65 315
J Enslin	425 536	185 421	206 038	129 240
AJ Smart			319 070	
	545 791	292 175	526 256	200 995

There has been no change in the above directors' interest between the end of the financial year and the date of approval of the annual financial statements.

Full details of the terms and conditions in relation to these share awards are set out in note 14.2 to the annual financial statements.

During the course of the year, no director had a material interest in any contract of significance with the company or any of its subsidiaries that could have given risen to a conflict of interest.

No material related party transactions in terms of the JSE Limited Listing Requirements took place between the group and its directors or their associates, other than remuneration for services rendered to the company as set out in note 14.2 to the annual financial statements.

Subsidiary companies

Details of the company's subsidiaries are set out in note 22.

The company's interest in the aggregate profits and losses after taxation of the subsidiary companies is as follows:

	2021 Rm	2020 Rm
Profit	471.2	206.3
Losses	(38.3)	(23.9)

Borrowing powers

There were no borrowings at 31 March 2021 (2020: R922.1 million). Borrowings are subject to the treasury policy adopted by the Board of Directors. In terms of the Memorandum of Incorporation, the group has unlimited borrowing powers.

Lewis Group Limited:

Consolidated income statement

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 Rm	2020 Rm	
Revenue	9	6 725.9	6 453.3	
Retail revenue		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	
Cost of merchandise sales	11	(2 288.8)	(2 173.5)	
Operating costs		(3 741.6)	(4 026.1)	
Debtor costs	4.2	(813.0)	(1 010.1)	
Bad debts net of recoveries		(923.3)	(799.2)	
Movement in debtors' impairment provision		110.3	(210.9)	
Employment costs	14.1	(1 259.1)	(1 214.4)	
Administration and IT		(325.3)	(359.7)	
Transport and travel		(241.9)	(273.2)	
Marketing		(184.2)	(298.7)	
Depreciation, amortisation and impairment	16	(343.0)	(375.5)	
Other operating costs		(575.1)	(494.5)	
Operating profit before investment income		695.5	253.7	
Investment income	5.2	39.1	53.6	
Profit before net finance costs		734.6	307.3	
Net finance costs		(130.2)	(34.5)	
Interest paid	6.2	(105.3)	(98.0)	
Interest received	6.2	17.2	34.2	
Forward exchange contracts	6.2	(42.1)	29.3	
Profit before taxation		604.4	272.8	
Taxation	15	(171.5)	(90.4)	
Net profit attributable to ordinary shareholders		432.9	182.4	
Earnings per share	(cents)	13.1	576.4	232.1
Diluted earnings per share	(cents)	13.1	565.3	225.4

Lewis Group Limited:

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 Rm	2020 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	14.5.2	(11.9)	51.1
Tax effect		3.3	(13.8)
Other comprehensive income		(11.4)	33.9
Total comprehensive income for the year attributable to ordinary shareholders		421.5	216.3

Lewis Group Limited:

Consolidated balance sheet

AS AT 31 MARCH 2021

	Notes	2021 Rm	2020 Rm
Assets			
Non-current assets			
Property, plant and equipment	18	386.0	324.4
Right-of-use assets	17.2	635.0	693.7
Intangible assets	19	114.2	120.6
Goodwill	20	182.4	187.6
Deferred taxation	15	112.2	166.1
Retirement benefit asset	14.5	105.4	106.8
Financial assets – insurance investments	5.1	253.6	228.0
		1 788.8	1 827.2
Current assets			
Inventories	11	947.8	740.7
Trade, insurance and other receivables	4.1	3 367.3	3 326.1
Taxation	15	48.8	54.9
Financial assets – insurance investments	5.1	223.7	245.9
Cash-on-hand and deposits	6.1	447.0	1 193.4
		5 034.6	5 561.0
		6 823.4	7 388.2
Total assets			
Equity and liabilities			
Capital and reserves			
Share capital and premium	13.4	0.9	0.9
Treasury shares	13.4	(0.4)	(1.0)
Other reserves	13.6	33.6	52.3
Retained earnings	13.7	4 838.6	4 657.3
		4 872.7	4 709.5
Non-current liabilities			
Lease liabilities	17.1	556.0	611.1
Deferred taxation	15	20.6	23.3
Retirement benefit liability	14.5	79.1	70.7
		655.7	705.1
Current liabilities			
Trade and other payables	7	674.5	547.9
Payments in advance	8	162.8	150.1
Insurance liabilities	5.3	123.1	104.8
Short-term interest-bearing borrowings	6.1	–	922.1
Lease liabilities	17.1	249.8	226.8
Taxation	15	84.8	21.9
		1 295.0	1 973.6
		6 823.4	7 388.2
Total equity and liabilities			

Lewis Group Limited:

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 Rm	2020 Rm
Share capital and premium	13.4		
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
Treasury shares	13.4		
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)
Other reserves	13.6		
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
Retained earnings	13.7		
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	13.2	(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
Balance as at 31 March		4 872.7	4 709.5

Lewis Group Limited:

Consolidated cash flow statement

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 Rm	2020 Restated Rm
Cash flow from operating activities			
Cash flow from trading	12.1	1 053.3	879.0
Changes in working capital	12.2	(138.7)	(255.8)
Cash flow from operations		914.6	623.2
Interest received other than from trade receivables		55.8	86.5
Interest paid	12.3	(90.4)	(98.0)
(Losses)/gains on forward exchange contracts		(16.6)	13.1
Taxation (paid)/refunded	15	(55.3)	25.2
		808.1	650.0
Cash utilised in investing activities			
Purchases of insurance investments	5.1	(61.1)	(76.0)
Disposals of insurance investments		84.2	172.0
Acquisition of property, plant and equipment and intangible assets	18, 19	(121.3)	(108.1)
Proceeds on disposal of property, plant and equipment		2.6	4.0
		(95.6)	(8.1)
Cash flow from financing activities			
Dividends paid	13.2	(147.0)	(196.4)
Payment of principal portion of lease liabilities	17.1	(254.2)	(256.2)
(Repayments)/advances of borrowings	6.1	(922.1)	922.1
Purchase of own shares		(135.6)	(122.7)
		(1 458.9)	346.8
Net (decrease)/increase in cash and cash equivalents		(746.4)	988.7
Cash and cash equivalents at the beginning of the year		1 193.4	204.7
Cash and cash equivalents at the end of the year		447.0	1 193.4

Lewis Group Limited:

Consolidated financial statements

FOR THE YEAR ENDED 31 MARCH 2021

1.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), the IFRS Interpretations Committee interpretations, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act. The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain financial instruments to fair value. The financial statements are prepared on a going concern basis.

The accounting policies applied are consistent with those applied in the previous consolidated annual financial statements.

The following new or revised IFRS and interpretations became effective for the first time for 31 March 2021 year-end and have therefore been applied:

- Amendments to IFRS 3, “Business combinations”.
- Amendment to IAS 1, “Presentation of financial statements” and IAS 8, “Accounting policies, changes in accounting estimates and errors” on the definition of material.

None of the new or revised standards and interpretations have had a material impact on the results and financial position of the group.

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.

The group and company discloses its significant accounting policies, including its measurement basis or bases, as part of its disclosures in each note in order to assist the users of these statements in understanding how transactions, events and conditions are reflected in the primary financial statements. The group presents its notes on the following basis:

- Incorporate all related disclosures, accounting policies, significant judgements, risk management disclosure and other information relating to a particular balance sheet and/or income statement item together to provide a complete overall picture of such items.
- The notes are, as far as possible, ordered in terms of materiality and significance to the business. (Refer to navigation on contents page)

1.2 Significant accounting estimates and judgements

Preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed as significant judgements.

The following significant judgements have been identified:

	Note reference
Impairment of receivables	4.1
Debtor costs	4.2
Insurance liabilities	5.3
Payments in advance	8
Retail revenue	9.2
Share-based payments	14.3
Retirement benefits	14.5
Normal and deferred taxation	15
Leases	17
Useful lives and residual values of fixed assets	18
Goodwill	20

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

2. Risk management

The Board of Directors is responsible for risk management and views it as an integral part of providing a responsible return on shareholders' equity.

To assist the Board, the group is managed through a system of internal controls functioning throughout the entity. The Board delegated risk matters to a group Risk committee comprising six independent non-executive directors, one non-executive director and two executive directors which operates in compliance with a formal charter. The committee assists the Board by, *inter alia*:

- reviewing the risk management policy and plan annually;
- making recommendations on risk tolerance and appetite;
- evaluate and agree the nature of and extent of the risks that the company should be willing to take in pursuit of its strategic objectives;
- reviewing the risk register of strategic and operational risks annually;
- monitoring implementation of the risk management policy and plan; and
- exercise ongoing oversight of risk management.

Risk management disclosures are categorised as follows:

Credit risk

The risk that the counterparty to the financial instruments that Lewis Group holds will cause loss to Lewis Group as a result of the counterparty failing to discharge its obligations.

Price risk

The risk that the fair value of future cash flows of a financial instrument that Lewis Group holds will fluctuate because of changes in market prices, other than due to the interest rate risk or currency risk.

Interest rate risk

The risk that the fair value of future cash flows of financial instrument (whether an asset or liability) will fluctuate because of changes in market interest rates.

Currency risk

The risk that the fair value of future cash flows of a financial instrument (whether an asset or liability) will fluctuate because of changes in the foreign exchange rates.

Liquidity risk

The risk that Lewis Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by cash or another financial asset.

Insurance risk

The risk that results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that premiums may be insufficient to compensate for future claims and that provisions for reported and unreported claims are inadequate.

Actuarial risk

The risk that defined benefit liabilities expose the group to the risk of these promised benefits exceeding the accumulated assets set aside to meet these obligations which will result in additional funding from the group.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

2. Risk management continued

The risk disclosures per risk category have been set out as follows:

	Note reference
Credit risk	
Trade receivables	4.1
Insurance investments	5.1
Cash	6.1
Price risk	
Insurance investments	5.1
Borrowings	6.1
Interest rate risk	
Trade receivables	4.1
Insurance investments	5.1
Net finance costs	6.2
Lease liabilities	17.1
Currency risk	
Net finance costs	6.2
Liquidity risk	
Borrowings	6.1
Lease liabilities	17.1
Insurance risk	
Insurance liabilities	5.3
Actuarial risk	
Defined benefit retirement plans	14.5.4
Post-retirement healthcare benefits	14.5.5

3. Financial instruments

The group holds the following financial instruments:

	Note reference
Trade and other receivables	4.1
Insurance investments	5.1
Cash-on-hand and deposits	6.1
Borrowings	6.1
Trade payables	7
Lease liabilities	17.1

Accounting policies

(i) *Initial recognition of financial assets*

On initial recognition, financial instruments are measured at fair value. Purchases and sales of financial assets are recognised on the trade date, being the date that the group commits to the transaction.

Subsequently, financial instruments are measured as follows:

- Amortised cost.
- Fair value through other comprehensive income.
- Fair value through profit or loss or designated as at fair value through profit or loss.

(ii) *Business model assessment*

For debt instruments, IFRS 9 requires that a business model assessment is carried out which reflects how the group manages the assets in order to generate cash flows. The assessment is at a portfolio level which is the level at which the portfolio is managed. Factors considered in determining the business model for a group of assets include past experience on how cash flows were collected, how the assets' performance is evaluated and reported, risks that affect the assets' performance and how these risks are assessed and managed and the reasons, frequency, volume and timing of sales in prior periods.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

3. Financial instruments continued

Accounting policies continued

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective such as trade and other receivables, insurance assets and deposits. With the adoption of IFRS 9, debt instruments have been classified into the following categories:

- Amortised cost.
- Fair value through other comprehensive income ("FVOCI").
- Fair value through profit and loss ("FVTPL").

The group reclassifies debt instruments when and only when its business model for those financial assets changes. Such changes are expected to be very infrequent.

The group's business models for managing debt instruments and the contractual cash flow characteristics of the debt instruments determine the following categories:

- **Amortised cost**

Financial assets within a business model whose objective is solely to hold assets to collect contractual cash flows and the contractual terms of these assets are solely payments of principal and interest.

- **FVOCI (Hold to collect and sell):**

Financial assets held within a business model whose objective is both to hold these assets to collect contractual cash flows and to sell these assets and that the contractual terms of financial assets are solely payments of principal and interest.

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement. Interest income from these financial assets is included in interest received and calculated using the effective interest rate method.

- **FVTPL (Hold to sell/manage in a fair value basis):**

Financial assets are held within a business model where the objective is to sell and manage these assets on a fair value basis. In addition, financial assets can also be included in this category if:

- the use of this classification removes or significantly reduces an accounting mismatch;
- financial assets which do not meet the SPPI criteria (see below).

(iii) Solely payment of principal and interest ("SPPI")

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce volatility or exposure to risks that are inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL.

(iv) Impairment of financial assets

Financial assets other than trade receivables

The expected credit loss ("ECL") model applies to financial assets classified at amortised cost and/or FVOCI. ECL is a probability-weighted estimate of losses. A credit loss is the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows it expects to receive, discounted at the original effective interest rate implicit in the financial asset.

The general model for impairment is recognised as follows:

- **Stage 1:**

ECL is recognised on initial recognition and measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

3. Financial instruments continued

Accounting policies continued

Financial assets other than trade receivables continued

- **Stage 2:**

At each reporting date the group assesses whether there has been a significant increase in credit risks ("SICR") since initial recognition. Where evidence exists that there has been a SICR, the ECL is based on expected credit losses over the lifetime of the asset.

- **Stage 3:**

Financial assets become credit impaired as a result of a loss event that has occurred after initial recognition. ECL is based on estimated credit losses over the lifetime of the asset. For these credit impaired assets, the interest or return on these assets are calculated on the amortised cost. Amortised cost is defined as the gross carrying value on initial recognition (adjusted for any modifications) less the impairment provision.

The impairment gains or losses are presented as follows:

- For amortised cost assets, through the income statement.
- For debt instruments that are financial assets classified as FVOCI, through the income statement.

Trade receivables

The group's trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. These receivables contain a significant financing component with terms of business varying from 6 to 36 months, with a significant portion conducted on 36 months.

In accordance with paragraph 5.5.15 (a)(ii), the group has elected to measure the impairment allowance at an amount equal to the lifetime expected credit losses. This policy will be applied to all trade receivables.

The ECL is a probability-weighted estimate and represents the difference between the cash flow that is due to the entity in accordance with the contract and the cash flows the entity expects to receive, discounted at the original effective interest rate (contractual interest rate and initiation fee included in the customer contract).

Where trade receivables have become credit impaired as a result of loss events that have occurred after initial recognition, those receivables are classified as stage 3. The effective interest recognised on these assets is calculated on the amortised cost being defined as gross carrying value on initial recognition (adjusted for any modification) less the impairment provision.

(v) Current and non-current financial assets and financial liabilities

Current assets and liabilities have maturity terms of less than 12 months, except for instalment sale receivables. Instalment sale receivables, which are included in trade and other receivables, have maturity terms of between 6 to 36 months but are classified as current as they form part of the normal operating cycle.

(vi) Set off

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(vii) Derivative instruments

Derivative instruments are utilised to hedge exposure to foreign currency fluctuations. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will substantially offset the underlying transactions when they occur. Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. These derivative instruments have been classified as fair value through profit and loss and changes in the fair value are recognised in the income statement.

(viii) Derecognition

Financial assets are only derecognised when the rights to receive cash flows from the investments have expired or the group has transferred the contractual rights to receive the cash flows of the financial asset.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

3. Financial instruments continued

(i) Categories

	Amortised cost Rm	FVOCI debt Rm	Total Rm
2021			
Assets			
Insurance investments	–	477.3	477.3
Trade and other receivables	3 367.3	–	3 367.3
Cash-on-hand and deposits	447.0	–	447.0
Liabilities			
Lease liabilities	805.8	–	805.8
Trade payables	175.6	–	175.6
2020			
Assets			
Insurance investments	–	473.9	473.9
Trade and other receivables	3 326.1	–	3 326.1
Cash-on-hand and deposits	1 193.4	–	1 193.4
Liabilities			
Borrowings	922.1	–	922.1
Lease liabilities	837.9	–	837.9
Trade payables	196.5	–	196.5

(ii) Maturity profile of financial assets

The maturity profiles of financial assets are as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
2021					
Insurance investments	223.7	–	–	253.6	477.3
Trade and other receivables	2 162.5	868.4	336.4	–	3 367.3
Cash-on-hand and deposits	447.0	–	–	–	447.0
	2 833.2	868.4	336.4	253.6	4 291.6
2020					
Insurance investments	245.9	–	–	228.0	473.9
Trade and other receivables	2 153.9	854.5	317.7	–	3 326.1
Cash-on-hand and deposits	1 193.4	–	–	–	1 193.4
	3 593.2	854.5	317.7	228.0	4 993.4

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

3. Financial instruments continued

(iii) Maturity profile of financial liabilities

The maturity profiles of undiscounted financial liabilities are as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
2021					
Lease liabilities	(249.8)	(190.0)	(285.2)	(80.8)	(805.8)
Interest on lease liabilities	(49.3)	(33.7)	(44.3)	(7.9)	(135.2)
Trade payables	(175.6)	-	-	-	(175.6)
	(474.7)	(223.7)	(329.5)	(88.7)	(1 116.6)
2020					
Borrowings	(922.1)	-	-	-	(922.1)
Interest on borrowings to maturity	(69.1)	-	-	-	(69.1)
Lease liabilities	(226.8)	(203.3)	(306.7)	(101.1)	(837.9)
Interest on lease liabilities	(86.0)	(40.3)	(46.3)	(11.9)	(184.5)
Trade payables	(196.5)	-	-	-	(196.5)
	(1 500.5)	(243.6)	(353.0)	(113.0)	(2 210.1)

(iv) Interest rate profile

The interest rate profiles of financial instruments are as follows:

	Term of investment	Average closing effective interest rate %	Floating or fixed rate	Carrying value Rm
2021				
Assets				
Gross instalment sale receivables	Up to three years	21.2	Fixed	5 691.4
Fixed income securities	Varies (refer note 5)	8.1	Fixed	253.6
Money market investments	Up to 12 months	4.8	Floating	223.7
Liabilities				
Short-term interest-bearing borrowings	Varies (refer note 6)	5.9	Floating	-
Lease liabilities	Varies	8.0	Fixed	805.8
2020				
Assets				
Gross instalment sale receivables	Up to three years	22.9	Fixed	5 746.5
Fixed income securities	Varies (refer note 5)	8.1	Fixed	228.0
Money market investments	Up to 12 months	7.7	Floating	245.9
Liabilities				
Short-term interest-bearing borrowings	Varies (refer note 6)	7.6	Floating	922.1
Lease liabilities	Varies	8.9	Fixed	837.9

(v) Interest received and paid on financial instruments

	2021 Rm	2020 Rm
Interest received on financial assets		
Insurance investments	38.6	52.3
Trade and other receivables	1 421.8	1 414.3
Cash-on-hand and deposits	17.2	12.4
	1 477.6	1 479.0
Interest paid on financial liabilities		
Borrowings	14.3	20.1
Lease liabilities	66.0	71.5
	80.3	91.6

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

4. Trade, other receivables and debtor costs

4.1 Trade, insurance and other receivables

	2021 Rm	2020 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
Total trade, insurance and other receivables	3 367.3	3 326.1
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 (refer to note 5).

Accounting policies

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. They are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate, less a provision for impairment. Trade receivables are classified as financial instruments in terms of IFRS.

Significant accounting estimates and judgements

(i) Business model

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. These receivables contain a significant financing component with terms of business varying from 6 to 36 months, and a significant portion of the business being conducted on 36 months.

Trade receivables are held to collect contractual cash flows and the contractual terms of the trade receivables are solely payments of principal and interest. Accordingly, the assessment of the business model is that of holding to collect and, therefore, trade receivables are accounted for on an amortised cost basis.

(ii) Modifications

The ECL is calculated with reference to the original contract with the customer. No modifications are made to the contract or the contractual cash flows as contemplated by IFRS 9.

(iii) 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.
- Payment performance for each payment state.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

4. Trade, other receivables and debtor costs continued

4.1 Trade, insurance and other receivables continued

Significant accounting estimates and judgements continued

(iii) *Impairment modelling* continued

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. 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 projected a forward-looking impact of R294.5 million on the impairment provision 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.

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.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

4. Trade, other receivables and debtor costs continued

4.1 Trade, insurance and other receivables continued

Significant accounting estimates and judgements continued

(iv) **Credit impaired (Stage 3)**

The criteria for credit impaired accounts (i.e. when the account moves to stage 3 as a result of loss events that have occurred after initial recognition) are as follows:

- Non-performing accounts (i.e. customers who have paid less than 55% of the amounts due over the contract period).
- *In duplum* accounts (the National Credit Act section providing that all charges ceases to accrue once the sum of the charges equals the amount of capital outstanding at the time).
- Accounts in debt counselling (as governed by the National Credit Act).
- As a backstop, accounts not included in the above categories, where no payment has been received over the last three consecutive months. This category was specifically created for IFRS 9 purposes.

A credit impaired account will cure when the customer does not meet the criteria for being a credit impaired account.

Curing occurs in the following instances:

- Non-performing accounts: Accounts in this category will only cure when their lifetime payment rating improves to the extent that the customer has paid 55% or more of the amounts due over the contract period. Generally, this will require a significant improvement in the customer's payment behaviour.
- *In duplum* accounts: Accounts in this category will cure when they no longer meet the requirements of the National Credit Act for being defined as an *in duplum* account.
- Accounts in debt counselling: Accounts in this category will cure when the customer is no longer in debt counselling in terms of the requirements of the National Credit Act.
- For accounts where no payment has been received in the last three consecutive months, it will cure once in receipt of a payment. This category has a high probability of curing.

With regard to credit impaired accounts, interest income is recognised by applying the effective interest rate to the net carrying value, i.e. gross carrying value less impairment provision, resulting in lower interest revenue.

(v) **Unpaid insurance**

Insurance receivables and the impairment of insurance receivables are recognised and measured in terms of IFRS 4 Insurance Contracts.

Credit risk of trade receivables

Credit risk is the risk of suffering financial loss, should any of the group's customers and counterparties fail to fulfil their contractual obligations with the group. The main credit risk faced is that customers will not meet their payment obligations in terms of the sale agreements concluded.

Lewis has a large, diverse and widespread customer base. Therefore, the group does not consider there to be any significant concentration of credit risk. There is no significant exposure to any specific industries affected by Covid-19.

Credit granting

The group has developed advanced credit granting systems to properly assess the credit worthiness of customers. The credit underwriting process flows through the following stages:

- **Credit scoring:** This involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. Lewis deals with its new customers and existing customers differently when credit scoring takes place.

The process is as follows:

- For new customers, application risk scorecards predict the risk with the emphasis for such an evaluation on information from credit bureaus and third-party information.
- For existing customers, behavioural scorecards have been developed to assess the risk through predictive behaviour with the emphasis on the customer's payment record with Lewis, bureau and other information being considered.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

4. Trade, other receivables and debtor costs continued

4.1 Trade, insurance and other receivables continued

Credit granting continued

- **Assessing client affordability:** This process involves collecting information regarding the customer's income levels, expenses and current debt obligations. Lewis has its own priority expense model based on surveys conducted with customers in addition to the National Credit Regulator's expense table.
- **Determining the credit limit for the customer:** The customer's risk score determined by the scorecard together with the affordability assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

The credit granting systems enable the group to determine its appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit granting system. The group continuously monitors any variances from the level of risk that has been adopted.

The group manages its risk effectively by assessing the customer's ability to service the proposed monthly instalment.

Impairment provision

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

In accordance with IFRS 9, the group has elected to measure the impairment allowance equal to the lifetime ECL. The lifetime ECL is calculated by determining cash flows on a probability-weighted basis and discounting these at the effective interest rate in the contract, including initiation fees. The discounted cash flow is compared to the balance owing at point of assessment to determine the ECL.

The probability-weighted cash flows are calculated using the debtor book population's payment behaviour in combination with a transition matrix. The transition matrix and payment performance for each payment state has been developed utilising customer payment history. 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 customer's lifetime payment rating, time on book and contractual term. For modelling purposes, cash flows are forecast until the account is written off or settled.

The impairment provision applicable to each payment rating and the trending thereof, is evaluated with collection rates and customer payment data produced by the credit risk information systems.

The key indicators that are reviewed include, *inter alia*, the following:

- **Number of satisfactorily paid customers.** The key operational objective is to have as many satisfactory paid customers as possible as it is the group's expectation that these customers will settle their accounts, albeit that certain categories of satisfactory paid customers may settle past their contractual term. Satisfactory paid customers are the source of future repeat business which is one of the core strengths of the business model.
- **The level of impairment provision applicable to each payment rating and the trend thereof.** The impairment calculation is performed on a monthly basis taking into account the payment behaviour of the debtors book having regard to the customer's lifetime payment rating, time on book and contractual term.

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 are 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 arrears. The group does not consider arrears the leading indicator, but rather payment ratings for the reasons mentioned above.

Lewis Group Limited:

Consolidated financial statements continued

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4. Trade, other receivables and debtor costs continued

4.1 Trade, insurance and other receivables continued

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:

Lewis Group Limited: Consolidated financial statements

 continued

FOR THE YEAR ENDED 31 MARCH 2021

4. Trade, other receivables and debtor costs

 continued

4.1 Trade, insurance and other receivables

 continued

Debtor analysis 31 March 2021

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
Satisfactory paid 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
Slow payers 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
Non-performing accounts 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
Gross debtor analysis	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		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	1 238 029	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

Lewis Group Limited: Consolidated financial statements

 continued

FOR THE YEAR ENDED 31 MARCH 2021

4. Trade, other receivables and debtor costs

 continued

4.1 Trade, insurance and other receivables

 continued

Debtor analysis 31 March 2020

	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.	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	
Slow payers 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	
Non-performing accounts 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	
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		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	1 260 584	1 031	1 115	106 652	106 652	107 739	153 451	1 682 892
Impairment provision	(1 078 695)	(345)	(805)	(72 681)	(72 681)	(29 367)	(107 514)	(1 302 734)
Amortised cost	181 889	686	310	33 971	33 971	78 372	45 937	380 158

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

4. Trade, other receivables and debtor costs continued

4.1 Trade, insurance and other receivables continued

Analysis of gross trade receivables	Not credit impaired Rm	Credit impaired Rm	Total Rm
As at 31 March 2021			
Opening balance	4 063.5	1 683.0	5 746.5
New accounts	2 158.6	–	2 158.6
Accounts settled	(628.7)	(67.0)	(695.7)
Receivables derecognised (Bad debts written off)	–	(1 133.0)	(1 133.0)
Change in value due to transactions ⁽¹⁾	(361.5)	(23.5)	(385.0)
Transfers:			
Cured (from "Credit impaired" to "Not credit impaired")	104.0	(104.0)	–
New credit impaired (from "Not credit impaired" to "Credit impaired")	(1 108.9)	1 108.9	–
Closing balance	4 227.0	1 464.4	5 691.4
As at 31 March 2020			
Opening balance	3 964.2	1 563.6	5 527.8
New accounts	2 319.4	–	2 319.4
Accounts settled	(617.3)	(82.3)	(699.6)
Receivables derecognised (Bad debts written off)	–	(979.9)	(979.9)
Change in value due to transactions ⁽¹⁾	(622.8)	201.6	(421.2)
Transfers:			
Cured (from "Credit impaired" to "Not credit impaired")	85.3	(85.3)	–
New credit impaired (from "Not credit impaired" to "Credit impaired")	(1 065.3)	1 065.3	–
Closing balance	4 063.5	1 683.0	5 746.5

Analysis of impairment allowance	Not credit impaired Rm	Credit impaired Rm	Total Rm
As at 31 March 2021			
Opening balance	1 231.9	1 302.1	2 534.0
New accounts	551.3	–	551.3
Accounts settled	(77.7)	(36.4)	(114.1)
Receivables derecognised (Bad debts written off)	–	(846.7)	(846.7)
Change in value due to transactions ⁽¹⁾	262.9	36.3	299.2
Transfers:			
Cured (from "Credit impaired" to "Not credit impaired")	59.3	(59.3)	–
New credit impaired (from "Not credit impaired" to "Credit impaired")	(795.5)	795.5	–
Closing balance	1 232.2	1 191.5	2 423.7
ECL coverage (%)	29.2	81.4	42.6
As at 31 March 2020			
Opening balance	1 072.4	1 250.7	2 323.1
New accounts	796.9	–	796.9
Accounts settled	(5.7)	(52.3)	(58.0)
Receivables derecognised (Bad debts written off)	–	(743.7)	(743.7)
Change in value due to transactions ⁽¹⁾	88.0	127.7	215.7
Transfers:			
Cured (from "Credit impaired" to "Not credit impaired")	57.9	(57.9)	–
New credit impaired (from "Not credit impaired" to "Credit impaired")	(777.6)	777.6	–
Closing balance	1 231.9	1 302.1	2 534.0
ECL coverage (%)	30.3	77.4	44.1

⁽¹⁾ This line includes movements relating to amounts charged to accounts and payments received where accounts have not yet been fully settled.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

4. Trade, other receivables and debtor costs continued

4.1 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 approximate fair value.

4.2 Debtor costs

	2021 Rm	2020 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)
Total debtor costs	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.

Accounting policy

Debtor costs

The group writes off trade receivables when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

Impairment losses on trade receivables are included in debtor costs. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant accounting estimates and judgements

Bad debt write-offs take place at the end of each reporting period (i.e. September and March). Bad debt write-offs take place where the customer's payment behaviour cannot be rehabilitated after all reasonable commercially and economically appropriate collection methods have been utilised and exhausted. The bad debt write-offs are initiated where the customer has not made a qualifying payment in the three months preceding the write-off for the following categories:

- Customers significantly in arrears.
- Non-performing customers in terms of the business' credit management practices.
- Customers with out-of-term accounts.

Strong collection drives precede the write-offs and there is no reasonable prospect of significant recoveries once the customer account has been written off. Where receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

5. Insurance

5.1 Insurance investments

	2021 Rm	2020 Rm
Financial assets – insurance investments		
Listed investments		
Fixed income securities – FVOCI debt investments	253.6	228.0
Unlisted investments		
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
Movement for the year		
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.

Accounting policy

Insurance investments are those investments made by the group's insurance company to meet statutory solvency requirements and comprise fixed income securities and money market instruments. Insurance investments is classified as financial instruments in terms of IFRS.

Significant accounting estimates and judgements

The group holds the following investments:

- Fixed income securities
- Money market investments (floating rate notes)

From a business model assessment, these assets are held to collect the contractual cash flows and to sell the assets. The fixed income securities and money market investments meet the SPPI test and are accounted for at FVOCI.

Fixed income securities are risk-free government bonds. Money market investments (floating rate notes) are invested with credit-worthy financial institutions. Both foreign and local credit ratings are monitored to assess credit-worthiness. An ECL assessment was performed and no ECL has been provided as it was found to be immaterial due to the probability of default being extremely low.

Stage 1 with no movement between stages. No amount for 12-month expected credit loss has been recognised as the amount is immaterial.

Lewis Group Limited:

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5. Insurance continued

5.1 Insurance investments continued

Credit risk

Fixed income securities are risk-free government bonds.

The following table provides information regarding the credit risk exposure of the government bonds:

Name of investment	2021 Credit rating	2020 Credit rating	Maturity profile	2021 Rm	2020 Rm
RSA 7.00% 280231	Ba2	Ba1	7 to 12 years	103.2	90.8
RSA 6.25% 310336	Ba2	Ba1	12+ years	103.4	93.5
RSA 6.5% 280241	Ba2	Ba1	12+ years	47.0	43.7
Total				253.6	228.0

The money market investments are invested with credit-worthy financial institutions.

The Moody's credit rating and maximum exposure to credit risk for money market investments per institution is detailed in the table below:

Financial institutions	2021		2020		2021 Rm	2020 Rm
	Long-term	Short-term	Long-term	Short-term		
FNB	Ba2	NP	Ba1	NP	41.3	45.3
Absa	Ba2	NP	Ba1	NP	42.3	40.3
Nedbank	Ba2	NP	Ba1	NP	46.4	50.6
Standard Bank	Ba2	NP	Ba1	NP	43.3	45.3
Investec	Ba2	NP	Ba1	NP	46.3	51.5
Other					4.1	12.9
Total					223.7	245.9

The long-term and short-term ratings above are foreign ratings. Foreign ratings are heavily influenced by the country's overall credit rating.

Price risk

There is exposure to securities price risk because of investments held by Monarch Insurance Company Limited ("Monarch"). These investments are classified as FVOCI debt.

Monarch holds investments in order to meet the insurance liabilities and solvency margins required by the Insurance Act, No. 18 of 2017. The investments are managed by Sanlam Investment Management Proprietary Limited ("Sanlam") on Monarch's behalf.

The overall management objectives of the Monarch investment portfolio are:

- preservation of capital over the long-term;
- managing market risk over the short- to medium-term; and
- to ensure the portfolio is adequately diversified.

Monarch's Board controls the investment strategy adopted by Sanlam. At each of the Board's quarterly meetings, a comprehensive report from Sanlam is presented and discussed. Particular emphasis is placed on:

- current market conditions and future expectations;
- asset allocations considering the above;
- returns under each asset category;
- detailed reviews of the positioning of the bond portfolio; and
- recommendations of the asset manager going forward.

The Monarch Board considers the recommendations of the asset managers. The investment strategy is then formulated for the following quarter and authority given to the Monarch Chief executive officer to implement the strategy. The performance of this portfolio is presented to the group's Audit Committee on a quarterly basis.

Lewis Group Limited:

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5. Insurance continued

5.1 Insurance investments continued

Price risk continued

The market risk of the fixed security portfolio is monitored through the modified duration of the portfolio, a measure which approximates the movement in the fair value of such securities relative to interest rate movements. The modified duration of the fixed income portfolio at the respective year-ends and the JSE All Bond Index are as follows:

	2021	2020
Modified duration of Monarch's fixed income portfolio	7.6	7.5
Modified duration of the JSE All Bond Index	6.3	6.4

	2021 Rm	2020 Rm
Interest rate risk		
Interest rate volatility arises from insurance investments in two ways:		
- Money market investments in the form of floating rate notes		
- Fixed income securities in the form of fixed coupon rates		
The interest rate prevailing on money market deposits at year-end was 4.8% (2020: 7.7%). Assuming the current levels of money market deposits throughout the year, the impact of changes to the coupon rate on net profit after tax is as follows:		
+50 basis points	0.8	0.9
-50 basis points	(0.8)	(0.9)
The coupon rate on fixed income securities prevailing at year-end was 8.1% (2020: 8.1%). Assuming no change in current level of fixed income securities, the impact of changes in the coupon rate on net profit after tax is as follows:		
+50 basis points	1.3	1.3
-50 basis points	(1.3)	(1.3)

Liquidity risk

Monarch manages liquidity requirements by matching the maturity of the assets invested to the corresponding insurance liabilities and the required solvency margin. The insurance liabilities and the required solvency margin are covered by fixed income securities and money market deposits. The maturity analysis of insurance investments are presented in note 3 and the maturity analysis of insurance liabilities are presented in note 5.4.

Fair value hierarchy

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

	Level 2 Rm	Total Rm
2021		
Insurance investments:		
Fixed income securities - FVOCI debt investments	253.6	253.6
Money market floating rate notes - FVOCI debt investments	223.7	223.7
	477.3	477.3
2020		
Insurance investments:		
Fixed income securities - FVOCI debt investments	228.0	228.0
Money market floating rate notes - FVOCI debt investments	245.9	245.9
	473.9	473.9

Lewis Group Limited:

Consolidated financial statements continued

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5. Insurance continued

5.1 Insurance investments continued

Fair value hierarchy continued

A description of the categorisation of the valuation techniques used to value the assets at fair value is set out below:

Level 1:

Financial instruments valued with reference to quoted prices in active markets where the quoted price is readily available and the price represents actual and recurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2:

Financial instruments valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset, either directly or indirectly, such as:

- quoted prices for similar assets in an active market;
- quoted prices for identical or similar assets in inactive markets;
- valuation model using observable inputs; or
- valuation model using inputs derived from/corroborated by observable market data.

Level 3:

Financial instruments valued using inputs that are not based on observable market data. The group only has goodwill that falls into this category (refer to note 20).

Insurance investments are valued with reference to observable market data on the JSE and are categorised under Level 2.

5.2 Investment income

	2021 Rm	2020 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

Accounting policy

Investment income is recognised as follows:

- Interest on investments is recognised on a time proportion basis taking into account the effective interest rate method on the assets.
- The group has debt investments measured at FVOCI. For these investments, changes in fair value are accumulated within the FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

5. Insurance continued

5.3 Insurance liabilities

	2021 Rm	2020 Rm
Unearned premiums	33.5	38.6
Opening balance	38.6	48.2
Released to the income statement	(5.1)	(9.6)
Outstanding claims and IBNR	89.6	66.2
Opening balance	66.2	54.5
Charged in the income statement	252.7	189.9
Claims paid	(200.4)	(150.7)
Claims management fee	(28.9)	(27.5)
Total insurance liabilities	123.1	104.8

Accounting policies

Classification

Insurance contracts are those contracts that transfer significant risk. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event in terms of the cover given to the insured.

Insurance contracts entered into by the group's insurer under which the contract holder is another insurer (inwards re-insurance) are included with insurance contracts.

Provision for unearned premiums

The provision for unearned premiums represents that part of the current year's premiums relating to risk periods that extend to the subsequent years. The unearned premiums are calculated on a straight-line basis over the period of the contract.

Unexpired risk reserve

Provision will be made by the group for underwriting losses if it is anticipated that the unearned premiums at reporting date will not be sufficient to cover future claims, including claims handling fees and related administration costs. This liability adequacy test is performed annually to ensure the adequacy of short-term insurance liabilities.

Outstanding claims

Provision is made for the estimated final cost of all claims notified but not settled at the accounting date and claims arising from insurance contingencies that occurred before the close of the accounting period, but which had not been reported by that date. Claims and expenses are charged to income as incurred based on the estimated liability for compensation owed to insurance policyholders. The group's own assessors individually assess claims. Outstanding claims provisions are not discounted.

A liability is also recognised for claim events that have occurred but have not yet been reported ("IBNR"). The liability is measured using appropriate statistical techniques with historical data.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

5. Insurance continued

5.3 Insurance liabilities continued

Significant accounting estimates and judgements

In estimating the provision for claims reported but not yet paid, the notified claims at balance sheet date are reviewed and predetermined formulae based on experience are applied.

The IBNR reserve is calculated for each class of business at 31 March 2021 by projecting ultimate claims for each loss quarter using:

- The Chain-Ladder method ("CL"),
- Bornhuetter-Ferguson method ("BF"); or
- The Loss Ratio method ("LR").

The IBNR is calculated from the projected ultimate claims per origin quarter, after deducting paid claims to date and provision for outstanding claims for that origin quarter.

Below is the sensitivity analysis of the net profit after tax should the IBNR increase or decrease by 10%:

	2021	2020
IBNR increases by 10 basis points	(4.2)	(3.8)
IBNR decreases by 10 basis points	4.2	3.8

5.4 Maturity analysis

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
2021					
Insurance liabilities	(103.5)	(19.6)	–	–	(123.1)
2020					
Insurance liabilities	(80.8)	(24.0)	–	–	(104.8)

Refer to note 3 for the maturity analysis of insurance investments.

Insurance risk

The risks covered under insurance contracts entered into with customers by the group's insurer, Monarch, and external insurer's in neighbouring foreign countries are as follows:

- Replacement of customer's goods or settlement of balances in the event of damage or theft of goods. Where the goods are replaced, the cost of the claim is determined with reference to the cost of the goods acquired.
- Settlement of customer's outstanding balance in the event of death or permanent disability.
- Settlement of customer's outstanding balance or up to 12 months instalments due for temporary disability and loss of income.

As Monarch is part of the group, the underwriting of the above insurance risks forms part of the credit assessment made prior to entering an instalment sale or loan with the customer for the purchase of goods.

The risk under the insurance contract is the possibility that the insured events as detailed above occur and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contract, this risk is random and therefore unpredictable.

A prominent risk that the group faces is that the actual claims exceed the amount of the insurance claims provisions. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number of claims will vary from year-to-year from the estimated claims provision established using historical claims patterns and actuarial techniques.

Lewis Group Limited:

Consolidated financial statements continued

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5. Insurance continued

Insurance risk continued

The development of insurance claims provisions provides a measure of the group's ability to estimate the ultimate value of the claims. The group does not underwrite long-term risks and, consequently, the uncertainty about the amount and timing of claim payments is limited. Regular estimates of claims are performed in reviewing the adequacy of the insurance claims provisions. Claims development is reviewed by management on a regular basis. Insurance claim provisions will generally be settled within one year.

The frequency and severity of claims can be affected due to unforeseen factors such as patterns of crime, pandemic and employment trends. The group manages these risks through its underwriting strategy and proactive claims handling. The geographical spread of the group ensures that the underwritten risks are well-diversified. No significant concentrations of insurance risk exist.

Catastrophe cover has been placed with third-party insurers in order to reduce the potential impact of a single catastrophic event on the earnings and capital of Monarch. Due to the nature of the insurance risk, claims can be measured reliably. Past experience has indicated that claims provision estimates approximates the actual claims costs. The insurance result is dependent on the trend in the group's merchandising sales. There is no insurance business other than with the group's customers.

Regulatory requirements

The group's wholly owned insurance company, Monarch is subject to the regulations as set out in the Short-Term Insurance Act, No. 53 of 1998, as amended and the Insurance Act, No. 18 of 2017 ("Insurance Acts").

The Insurance Acts, including the Financial Soundness Standards for Insurers and Microinsurers, became effective on 1 July 2018 and stipulate the calculation of the value of assets, liabilities and the solvency capital requirement of Microinsurers as well as Short-Term Insurers and requires Monarch to hold certain prescribed assets to meet its insurance liabilities and solvency capital requirement. Management confirms that Monarch meets the standards in terms of the requirements of the Insurance Acts.

5.5 Insurance cell captive

	2021 Rm	2020 Rm
Investment in insurance cell captive included in other receivables	10.7	21.1

The company has an economic interest in cell captives. These "cells" issue contracts that transfer insurance risk. The risks and rewards associated with these contracts are transferred to the company through a cell agreement. The company is required at all times to maintain the cell in a financially sound condition. The net profit or loss after tax from the cells is accounted for by the company in insurance revenue in the income statement. The net investment in the cells is shown under other receivables in the balance sheet. In determining the net insurance result from the cell captive contracts, the group insurance accounting policies are applied. The amounts payable to the company in terms of the contract are subject to certain liquidity and solvency requirements of the insurance company.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

6. Borrowings, cash and net finance costs

6.1 Borrowings, banking facilities and cash

	2021 Rm	2020 Rm
Interest-bearing borrowings		
Short-term banking facilities	–	(922.1)
Cash-on-hand and deposits	447.0	1 193.4
Net cash	447.0	271.3
Available facilities		
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
Available funds	3 597.0	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. The weighted average interest rate at the end of the reporting period is 5.9% (2020: 7.6%).	–	922.1
	–	922.1
The exposure of the group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are set out below in terms of years subsequent to reporting date:		
Variable interest rates:		
One year	–	922.1
Two years	–	–
Three years	–	–
	–	922.1
The above borrowings are unsecured. The group has committed and overnight facilities with banks and financial institutions of R1 150 million (2020: R1 150 million) and has established a Domestic Medium-Term Note programme ("DMTN") in October 2013, under which the group can issue notes up to R2 billion.		
Cash and cash equivalents		
Cash-on-hand and deposits	447.0	1 193.4
	447.0	1 193.4

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

6. Borrowings, cash and net finance costs continued

6.1 Borrowings, banking facilities and cash continued

	Liabilities from financing activities		Total Rm
	Banking facilities due within one year Rm	Banking facilities due after one year Rm	
Net debt as at 1 April 2019	–	–	–
Cash flows	942.2	–	942.2
Interest payments which are presented as operating cash flows	(20.1)	–	(20.1)
Net debt as at 31 March 2020	922.1	–	922.1
Cash flows	(936.4)	–	(936.4)
Interest payments which are presented as operating cash flows	14.3	–	14.3
Net debt as at 31 March 2021	–	–	–

Accounting policies

Borrowings comprise committed facilities with banks and financial institutions and notes issued under a DMTN programme.

Cash and cash equivalents comprise cash-on-hand and deposits held on call with banks and demand loans.

Borrowings and cash and cash equivalents are classified as financial instruments in terms of IFRS.

Interest income on cash and cash equivalents calculated utilising the effective interest rate method is recognised in the income statement as part of interest received.

Capital management

	2021 Rm	2020 Rm
Interest-bearing borrowings	805.8	1 760.0
Less: Cash and cash equivalents	(447.0)	(1 193.4)
Net debt	358.8	566.6
Shareholders' equity	4 872.7	4 709.5
Gearing ratio	(%) 7.4	12.0

Capital is monitored on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity capital. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents.

The gearing ratio is in line with the actual capital structure.

The group's objectives when managing capital are to:

- safeguard the group's ability to continue as a going concern;
- provide returns for shareholders;
- provide benefits for other stakeholders; and
- maintain an optimal capital structure as approved by the Board.

In order to maintain the optimal capital structure, dividends paid to shareholders may be adjusted, capital could be returned to shareholders or new shares could be issued.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

6. Borrowings, cash and net finance costs continued

6.1 Borrowings, banking facilities and cash continued

Credit risk

Credit risk may also arise when an entity has its credit rating downgraded causing the fair value of the group's investment in that entity's financial instruments to fall. The credit ratings of the financial institutions holding deposits on our behalf and those whose securities we hold are monitored on a regular basis.

Stage 1 with no movement between stages. No amount for 12-month expected credit loss has been recognised as the amount is immaterial.

Deposits are placed with high-quality South African institutions. Included in the cash-on-hand and deposits are bank balances held in foreign currency amounting to R47.6 million (2020: R65.0 million).

The Moody's credit rating and maximum exposure to credit risk for cash and cash equivalents per institution is detailed in the table below:

Financial institutions	2021		2020		2021 Rm	2020 Rm
	Long-term	Short-term	Long-term	Short-term		
FNB	Ba2	NP	Ba1	NP	172.5	132.5
Absa	Ba2	NP	Ba1	NP	91.9	228.4
Investec	Ba2	NP	Ba1	NP	0.1	300.2
Standard Bank	Ba2	NP	Ba1	NP	39.3	200.2
RMB	Ba2	NP	Ba1	NP	8.7	162.0
Nedbank	Ba2	NP	Ba1	NP	67.9	164.5
Sanlam	Ba2	NP	Ba1	NP	61.2	–
Other					5.4	5.6
Total					447.0	1 193.4

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the group maintains flexibility in funding through the use of committed facility lines.

Management monitors the group's cash flows through the monitoring of actual inflows and outflows against forecasted cash flows and the utilisation of borrowing facilities. A quarterly analysis is presented to the Audit committee.

As noted above, the group has adequate facilities to meet its liquidity requirements.

Fair value

Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

The fair value of borrowings approximates its carrying value as it is linked to market-related interest rates.

Lewis Group Limited:

Consolidated financial statements continued

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6. Borrowings, cash and net finance costs continued

6.2 Net finance costs

	Notes	2021 Rm	2020 Rm
Interest paid		(105.3)	(98.0)
Borrowings	3	(14.3)	(20.1)
Lease liabilities	17.1	(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
Net finance costs		(130.2)	(34.5)

Accounting policies

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Foreign exchange gains and losses that relate to forward exchange contracts are presented in the income statement, within net finance costs.

Derivative instruments

Derivative instruments are utilised to hedge exposure to foreign currency fluctuations. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will substantially offset the underlying transactions when they occur. Derivative instruments are classified as financial instruments under IFRS.

Interest rate risk

The principal objective of interest rate management is to:

- minimise the impact of interest rate volatility on profits in the short-term; and
- ensure that the group is protected from volatile interest rate movements for the medium- to long-term.

As part of the process of managing floating rate interest-bearing debt, the interest rate characteristics of borrowings are positioned according to the expected movements in interest rates. The Chief financial officer may recommend to the Audit committee ('the committee') the use of fixed interest debt and interest rate swaps as circumstances dictate. The use of such instruments must be specifically approved by the committee. During the current year, no fixed rate loans or interest rate swaps were entered into.

Interest rate profiles are analysed by the changes in its borrowing levels and the interest rates applicable to the facilities available to the group. The sensitivity analysis for a 50 basis points change in the interest on net profit after tax is set out below, assuming the current level of borrowings at year-end is maintained throughout the year:

	2021 Rm	2020 Rm
Interest increases by 50 basis points	–	(3.6)
Interest decreases by 50 basis points	–	3.6

Lewis Group Limited:

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6. Borrowings, cash and net finance costs continued

6.2 Net finance costs continued

Foreign exchange risk

Foreign exchange risk is present in respect of imports of merchandise. Merchandise is sourced from foreign suppliers, particularly in the Far East. In order to minimise exposure to foreign currency fluctuations, forward cover is taken out to cover forward purchase commitments made with foreign suppliers.

During the year, 37.0% (2020: 28.9%) of the purchases were in foreign denominated currencies. Below is a summary of the amounts payable under forward contracts:

	Term	Average rate	Foreign currency FCm	Rand equivalent Rm	Fair value loss/(gain) Rm
2021					
US dollar	Less than six months	Rate at R16.19	15.3	237.2	8.1
2020					
US dollar	Less than six months	Rate at R16.15	9.9	173.8	(12.8)

Below is a sensitivity analysis of the effect of currency movements of 10% on the year-end valuation of the forward exchange contracts on net profit after tax:

	2021 Rm	2020 Rm
Currency appreciates by 10%	17.1	12.5
Currency depreciates by 10%	(17.1)	(12.5)

Lewis Group Limited:

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7. Trade and other payables

	2021 Rm	2020 Rm
Trade payables	175.6	196.5
Accruals and other payables	211.6	122.0
Employment provisions	150.1	106.5
Refund obligation	81.2	81.5
Restoration provision	32.4	37.1
Cash-settled share-based payments (refer to note 14.3.2)	23.6	4.3
	674.5	547.9
	Restoration provision Rm	Employment provisions Rm
2021		
Opening balance	37.1	106.5
Additions and modifications during the year		
Utilised	(7.9)	137.2
Interest	(0.4)	(93.6)
	3.6	–
Closing balance	32.4	150.1
2020		
Opening balance	–	109.7
Reallocated from lease liabilities (refer to note 17.1)	33.4	–
Additions during the year	4.1	15.7
Utilised	(0.4)	(18.9)
Closing balance	37.1	106.5

Accounting policies

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as financial instruments in terms of IFRS.

The accounting policies for financial instruments are included in note 3.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Employment provisions

Employee entitlements to annual leave and bonus are recognised as they accrue to employees when there is a legal or constructive obligation to make such payments as a result of past performance. An accrual is made for the estimated provision still owing as a result of services provided by employees up to the balance sheet date.

Refund obligation

Full details is set out in note 9.2 to the financial statements.

Restoration provision

A provision is recognised for the restoration costs associated with leased property. This is an estimate of costs to be incurred to restore the leased property back to its original state, as per the lease agreement. Restoration costs are provided for at the present value of expected future costs to settle the obligation and are recognised as part of the cost of the right-of-use asset. The future expected costs are based on past experience of management and is discounted at an appropriate discount rate. The estimated future costs of restoration are reviewed annually and adjusted accordingly.

Cash-settled share-based payments

Full details of the accounting policy is set out in note 14.3 to the financial statements.

Lewis Group Limited:

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8. Payments in advance

	2021 Rm	2020 Rm
Opening balance	150.1	158.0
Revenue recognised in the period previously included in the opening balance	(100.0)	(101.0)
Liability raised during the current period	112.7	93.1
Closing balance	162.8	150.1

Payments in advance arise:

- in the case of a maintenance contract (refer note 9.2) where customers have settled their accounts or where customers have paid in advance of Lewis' performance obligations, which will typically be satisfied over a period of three years from the date of that maintenance contract; and
- in the case where customers have paid in advance for goods still to be delivered under the sales contract, which will be satisfied when those goods are delivered to the customer.

Management expects that R108.0 million (2020: R100.0 million) of the transaction price allocated to the unsatisfied contracts as at 31 March 2021 will be recognised as revenue during the next reporting period and the remaining R54.8 million (2020: R50.1 million) during the following reporting period.

9. Revenue

9.1 Revenue

	2021 Rm	2020 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

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

9. Revenue continued

9.1 Revenue continued

Accounting policies

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and comprises merchandise sales net of discounts, earned finance charges and initiation fees, earned maintenance contracts, delivery and insurance premiums earned. Value added tax is excluded.

(i) Retail revenue

Merchandise sales

Revenue from the sale of merchandise is recognised on the date of delivery. Sales are mainly conducted as follows:

- (a) By instalment sale and loan agreements. Such agreements are subject to credit legislation in the jurisdictions that the group operates.
- (b) Cash and open accounts.

It is policy to sell goods with the right of return in terms of current consumer legislation. Such sales are cancelled where the right of return is exercised. Under IFRS 15, a refund liability for the expected refunds is recognised as an adjustment to revenue and trade and other payables. The corresponding right to recover the product from the customer is an adjustment to cost of sales and inventory.

Ancillary services

Maintenance contracts

Revenue from maintenance contracts is recognised as follows:

- the income is deferred until the expiry of the one-year supplier's warranty; and
- for the two subsequent years of the maintenance contract, revenue is recognised in accordance with the percentage stage of completion method using the expected costs of providing the service as an appropriate measure of the stage of completion. To establish the expected cost to provide the service, the group reviews its historic incidence records on a rolling three-year period.

Other

Revenue from the provision of other services (mainly delivery and service fees) is recognised when the services are rendered.

(ii) Effective interest income

Interest income is calculated by applying the effective interest rate to the gross carrying value of financial assets except for financial assets that have subsequently become credit-impaired (or "stage 3") for which interest revenue is calculated by applying the effective interest rate to their net carrying value (i.e. gross carrying value less impairment provision). The effective interest rate calculation does not consider expected credit losses but include initiation fees as they are integral to the effective interest rate.

(iii) Insurance revenue

Insurance revenue consists of gross insurance premiums. Insurance premiums are recognised on a straight-line basis over the period of the contract, after an appropriate allowance is made for unearned premiums.

Lewis Group Limited:

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9. Revenue continued

9.2 Retail revenue – revenue from contracts with customers

	Traditional Rm	Cash Rm	Group Rm
2021			
Merchandise sales			
- Cash	1 434.4	566.5	2 000.9
- Credit	1 930.3	-	1 930.3
Ancillary services			
- At a point in time	153.5	10.4	163.9
- Over time	652.6	-	652.6
	4 170.8	576.9	4 747.7
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

Significant accounting estimates and judgements

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is in accordance with the reportable segments as this represents how the group is managed in terms of its sales channels.

Transaction price

All transaction prices for ancillary services are stand alone and are at arms length (i.e. no services are bundled with the purchase of merchandise). Consequently, there are no allocations of transaction prices required.

Refund obligation

The accumulated experience of the portfolio has been utilised to estimate such returns at the time of sale. Our assessment is that no significant change in the level of returns will occur. The assumptions and the estimates underlying the refund liability are reassessed at each reporting date and there has been no material change in these assumptions and estimates for the current period.

Maintenance contracts

The maintenance contract is a two-year contract irrespective of the term of the instalment sale agreement. The first year is covered by a supplier's warranty. The group provides two-year extended warranty coverage in the second and third year. Revenue from maintenance contracts is recognised in accordance with the percentage stage of completion method using the expected costs of providing the service as an appropriate measure of the stage of completion. To establish the expected cost to provide the service, the group reviews its historic incidence records on a rolling three-year period.

Delivery fees

Revenue from delivery fees is recognised at a point in time when delivery of the customer's ordered goods is made and the transaction finally approved. The customer has the non-obligatory option to select delivery for their purchased goods at an additional cost.

Service fees

Service fees are the fees charged monthly in connection with the routine administration cost of maintaining a credit agreement and consequently, in accordance with paragraph 5.4.3 (a) of appendix B (implementation guidance) to IFRS 9, it is accounted for under IFRS 15.

Service fees are fixed and are not charged on a variable basis by the group (i.e. not based on the price of the goods sold).

Revenue from service fees is recognised when the service is performed on a monthly basis over the duration of the credit agreement.

Lewis Group Limited:

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9. Revenue continued

9.3 Insurance revenue

	2021 Rm	2020 Rm
Gross premiums written	702.1	656.5
Changes in unearned premiums	5.1	9.6
Net premiums earned	707.2	666.1

10. Reportable segments

Primary	Traditional Rm	Cash Rm	Group Rm
2021			
Segment income statement			
Merchandise sales	3 364.7	566.5	3 931.2
Total revenue from external customers			
Retail revenue - revenue from contracts with customers	4 170.8	576.9	4 747.7
Insurance revenue	707.2	-	707.2
Effective interest income	1 271.0	-	1 271.0
	6 149.0	576.9	6 725.9
Cost of merchandise sales	(1 978.1)	(310.7)	(2 288.8)
Operating costs	(3 568.2)	(173.4)	(3 741.6)
Segment operating profit before investment income	602.7	92.8	695.5
Segment operating margin	(%) 17.9	16.4	17.7
Segment assets⁽¹⁾	4 074.0	141.5	4 215.5
Capital expenditure	120.4	0.9	121.3
Depreciation and amortisation	269.4	39.8	309.2
Impairment	33.8	-	33.8
2020			
Segment income statement			
Merchandise sales	3 155.4	530.1	3 685.5
Total revenue from external customers			
Retail revenue - revenue from contracts with customers	3 934.9	540.4	4 475.3
Insurance revenue	666.1	-	666.1
Effective interest income	1 311.9	-	1 311.9
	5 912.9	540.4	6 453.3
Cost of merchandise sales	(1 863.5)	(310.0)	(2 173.5)
Operating costs	(3 839.5)	(186.6)	(4 026.1)
Segment operating profit before investment income	209.9	43.8	253.7
Segment operating margin	(%) 6.7	8.3	6.9
Segment assets ⁽¹⁾	3 828.9	124.3	3 953.2
Capital expenditure	106.0	2.1	108.1
Depreciation and amortisation	298.2	50.7	348.9
Impairment	26.6	-	26.6

⁽¹⁾ Segment assets include net instalment sale receivables of R3 267.7 million (2020: R3 212.5 million) and inventory of R947.8 million (2020: R740.7 million).

Lewis Group Limited:

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10. Reportable segments continued

Geographical	South Africa Rm	Namibia Rm	BLE ⁽²⁾ Rm	Group Rm
2021				
Revenue	5 724.8	498.7	502.4	6 725.9
Non-current assets ⁽³⁾	962.6	98.1	74.5	1 135.2
2020 – Restated				
Revenue	5 492.7	475.9	484.7	6 453.3
Non-current assets ⁽³⁾	930.4	114.9	93.4	1 138.7

⁽²⁾ Botswana, Lesotho and Eswatini.

⁽³⁾ Non-current assets are defined as property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets.

In the prior period, non-current assets for the BLE countries included intangible assets of R46.9 million related to South Africa. The comparative figures have been restated.

Accounting policy

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief executive officer and the Chief financial officer.

The group has identified its operating segments based on the chains that it operates. These segments reflect how the group's businesses are managed and reported to the chief operating decision-makers. All of the business segments operate in the furniture retail business. Set out below is a summary of the operations in each of the operating segments of the group:

(i) Traditional

Traditional business consists of the credit-focused brands:

Lewis

Lewis sells a range of household furniture, electrical appliances and home electronics to customers in the LSM* 4 to 7 categories.

Best Home and Electric

Best Home and Electric is a retailer of electrical appliances, sound and vision equipment and furniture, targeting the LSM* 4 to 7 customer.

Beares

Beares is a retailer of upmarket furniture, electrical appliances and home electronics to customers in the LSM* 6 to 9 categories.

(ii) Cash

This is the cash focused brand of UFO which retails luxury furniture to customers in the LSM* 9 + categories.

Information regarding the performance of each segment is disclosed in the segmental report. Performance is measured on the basis of the operating profit (which includes the insurance underwriting result), as management believes that this measure is useful in evaluating the results of the segments, both in relation to each other and in relation to their respective competition. Investment income, net finance costs and taxation (i.e. the items that reconcile total segment operating profit to profit attributable to ordinary shareholders) are reviewed on a group basis. With respect to assets and liabilities, the chief operating decision-makers only monitor the trade receivables and inventory for each segment. The remaining assets and the liabilities are reviewed on a group basis.

* Living Standards Measure ("LSM") index as developed by the South African Audience Research Foundation ("SAARF").

Lewis Group Limited:

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11. Gross profit and inventories

	2021 Rm	2020 Rm
Merchandise sales	3 931.2	3 685.5
Cost of merchandise sales	(2 288.8)	(2 173.5)
Purchases	(2 495.9)	(2 248.4)
Movement in inventory	207.1	74.9
Merchandise gross profit	1 642.4	1 512.0
Gross profit percentage	(%) 41.8	41.0
Inventories		
Cost of merchandise	1 033.2	827.3
Less: Provision for obsolescence	(85.4)	(86.6)
	947.8	740.7

Included in the above is an adjustment for stock with a right of return of R33.9 million (2020: R34.0 million). Refer to note 9 refund obligation.

Accounting policy

Inventory, comprising merchandise held for resale, is valued at the lower of cost or net realisable value. Cost is determined using the weighted average basis, net of trade and settlement discounts. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses. Provision is made for slow moving, redundant and obsolete inventory.

12. Cash flow from operations

	2021 Rm	2020 Restated Rm
12.1 Cash flow from trading:	1 053.3	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).		
12.2 Changes in working capital:	(138.7)	(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
12.3 Interest paid per cash flow statement:		
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)

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

12. Cash flow from operations continued

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

13. Capital management

13.1 Earnings

	2021 Cents	2020 Cents
Earnings per share		
Earnings per share	576.4	232.1
Diluted earnings per share	565.3	225.4
Headline earnings per share		
Headline earnings per share	616.5	260.2
Diluted headline earnings per share	604.6	252.7

	Gross Rm	Income tax effect Rm	Net Rm
Headline earnings			
2021			
Attributable earnings	432.9	–	432.9
Profit on disposal of fixed assets	(0.1)	–	(0.1)
Impairment of right-of-use assets	33.8	(9.5)	24.3
Goodwill write-off	5.9	–	5.9
Headline earnings	472.5	(9.5)	463.0
2020			
Attributable earnings	182.4	–	182.4
Loss on disposal of fixed assets	3.2	(0.9)	2.3
Impairment of right-of-use assets	26.6	(6.8)	19.8
Headline earnings	212.2	(7.7)	204.5

Lewis Group Limited:

Consolidated financial statements continued

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13. Capital management continued

13.2 Dividends

	2021 Cents	2020 Cents
Dividends paid per share		
Final dividend 2020 (2019)	65.0	129.0
Interim dividend 2021 (2020)	133.0	120.0
	198.0	249.0
Dividends declared per share		
Interim dividend 2021 (2020)	133.0	120.0
Final dividend 2021 (2020)	195.0	65.0
	328.0	185.0
	2021 Rm	2020 Rm
Dividends paid		
Dividend number 30 declared on 22 May 2019 and paid on 22 July 2019	–	103.6
Dividend number 31 declared on 20 November 2019 and paid on 27 January 2020	–	95.0
Dividend number 32 declared on 25 August 2020 and paid on 21 September 2020	51.5	–
Dividend number 33 declared on 25 November 2020 and paid on 25 January 2021	98.4	–
Dividends received on treasury shares		
Lewis Employee Share Incentive Scheme Trust	(2.9)	(2.2)
	147.0	196.4

13.3 Number of shares

	2021 000's	2020 000's
Weighted average number of shares		
Weighted average shares for earnings and headline earnings per share	75 109	78 615
Dilution resulting from share awards outstanding	1 471	2 321
Weighted average shares for diluted earnings and headline earnings per share	76 580	80 936
Diluted earnings and diluted headline earnings per share is calculated by adjusting the weighted average number of ordinary shares assuming that all share options will be exercised. The dilution is determined by the number of shares that could have been acquired at fair value (determined as the average annual market price of the shares) less the number of shares that would be issued on the exercise of all the share options.		
Number of ordinary shares in issue		
Number of shares issued at beginning of year	76 899	80 210
Shares repurchased	(5 363)	(3 311)
Number of shares issued at end of year	71 536	76 899
Treasury shares held by:		
Lewis Employee Share Incentive Scheme Trust	(27)	(26)
Effective number of shares in issue	71 509	76 873

Lewis Group Limited:

Consolidated financial statements continued

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13. Capital management continued

13.4 Equity

	2021 Rm	2020 Rm
Share capital and premium		
Share capital	1.0	1.0
Share premium	1 916.9	2 029.5
Reverse acquisition reserve	(2 123.1)	(2 123.1)
Cost of cancelled shares	206.1	93.5
	0.9	0.9
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
Treasury shares		
Opening balance	(1.0)	(0.5)
Cost of own shares acquired	(23.0)	(21.0)
Share awards to employees	23.6	20.5
	(0.4)	(1.0)
Treasury shares	0.4	1.0
Lewis Employee Share Incentive Scheme Trust	0.4	1.0

During the financial year, shares were repurchased in terms of section 48 of the Companies Act as follows:

	Number of shares repurchased	Average price R	Total value repurchased Rm
In terms of the general authority granted by shareholders at the annual general meeting held on 25 October 2019.	1 882 760	17.09	32.1
In terms of the general authority granted by shareholders at the annual general meeting held on 23 October 2020.	3 480 417	23.12	80.5
	5 363 177		112.6

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

Reverse acquisition reserve

On listing, Lewis Group Limited ('Lewis Group') acquired the total shareholding of Lewis Stores Proprietary Limited ('Lewis Stores') through issuing shares to the shareholder at that date. In terms of IFRS 3 requirements for reverse acquisitions, Lewis Stores was the acquirer and Lewis Group the acquiree, although Lewis Group is the holding company and Lewis Stores the subsidiary. The group financial statements were in substance a continuation of the operations of Lewis Stores from the date that the reverse acquisition took place.

Treasury shares

The Lewis Employee Share Incentive Scheme Trust effectively holds 27 009 shares (2020: 26 437 shares), all of which will be utilised to cover share awards granted to executives.

Lewis Group Limited:

Consolidated financial statements continued

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13. Capital management continued

13.5 Beneficial shareholders

According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, the following entities owned in excess of 5% of the company's shares:

	2021		2020	
	Number of shares Total	% holding	Number of shares Total	% holding
Coronation Balanced Plus Fund (SA)	3 684 418	5.15	–	–
Corolife Special Opportunities Portfolio (SA)	3 387 269	4.74	–	–
Government Employees Pension Fund (SA)	–	–	7 890 768	10.26
Trimark Global Endeavour Fund (Canada)	–	–	7 454 763	9.69
Trimark Global Balanced Fund (Canada)	–	–	4 047 392	5.26

13.6 Other reserves

	Fair value reserve Rm	Foreign currency translation reserve Rm	Share-based payments reserve Rm	Other Rm	Total Rm
2021					
Opening balance	(46.7)	35.8	63.2	–	52.3
Fair value adjustments of FVOCI debt investments	19.1				19.1
Disposal of FVOCI debt investments recognised	(0.4)				(0.4)
Movement in foreign currency translation reserve		(21.5)			(21.5)
Transfer of share-based payments reserve to retained earnings on vesting			(40.2)		(40.2)
Equity-settled share-based payments			24.3		24.3
Closing balance	(28.0)	14.3	47.3	–	33.6
2020					
Opening balance	(12.0)	4.5	55.1	0.8	48.4
Fair value adjustments of FVOCI debt investments	(35.7)				(35.7)
Disposal of FVOCI debt investments recognised	1.0				1.0
Movement in foreign currency translation reserve		31.3			31.3
Transfer of share-based payments reserve to retained earnings on vesting			(20.9)		(20.9)
Equity-settled share-based payments			29.0		29.0
Transfer of other reserve to retained earnings				(0.8)	(0.8)
Closing balance	(46.7)	35.8	63.2	–	52.3

Lewis Group Limited:

Consolidated financial statements continued

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13. Capital management continued

13.7 Retained earnings

	2021 Rm	2020 Rm
Opening balance	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

Distribution by foreign subsidiaries of all their reserves at balance sheet date will potentially give rise to withholding taxes of R77.5 million (2020: R63.3 million).

Accounting policy

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including the costs attributable to the acquisition, is deducted from the group's equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in the group's equity. The weighted average number of shares is reduced by the treasury shares for earnings per share purposes. Dividends received on treasury shares are eliminated on consolidation.

Where shares are cancelled, the consideration paid including the cost attributable to the acquisition will be applied to the share premium account and once the share premium account is fully utilised, then the excess will be allocated to retained earnings.

Lewis Group Limited:

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14. Directors and employees

14.1 Employee costs

	2021 Rm	2020 Rm
Employment costs		
Salaries, wages, commissions and bonuses	1 129.3	1 098.5
Retirement benefit costs	70.8	74.6
Equity-settled share-based payments (refer note 14.3.1)	24.3	29.0
Cash-settled share-based payments (refer note 14.3.2)	19.3	4.3
Other employment costs	15.4	8.0
	1 259.1	1 214.4
Remuneration of key executives		
Salary	15.7	16.1
Bonus	10.4	21.8
Retirement and medical contributions	3.1	3.5
Gains on share awards vested ^(*)	10.3	11.1
	39.5	52.5

^(*) The gain on shares vested is calculated with reference to the number of shares that vest and the price per share at the date of vesting less consideration payable (where applicable).

Key executives comprise the directors of Lewis Stores Proprietary Limited, the main operating subsidiary. Non-executive fees are disclosed in note 14.2.

14.2 Directors' emoluments

	2021 R'000	2020 R'000
Non-executive directors - fees as directors		
H Saven		
- company	1 118	1 070
- for subsidiary	321	245
Prof. F Abrahams		
- company	878	840
- for subsidiary	255	245
A Bodasing	652	623
D Motsepe	726	694
T Njikizana	607	395
AJ Smart (Retired 2 April 2020)		
- company	-	694
- for subsidiary	21	318
D Westcott		
- company	886	848
- for subsidiary	333	320
	5 797	6 292

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14. Directors and employees continued

14.2 Directors' emoluments continued

	2021		2020	
	R'000 J Bestbier	R'000 J Enslin	R'000 J Bestbier	R'000 J Enslin
Executive directors				
All emoluments are paid by the subsidiary.				
Salary	2 690	4 361	2 586	4 169
Bonuses paid during the year	1 681	2 698	3 491	5 756
Contributions to pension scheme	430	698	414	667 ⁽¹⁾
Contributions to medical aid	–	182	–	164
Gains on share awards	1 482	2 731	806	3 706
	6 283	10 670	7 297	14 462

⁽¹⁾ The contributions to pension scheme of J Enslin for the prior year has been restated with the correct amount.

	2021		2020	
	R'000 J Bestbier	R'000 J Enslin	R'000 J Bestbier	R'000 J Enslin
Gains on share awards				
Share awards vested	119 107	219 498	24 128	110 985
Offer date	1 June 2017	1 June 2017	30 June 2016/ 30 June 2015	30 June 2016/ 30 June 2015
Date vested	25 August 2020	25 August 2020	30 June 2019	30 June 2019
Market value on date of vesting	1 481 691	2 730 555	805 634	3 705 789
Gain on share awards	1 481 691	2 730 555	805 634	3 705 789

	2021		2020	
	J Bestbier	J Enslin	J Bestbier	J Enslin
Outstanding share awards – Equity-Settled Schemes				
Lewis Short-Term and Long-Term Executive Performance Scheme				
1 June 2017 – Short-term award	–	–	119 107	219 498
30 June 2018 – Short-term award	114 284	188 397	114 284	188 397
Lewis 2019 Executive Performance Scheme				
28 August 2020 – Short-term award	270 771	438 977	–	–
Lewis Executive Retention Scheme				
30 June 2018	48 493	119 154	48 493	119 154
30 June 2019	70 258	115 816	70 258	115 816
Lewis 2019 Executive Retention Scheme				
28 August 2020	63 635	102 147	–	–
	567 441	964 491	352 142	642 865

In terms of the following schemes, the Trust holds the following invested shares on behalf of the above directors by virtue of the investment of their bonuses into the scheme:

	2021	2020
Invested shares		
Lewis Executive Retention Scheme	194 555	194 555
Lewis 2019 Executive Retention Scheme	91 180	–

Lewis Group Limited:

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14. Directors and employees continued

14.2 Directors' emoluments continued

Outstanding Notional Shares – Cash Settled Schemes	2021		2020	
	J Bestbier	J Enslin	J Bestbier	J Enslin
Lewis Cash-Settled Short-Term and Long-Term Executive Performance Scheme – New Scheme				
30 June 2019	116 217	187 347	116 217	187 347

In terms of this scheme, the award is settled in cash based on the number of notional shares accruing to the participant in terms of the scheme.

Directors' interests

The directors' interests are set out on page 16.

14.3 Share-based payments

	2021 Rm	2020 Rm
14.3.1 Equity-settled		
Value of services provided:		
In respect of share awards granted.	24.3	29.0

For further details of the equity-settled scheme, refer note 14.4.1.

Accounting policy

The group operates a number of equity-settled share incentive schemes under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of share awards and options granted, excluding the impact of service and non-market performance vesting conditions. Non-market performance and service vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. The total amount expensed is recognised over the vesting period, which is the period over which all vesting conditions are to be satisfied. At each balance sheet date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. Any accelerated vesting of the share awards and options requires immediate recognition of the remaining expense. On vesting, the attributable value of share awards is transferred from the share-based payment reserve to retained earnings.

Share awards granted by the company over its equity instruments to the employees of subsidiary undertakings in the group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary and a corresponding credit to equity.

Significant accounting estimates and judgements

As the fair value of the services received cannot be measured reliably, the services have been valued by reference to the fair value of shares granted. The fair value of such shares is measured at the grant date using the Black-Scholes model. The assumptions used in the Black-Scholes model are as follows:

		2021	2020
Weighted average share price	(R)	25.51	32.21
Weighted average expected volatility	(%)	91.8	80.0
Weighted average expected dividend yield	(%)	5.7	5.3
Weighted average risk-free rate (bond yield curve at date of grant)	(%)	8.4	8.6

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14. Directors and employees continued

14.3 Share-based payments continued

14.3.2 Cash-settled

A new cash-settled scheme, the Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan, will operate on the identical basis as the Lewis Long-Term and Short-Term Executive Performance Scheme ("LSPS") described below, except notional shares will be issued and vesting will take place in cash. Awards under this scheme were granted on 30 June 2019.

	2021 Rm	2020 Rm
Opening balance	4.3	–
Income statement charge before revaluation of liability	13.6	8.2
Revaluation of liability	5.7	(3.9)
Payments made	–	–
Closing balance	23.6	4.3

For further details of the cash-settled scheme, refer note 14.4.2.

Significant accounting estimates and judgements

As the fair value of the services received cannot be measured reliably, the services have been valued by reference to the fair value of shares granted as at year-end. The fair value of such shares is measured at year-end using the Black-Scholes model. The assumptions at year-end used in the Black-Scholes model are as follows:

		2021	2020
Share price	(R)	30.71	17.82
Expected volatility	(%)	77.7	90.0
Expected dividend yield	(%)	6.9	8.4
Risk-free rate (bond yield curve at year-end)	(%)	8.0	9.0

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14. Directors and employees continued

14.4 Share incentive schemes (Equity and cash-settled)

14.4.1 Equity-settled schemes

The following employee share incentive schemes are in operation for directors holding salaried employment office and executives.

Shareholders at a general meeting held on 24 June 2015 approved the Lewis Executive Retention Scheme and the Lewis Long-Term and Short-Term Executive Performance Scheme. The awards for these schemes are reflected below.

The Lewis 2019 Executive Retention Scheme and the Lewis 2019 Executive Performance Scheme were approved by shareholders at the general meeting on 25 October 2019. These schemes will ultimately replace the Lewis Executive Retention Scheme and the Lewis Long-Term and Short-Term Executive Performance Scheme as the maximum number of shares that can be utilised under these schemes has been reached.

The group is required to provide funding to the Lewis Employee Incentive Scheme Trust in terms of the Contribution Agreement.

	Lewis 2019 Executive Retention Scheme	Lewis 2019 Executive Performance Scheme
2021		
Beginning of year	–	–
Granted	292 241	1 148 374
Forfeited	–	–
Vested	–	–
End of year	292 241	1 148 374
Maximum awards available over the life of the scheme	1 500 000	2 250 000
Utilised for the scheme to date	292 241	1 148 374
Invested shares	–	–

	Lewis Executive Retention Scheme	Lewis Long-Term and Short-Term Executive Performance
2021		
Beginning of year	887 688	2 490 328
Granted	–	–
Forfeited	(9 302)	(13 953)
Vested	–	(1 423 316)
End of year	878 386	1 053 059
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	989 680	3 377 174
Invested shares	–	–
2020		
Beginning of year	439 308	3 266 973
Granted	448 380	–
Forfeited	–	(205 262)
Vested	–	(571 383)
End of year	887 688	2 490 328
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	998 982	3 391 127
Invested shares	489 348	–

The weighted average share price at vesting date was R12.44 (2020: R33.39).

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14. Directors and employees continued

14.4 Share incentive schemes (Equity and cash-settled) continued

14.4.1 Equity-settled schemes continued

The weighted average remaining contractual life for share options outstanding at the end of the period is 1.3 years (2020: 1 year).

Note: Invested shares are those shares paid through the investment of executives net bonuses.

Lewis Executive Retention Scheme

In terms of the scheme, senior executives have been offered the right to acquire shares of the group for no consideration subject to the achievement of performance targets. The committee will select executives who have achieved the requisite performance targets during the previous financial year as eligible for the scheme. The shares will vest after three years and is conditional upon the executive still being in the employ of the group other than in the event of death, ill-health, retirement or retrenchment.

These shares (vested shares) are deferred for three years and matching shares equal to the before-tax bonus are awarded for no consideration at the end of the period. The matching share award will lapse, should the executive terminate his or her employment before the completion of the three-year period other than in the event of death, ill-health, retirement or retrenchment.

Lewis Long-Term and Short-Term Executive Performance Scheme (“LSPS”)

Awards made under the LSPS offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee. The vesting of shares is conditional upon the executive still being in the employ of the group other than in the event of death, ill-health, retirement or retrenchment.

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

For purposes of determining the performance targets, awards are categorised as follows:

- short-term awards means three-year awards or alternative awards in respect of which all portions of the award vest on or before the third anniversary of the grant date; and
- long-term awards means the four-year awards, five-year awards and alternative awards of which any portion of the awards vests after the third anniversary of the grant date.

In respect of short-term targets, performance targets are set at the grant date for the entire period or for each financial year during the performance period. For long-term awards, the performance targets will be set for the entire performance period as at grant date.

For short-term awards, the committee shall select all or any of the performance targets from the following:

- headline earnings per share;
- quality of debtors book being either level of satisfactory paid customers or debtor costs as a percentage of debtors at gross carrying value; and
- gross margin.

Current short-term awards under the scheme use all three performance measures.

For long-term awards, the committee must select the performance targets as follows:

- Headline earnings per share (mandatory) and at least one of the targets below:
 - Return on shareholders' equity.
 - After-tax return on average capital employed.
 - Before-tax return on average assets managed.
 - Gearing ratio.

There are no long-term awards outstanding.

Lewis Group Limited:

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14. Directors and employees continued

14.4 Share incentive schemes (Equity and cash-settled) continued

14.4.1 Equity-settled schemes continued

Lewis 2019 Executive Retention Scheme

The terms of this scheme are substantively the same as the Lewis Executive Retention Scheme except for the following changes:

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

Lewis 2019 Executive Performance Scheme

The terms of this scheme are substantively the same as the Lewis Long-Term and Short-Term Executive Performance Scheme except for the following changes:

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

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

14.4.2 Cash-settled scheme

On 17 May 2019, the Remuneration committee adopted the Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan. Under this plan, notional shares are allocated to participants and on date of vesting, the notional shares are settled in cash. Other than these cash-settled aspects, the terms and conditions of this scheme are almost identical to that of the equity-settled Lewis Long-Term and Short-Term Executive Performance Scheme. For further details, refer the description of the Lewis Long-Term and Short-Term Executive Performance Scheme in note 14.4.1.

All awards are short-term awards and included all the performance criteria applicable to such awards. Below is a reconciliation of the notional shares granted under the plan:

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

	2021	2020
Beginning of year	1 157 435	–
Granted	1 037 873	1 200 299
Forfeited	(12 770)	(42 864)
Vested	–	–
End of year	2 182 538	1 157 435

The weighted average remaining contractual life for share options (“notional shares”) outstanding at the end of the period is 1.8 years (2020: 2.25 years).

Lewis Group Limited:

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14. Directors and employees continued

14.5 Retirement benefits

14.5.1 Retirement plans and benefits

The group operates a number of retirement funds. All retirement fund assets are held separate from the group's assets. There are four defined contribution funds; namely the Lewis Stores Provident Fund; the Lewis Stores Namibia Orion Pension Fund for Namibian employees; the SACCAWU Provident Fund for employees belonging to SACCAWU Trade Union and the Alexander Forbes Botswana Umbrella Pension Fund for Botswana employees. In addition, there are two defined benefit funds; namely the Lewis Stores Group Pension Fund which was closed to new members on 1 July 1997; and the Lewis Stores Retirement Fund for executive management. Both defined benefit plans are registered under the Pension Funds Act No. 24 of 1956.

	Number of employees	
	2021	2020
The number of employees on these plans are as follows:		
Lewis Group Pension Fund	52	60
Lewis Stores Retirement Pension Fund	31	33
SACCAWU Provident Fund	2 235	2 276
Lewis Stores Provident Fund	4 121	4 031
Lewis Stores Namibia Orion Pension Fund	674	661
Alexander Forbes Botswana Umbrella Pension Fund	245	229

The group provides a subsidy of medical aid contributions to retired employees. Only those employees employed prior to 1 August 1997 qualify for this benefit. The liability was valued as at 31 March 2021 by a qualified actuary in accordance with the requirements of IAS 19. The group has a commitment to meet these unfunded benefits.

	2021 Rm	2020 Rm
14.5.2 Effects on comprehensive income		
Effect on income statement:		
Defined benefit retirement plans (refer note 14.5.4)	3.5	11.8
Post-retirement healthcare plans (refer note 14.5.5)	9.0	9.2
Defined contribution plans (refer note 14.5.6)	58.3	53.6
Income statement charge	70.8	74.6
Actuarial gains and (losses) included in other comprehensive income:		
Defined benefit retirement plans	(6.9)	31.0
Post-retirement healthcare plans	(5.0)	20.1
	(11.9)	51.1
Actuarial gains and (losses) due to:		
Demographic assumptions	7.3	7.8
Financial assumptions	(37.8)	24.6
Experience adjustments	18.6	18.7
	(11.9)	51.1
14.5.3 Amounts recognised in the balance sheet		
Retirement benefit asset (refer note 14.5.4)	(105.4)	(106.8)
Present value of unfunded obligations as a liability (refer note 14.5.4)	2.0	2.1
Present value of post-retirement healthcare benefits (refer note 14.5.5)	77.1	68.6
Retirement benefit liability	79.1	70.7

Lewis Group Limited:

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14. Directors and employees continued

14.5 Retirement benefits continued

14.5.4 Defined benefit retirement plans

	2021 Rm	2020 Rm
Present value of funded obligations	431.5	490.3
Fair value of plan assets	(598.8)	(624.4)
Asset ceiling limit applied in terms of IAS 19	61.9	27.3
Retirement benefit asset	(105.4)	(106.8)
Total movement in retirement benefit asset		
Present value at the beginning of the year	(106.8)	(79.0)
Income statement charge	3.3	11.8
Current service cost	15.2	15.6
Past service cost	-	1.6
Risk and expenses	1.8	1.9
Net interest income	(13.7)	(7.3)
Actuarial (gains) and losses included in other comprehensive income	6.9	(31.0)
Contributions paid during the year	(8.8)	(8.6)
Present value at the end of the year	(105.4)	(106.8)
Total movement in unfunded obligations as a liability		
Present value at the beginning of the year	2.1	2.1
Income statement charge – interest	0.2	0.2
Actuarial (gains) and losses included in other comprehensive income	-	-
Contributions paid during the year	(0.3)	(0.2)
Present value at the end of the year	2.0	2.1

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14. Directors and employees continued

14.5 Retirement benefits continued

14.5.4 Defined benefit retirement plans continued

	2021 Rm	2020 Rm
Total present value of defined benefit obligations		
Beginning of the year	490.3	494.8
Current service cost	15.2	15.6
Past service cost	–	1.6
Interest cost	45.0	48.4
Employee contributions	0.6	0.7
Benefit payments	(77.8)	(39.7)
Actuarial (gains) and losses included in other comprehensive income	(41.8)	(31.1)
End of the year	431.5	490.3
Fair value of defined benefit plan assets		
Beginning of the year	624.4	595.8
Employee contributions	0.6	0.7
Employer contributions	8.8	8.6
Interest income	61.2	57.8
Risk and expenses	(1.8)	(1.9)
Benefit payments	(77.8)	(39.7)
Actuarial (gains) and losses included in other comprehensive income	(16.6)	3.1
End of the year	598.8	624.4
Asset ceiling limit applied in terms of IAS 19		
Beginning of the year	(27.3)	(22.0)
Interest income	(2.5)	(2.1)
Actuarial (gains) and losses included in other comprehensive income	(32.1)	(3.2)
End of the year	(61.9)	(27.3)

Plan assets

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

		2021	2020
Cash	(%)	8.2	13.8
Bonds – Listed	(%)	18.6	14.6
Equity – Listed	(%)	43.7	42.5
International equity – Listed	(%)	23.8	20.9
International bonds – Listed	(%)	1.0	0.5
Other	(%)	4.7	7.7
		100.0	100.0

The defined benefit funds are final salary defined benefit plans. These schemes are valued by an independent actuary on an annual basis in terms of IAS 19 using the projected unit credit method. The latest valuation was carried out as at 1 January 2021.

The above defined benefit retirement plan asset was subject to the asset ceiling as determined in IFRIC 14 being the maximum economic benefit arising from a future unconditional right to a refund and from reductions in future contributions in excess of the minimum funding requirement. The effect of the application of the asset ceiling was to reduce the defined retirement plan asset by R61.9 million (2020: R27.3 million).

The employer's future contribution is set on an annual basis in consultation with the fund's actuary.

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14. Directors and employees continued

14.5 Retirement benefits continued

14.5.4 Defined benefit retirement plans continued

Accounting policy

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation.

The group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from employees and group companies, taking into account the recommendations of independent, qualified actuaries. The defined benefit obligation is assessed annually by a qualified actuary, in terms of IAS 19, using the projected unit credit method.

The asset and liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the income statement.

Significant accounting estimates and judgements

The underlying actuarial assumptions of the retirement benefit asset and liability with a sensitivity analysis are set out below:

		2021	2020
Principal actuarial assumptions:			
Discount rate	(%)	10.4	9.8
Inflation rate	(%)	6.4	6.3
Future salary increases	(%)	7.4	7.3
Future pension increases	(%)	6.4	6.3

The weighted average duration of the actuarial liability is 12.1 years (2020: 12.2 years).

Sensitivity analysis

The effect of an increase and decrease in the following assumptions on the present value of the obligation are shown in the table below:

Assumption	% Variation	% Change in present value of obligation	
		2021	2020
Discount rate	+1	(10.3)	(10.5)
	-1	11.6	12.4
Salary increases	+1	2.3	2.6
	-1	(3.0)	(2.6)
Pension increases	+ 1	8.4	9.4
	-1	(8.2)	(8.4)
Mortality	+1 year	(2.7)	(2.0)
	-1 year	2.1	2.9

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

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14. Directors and employees continued

14.5 Retirement benefits continued

14.5.4 Defined benefit retirement plans continued

Significant accounting estimates and judgements continued

Assumptions regarding future mortality experience are based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at age 65 on valuation date is as follows:

		2021	2020
Male	(years)	11.9	12.6
Female	(years)	13.8	14.6
Actual return on plan assets	(%)	7.0	9.7

	2021 Rm	2020 Rm
Expected contributions to the defined benefit plans for the next annual reporting period	7.8	8.4

Actuarial risks

The risks faced by Lewis as a result of the defined benefit retirement plans are set out below:

Investment risk is the risk of a fall in the asset values of the fund. This market risk to which the funds are exposed may affect the solvency level of the funds. This is reduced via an investment in a diverse portfolio of assets and a variety of asset managers.

Inflation risk is the risk that salary increases are higher than expected or that inflation itself is higher than expected which then impacts the pension increases, increasing the liabilities. The risk is mitigated via investment in real assets which in the long run are expected to match the increases in liabilities.

The funds have a mismatch risk as a change in the bond yields will have the effect on the liabilities of the fund which are not necessarily matched by an equivalent change in the assets. The risk is substantially covered by the surplus assets in the fund and establishment of a solvency reserve.

Liquidity risk is the risk of not having sufficient cash to pay for withdrawals, pensions and expenses of the fund. This may be a risk for the Lewis Stores Group Pension Fund due to it being a closed fund.

Longevity risk is the risk that pensioners live longer than expected. This risk has not been significant in the current membership profile.

The funds are exposed to legislative changes which are closely monitored by the fund's consultant to enable timeous action to be taken to mitigate any changes that emerge.

14.5.5 Post-retirement healthcare benefits

	2021 Rm	2020 Rm
Present value of post-retirement healthcare benefits liability	77.1	68.6
Movement in post-retirement healthcare liability		
Present value of liability at the beginning of the year	68.6	85.1
Charged to income statement	9.0	9.2
Current service cost	0.5	0.7
Interest cost	8.5	8.5
Actuarial (gains) and losses included in other comprehensive income	5.0	(20.1)
Employer benefit payments	(5.5)	(5.6)
Post-retirement healthcare benefits liability	77.1	68.6

The liability was valued as at 31 March 2021 by a qualified actuary in accordance with the requirements of IAS 19.

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14. Directors and employees continued

14.5 Retirement benefits continued

14.5.5 Post retirement healthcare benefits continued

Accounting policy

The group has an obligation to provide post-retirement medical aid benefits by subsidising medical aid contributions of certain retired employees and ex-gratia pensioners who joined the group prior to August 1997.

The entitlement to these benefits is conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Significant accounting estimates and judgements

The underlying assumptions of the post-retirement healthcare benefit liability with a sensitivity analysis are set out below:

Principal actuarial assumptions:		2021	2020
Health care inflation rate	(%)	9.0	9.1
CPI inflation	(%)	7.0	7.1
Discount rate	(%)	11.9	13.0
Average retirement age	(years)	63	63

The weighted average duration of the actuarial liability is 11.6 years (2020: 10.9 years).

Sensitivity analysis

The effect of an increase and decrease in the following assumptions on the present value of the obligation are shown in the table below:

Assumption	% Variation	% Change in present value of obligation	
		2021	2020
Discount rate	+1	(9.1)	(8.6)
	-1	10.9	10.2
Healthcare cost	+1	10.9	10.3
	-1	(9.3)	(8.8)
Expected retirement age	+1 year	(1.7)	(1.5)
	-1 year	1.6	1.6

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

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14. Directors and employees continued

14.5 Retirement benefits continued

14.5.5 Post retirement healthcare benefits continued

Actuarial risks

The risks faced by Lewis as a result of the post-retirement healthcare obligation can be summarised as follows:

Inflation: The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.

Longevity: The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.

Open-ended, long-term liability: The risk that the liability may be volatile in the future and uncertain.

Future changes in legislation: The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for Lewis.

14.5.6 Defined contribution plans

	2021 Rm	2020 Rm
Defined contribution plan costs	58.3	53.5

Accounting policy

For defined contribution plans, the group pays contributions to these separately administered funds on a mandatory basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

15. Taxation

	2021 Rm	2020 Rm
Taxation per income statement		
South Africa	161.4	97.2
Foreign	10.1	(6.8)
	171.5	90.4
Comprising:		
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
	171.5	90.4

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15. Taxation continued

	2021 Rm	2020 Rm
Tax rate reconciliation		
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
Taxation disclosed as:		
Current tax asset	(48.8)	(54.9)
Current tax liability	84.8	21.9
	36.0	(33.0)
Taxation (paid)/refunded per cash flow statement		
Amount receivable at the beginning of the year	33.0	102.9
Amount charged to the income statement for normal tax and withholding tax	(124.3)	(44.7)
Amount payable/(receivable) at the end of the year	36.0	(33.0)
	(55.3)	25.2
Deferred taxation as per balance sheet		
Balance at the beginning of the year	(142.8)	(152.2)
<i>Movement for the year attributable to:</i>		
Income statement debit	47.2	45.7
IFRS 16 transitional adjustments	-	(36.6)
Deferred tax on fair value adjustment in other comprehensive income	7.3	(13.5)
Deferred tax on retirement benefit remeasurements	(3.3)	13.8
Balance at the end of the year	(91.6)	(142.8)
This balance comprises		
Capital allowances (including right-of-use assets)	238.1	272.5
FVOCI debt investments	(10.9)	(18.2)
Lease liabilities	(227.4)	(273.7)
Debtors' allowances	9.7	(6.5)
Income and expense recognition	(18.5)	(7.9)
Assessed loss	(6.0)	(58.5)
Other provisions	(76.6)	(50.5)
Balance at the end of the year	(91.6)	(142.8)
Disclosed as:		
Deferred tax asset	(112.2)	(166.1)
Deferred tax liability	20.6	23.3
	(91.6)	(142.8)

Deferred tax assets relate to provisions which are not deductible for tax purposes. The deferred tax asset will be reversed as these provisions are released. The group has concluded that the deferred tax asset will be recoverable using estimated future taxable income based on approved budgets for the entities.

Lewis Group Limited:

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15. Taxation continued

Accounting policy

Current and deferred taxation

The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. The group evaluates positions taken in tax returns with respect to situations in which applicable legislation and regulations are subject to interpretation. Appropriate provisions are established on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation, using the liability method, is provided on temporary differences between the taxation base of an asset or liability and its carrying value. Deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is calculated at current or substantively enacted rates of taxation at balance sheet date. A deferred tax asset is raised to the extent that it is probable that sufficient taxable profit will arise in the foreseeable future against which the asset can be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same authority in the same taxable entity.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is done on a net basis for IFRS 16 right-of-use assets and lease liabilities.

Significant accounting estimates and judgements

The tax and deferred tax liabilities and assets are calculated using considered interpretations of the tax laws of the jurisdictions in which the group operates.

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16. Depreciation, amortisation and impairment

	Notes	2021 Rm	2020 Rm
Depreciation			
Right-of-use assets	17.2	239.7	271.8
Property, plant and equipment	18	50.6	66.1
Amortisation			
Intangible assets	19	13.0	11.0
Impairment			
Right-of-use assets	17.2	33.8	26.6
Write-off			
Goodwill	20	5.9	–
		343.0	375.5

Refer to below notes for the accounting policies and significant estimates and judgements:

	Note reference
Depreciation	
Right-of-use assets	17
Property, plant and equipment	18
Amortisation	
Intangible assets	19
Impairment	
Right-of-use assets	17
Impairment of non-financial assets	23.1
Write-off	
Goodwill	20

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17. Leases

	2021 Rm	2020 Rm
17.1 Lease liabilities recognised		
Opening balance	837.9	–
Recognised on adoption of IFRS 16	–	856.1
Reallocated to restoration provision (refer to note 7)	–	(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
17.2 Right-of-use assets		
Retail premises		
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

Lewis Group Limited:

Consolidated financial statements continued

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17. Leases continued

17.3 Liquidity risk

The maturity analysis of undiscounted liabilities are as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
2021					
Liabilities					
Lease liabilities	249.8	190.0	285.2	80.8	805.8
Interest on lease liabilities	49.3	33.7	44.3	7.9	135.2
Extension options ⁽¹⁾	130.9	128.2	340.0	184.8	783.9
2020					
Liabilities					
Lease liabilities	226.8	203.3	306.7	101.1	837.9
Interest on lease liabilities	86.0	40.3	46.3	11.9	184.5
Extension options ⁽¹⁾	124.0	124.2	333.9	177.9	760.0

⁽¹⁾ Undiscounted payments comprise extension options not included in the lease liabilities. These extension options have not been included in the lease liabilities as it is not reasonably certain that they will be exercised.

17.4 Short-term and low value leases

	2021 Rm	2020 Rm
Expense relating to short-term and low value leases (included in other operating costs)	19.9	11.3

The total cash outflow in respect of lease liability payments is R320.2 million (2020: R327.7 million).

Accounting policies

The group leases various properties such as stores, storerooms, warehouses and offices. Lease agreements are generally entered into for fixed periods of one to five years and may include further extension options. Leases are recognised as a lease liability and a corresponding right-of-use ("ROU") asset at the date of commencement of the lease agreement.

Lease liabilities

Initial recognition and measurement

The lease liability will be measured at the present value of the future lease payments discounted over the lease term using the group's relevant incremental borrowing rate as the interest rate implicit in the lease is not readily determinable. Future lease payments comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable. Future lease payments include lease extension options, where the option to exercise the extension is reasonably certain.

Subsequent measurement

Subsequent to initial recognition, the lease liability will be reduced by the lease payments made net of interest charged. The interest from the unwinding of the lease liability will result in a charge to the income statement over the period of the lease term.

The group remeasures the lease liability (and makes a corresponding adjustment to the related ROU asset) whenever:

A lease agreement is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Low value leases

At inception of a lease, the group assesses the value of the leased item. If the value of the item does not exceed the group's threshold, the group recognises payments on a straight-line basis over the lease term.

Short-term leases

Short-term leases are defined as leases where the lease period is less than or equal to 12 months. The group recognises payments on a straight-line basis over the lease term.

Lewis Group Limited:

Consolidated financial statements continued

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17. Leases continued

Accounting policies continued

Right-of-use assets

Initial recognition and measurement

The ROU asset is initially measured at cost, comprising the initial lease liability, prepaid lease payments, initial direct costs and restoration costs, less any lease incentives received.

Subsequent measurement

Subsequent to initial recognition, the ROU asset will be depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the ROU asset.

Impairment of right-of-use assets

ROU assets are tested for impairment whenever circumstances indicate that the carrying amount may exceed its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Significant accounting estimates and judgements

Incremental borrowing rate

The group cannot readily determine the interest rate implicit in the lease, therefore it uses the incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate is defined as the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment. The relevant incremental borrowing rate will be determined based on average borrowing rates sourced from the group's financial institutions. These rates are based on a series of inputs including market rates and risk adjustments which reflects the individual company and country risk profiles.

The group's portfolio of qualifying leases has a weighted average borrowing rate of 8.03% (2020: 8.96%).

Variable lease payments

Variable lease payments relate to:

- Lease agreements with negotiable extension options which provides for the lease payment to be negotiated at the time of renewal of the lease.
- Lease agreements containing variable payment terms that are linked to turnover from leased stores. These variable payments account for less than 5% of total property lease payments and are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Timing of lease payments

The timing of the lease payments have been taken into account in the discounted cash flow model used to calculate the lease liabilities.

Lease extension options

Lease agreements are typically made for fixed periods of one to five years and may include extension options. These options are used to maximise operational flexibility in terms of securing retail premises. The exercising of an extension option may result in renegotiation of existing lease payment terms.

Future lease payments include lease extension options, where the option to exercise the extension is reasonably certain. Management applies their judgement and considers all facts and circumstances in assessing the likelihood of exercising such options, based on strategic importance and profitability of each store. For warehouses, management will assess whether the lease extension option is reasonably certain with reference to the stores which the warehouse services. A lease extension option will automatically be included for storerooms that are linked to the stores it services.

Where it is found to be reasonably certain that the options will be exercised, the fixed and negotiable options will be dealt with in the following manner:

- For fixed extension options (the lease terms for the extension period are defined in the lease agreement), the last lease payment with a fixed escalation rate is used to calculate the future lease payments.
- The negotiable extension option provides for the lease terms to be negotiated at the time of exercising the option. For the purpose of the calculation of the future lease payments, the actual rent at the commencement date of the lease is used for every year in the extension period. Where subsequent material adjustments are agreed, both the lease liability and the ROU asset will be adjusted accordingly.

Lewis Group Limited:

Consolidated financial statements continued

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17. Leases continued

Significant accounting estimates and judgements continued

Rental concessions

The group received rental concessions on some of its leases during the Covid-19 hard lockdown period when stores were closed. The amendment to IFRS 16 provides an optional practical expedient to lessees allowing the concession to be recognised as an immediate saving in rent expense.

The group has elected not to apply this practical expedient but rather to treat the rent concessions received as a lease modification and has therefore processed an adjustment against the lease liability and ROU asset.

Lease components

Leases may include payments for maintenance activities such as common area maintenance, security and cleaning services or other goods or services transferred to the lessee. The additional services received are treated as non-lease components and expensed to the relevant category.

Low value leases

At inception of a lease, the group assesses the value of the leased item. The total amount of low value leases is insignificant at the reporting date. Low value leases comprises of leased IT equipment.

Initial recognition of right-of-use assets

The ROU asset is initially measured at cost, comprising the initial lease liability, prepaid lease payments, initial direct costs and restoration costs, less any lease incentives received.

Impairment of right-of-use assets

ROU assets are tested for impairment whenever circumstances indicate that the carrying amount may exceed its recoverable amount. As the ROU assets are not able to generate their own cash flows independent from other assets, the group considers the Cash-Generating Unit ("CGU") to which the ROU asset belongs when testing for impairment. The CGU to which the ROU asset belongs are the individual stores. Each CGU comprise assets typically including the debtors' book, inventory, fixed assets and the ROU asset. The identified CGUs do not include goodwill or intangible assets. Impairment indicators include the profitability of the stores after head office cost allocations as well as significant changes to the economic environment in which the store operates.

For the current reporting period, Covid-19 was deemed to be an impairment indicator, therefore the group performed an impairment test across all stores.

An impairment loss is recognised for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount is determined using a value-in-use calculation.

Value-in-use is calculated using a discounted cash flow model whereby expected cash flows for individual stores are determined in accordance with the principles contained within IAS 36. The following assumptions are applied:

- The cash flow projections for each store is assessed based on forecasted information that is informed by past experience of management and the expected performance of the store. The projections at the end of the reporting period is based on management's best estimate of the economic conditions that will exist over the next three years.
- An average sales growth of 4.5% (2020: 5.5%) over the three-year period was applied. The forecast takes into account the impact of the Covid-19 lockdown regulations in terms of the expected deterioration in sales growth over the next year as well as the subsequent recovery over the following two years. A terminal value growth rate of 6% (2020: 4%) was applied to stores expected to remain open post the expiry of the existing lease term.
- Collection rates were determined with reference to the previous three year's average collections and debtors' values.
- The growth in the operating expenses approximate an inflationary increase.
- Lease payments included in the lease liability are excluded from the value-in-use calculation.
- The weighted average cost of capital ("WACC") adjusted for specific risks of the underlying assets, used in the value-in-use calculation, was 21% (2020: 19%).

Impairment is allocated to the assets included in the CGU on a pro rata basis, based on their carrying value as a proportion of the total carrying value of the CGU. Based on the above, the net impairment charge for the year was calculated at R33.8 million (2020: R26.6 million).

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18. Property, plant and equipment

	Land and buildings Rm	Vehicles Rm	Furniture, fixtures and equipment Rm	Total Rm
As at 31 March 2021				
Opening net carrying value	123.8	105.7	94.9	324.4
Cost	141.2	288.1	288.9	718.2
Accumulated depreciation	(17.4)	(182.4)	(194.0)	(393.8)
Additions	3.1	39.8	71.8	114.7
Disposals at carrying value	(0.3)	(1.8)	(0.4)	(2.5)
Depreciation	(1.2)	(28.4)	(21.0)	(50.6)
Closing net carrying value	125.4	115.3	145.3	386.0
Cost	143.9	309.5	313.3	766.7
Accumulated depreciation	(18.5)	(194.2)	(168.0)	(380.7)
As at 31 March 2020				
Opening net carrying value	111.7	104.2	83.0	298.9
Cost	127.8	280.9	406.9	815.6
Accumulated depreciation	(16.1)	(176.7)	(323.9)	(516.7)
Additions	13.4	35.4	50.0	98.8
Disposals at carrying value	–	(5.2)	(2.0)	(7.2)
Depreciation	(1.3)	(28.7)	(36.1)	(66.1)
Closing net carrying value	123.8	105.7	94.9	324.4
Cost	141.2	288.1	288.9	718.2
Accumulated depreciation	(17.4)	(182.4)	(194.0)	(393.8)

A register of the group's land and buildings is available for inspection at the company's registered office.

Accounting policy

Property, plant and equipment ("PPE") is carried at cost less accumulated depreciation and impairment losses. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are capitalised when it is probable that future economic benefits will arise and the cost can be measured reliably. All other expenditure is recognised through profit and loss.

Assets are depreciated to their residual value, on a straight-line basis, over their estimated useful lives.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds to the carrying amount and are recognised in the income statement.

Significant accounting estimates and judgements

The estimated useful lives and residual values are reviewed at each balance sheet date taking cognisance of historical trends for that class of asset and the commercial and economic realities at the time. The estimated useful lives of the assets in years are:

Buildings	50 years
Furniture, fixtures and equipment	3 to 10 years
Vehicles	4 to 8 years
Land	Not depreciated

Lewis Group Limited:

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19. Intangible assets

19.1 Trademarks

	2021 Rm	2020 Rm
Opening net carrying value	104.8	111.3
Cost	131.2	131.2
Accumulated amortisation	(26.4)	(19.9)
Additions	-	-
Disposals	-	-
Amortisation	(6.5)	(6.5)
Closing net carrying value	98.3	104.8
Cost	131.2	131.2
Accumulated amortisation	(32.9)	(26.4)

Accounting policy

Separately acquired trademarks are shown at historical cost.

Trademarks acquired in a business combination are recognised at fair value at acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives.

Significant accounting estimates and judgements

The estimated useful life of trademarks is 20 years.

19.2 Software

	2021 Rm	2020 Rm
Opening net carrying value	15.8	11.0
Cost	59.2	49.9
Accumulated amortisation	(43.4)	(38.9)
Additions	6.6	9.3
Disposals	-	-
Amortisation	(6.5)	(4.5)
Closing net carrying value	15.9	15.8
Cost	65.8	59.2
Accumulated amortisation	(49.9)	(43.4)

Accounting policy

Software is depreciated to their residual value, on a straight-line basis, over their estimated useful lives.

Significant accounting estimates and judgements

The estimated useful life of software is three years.

Lewis Group Limited:

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20. Goodwill

	2021 Rm	2020 Rm
Opening net carrying value	187.6	187.6
Write-off	(5.9)	–
Other	0.7	–
Closing net carrying value	182.4	187.6
Cost	182.4	187.6
Accumulated impairment	–	–

Accounting policy

Goodwill arises at date of acquisition, being the excess of the purchase consideration and the fair value of the non-controlling interest, over the attributable fair value of the identifiable assets and liabilities, and is initially carried at cost. Goodwill is subject to an annual impairment test or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is written down to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. This impairment is recognised immediately as an expense. The impairment of goodwill is not reversed. Gains and losses on disposal of an entity include the carrying value of goodwill relating to the entity sold.

A bargain purchase being an excess in the fair value of the identifiable assets and liabilities over the purchase consideration at the date of acquisition, is recognised immediately in the income statement.

Significant accounting estimates and judgements

At 31 March 2021, the closing balance consisted of goodwill that arose on the acquisition of UFO in 2018.

The test for impairment of goodwill was performed by external valuers for the current and prior years. The recoverable amount of goodwill is the higher of fair value less costs to sell and value-in-use. The valuer used the fair value less costs to sell method in both the current and prior year.

The fair value less costs to sell valuation approach includes the cash flows of the existing stores as well as the planned new store expansion over the five-year forecasted period.

The valuation to determine the recoverable amount of goodwill was performed at Level 3 (in accordance with IFRS 13) which means that the valuation was derived using the discounted cash flow method (“DCF method”). The assumptions underlying the DCF method are as follows:

- Sales growth was based on existing stores (existing store growth being 6.4% (2020: 8.3%)) and planned store expansions with a 6.0% (2020: 5.0%) growth used in the terminal value.
- Earnings before interest, tax, depreciation and amortisation (“EBITDA”) margin is in line with the three-year historic average margin of between 8.7% and 10.2% (2020: between 10% and 11%).
- Weighted average cost of capital (“WACC”) was calculated at 17.1% (2020: 19.3%).
- A further marketability discount of 5.0% (2020: 5.0%) was applied to arrive at the enterprise value.

The recoverable amount of goodwill was assessed as follows:

	WACC-1% R'000	WACC R'000	WACC+1% R'000
2021			
Enterprise value	394 048	358 106	328 160
Operating assets other than goodwill	(135 819)	(135 819)	(135 819)
Recoverable amount	258 229	222 287	192 341

No impairment was required as the recoverable amount was R222.3 million.

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20. Goodwill continued

Significant accounting estimates and judgements continued

	WACC-1% R'000	WACC R'000	WACC+1% R'000
2020			
Enterprise value	401 585	371 583	345 571
Operating assets other than goodwill	(130 556)	(130 556)	(130 556)
Recoverable amount	271 029	241 027	215 015

No impairment was required as the recoverable amount was R241.0 million.

Sensitivity of Terminal Growth Assumption

As the terminal growth has a significant impact on the enterprise value, the sensitivity of this assumption is reflected below:

	5% R'000	6% R'000	7% R'000
2021			
Enterprise value	336 745	358 106	383 709
Operating assets other than goodwill	(135 819)	(135 819)	(135 819)
Recoverable amount	200 926	222 287	247 890
	4% R'000	5% R'000	6% R'000
2020			
Enterprise value	354 486	371 583	391 242
Operating assets other than goodwill	(130 556)	(130 556)	(130 556)
Recoverable amount	223 930	241 027	260 686

Lewis Group Limited:

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21. Group consolidation

Accounting policies

Basis of consolidation

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is applied for business combinations. The consideration for an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of the exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration and the amount of the non-controlling interest, over the fair value of the net identifiable assets, is recorded as goodwill. If the amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the income statement as a bargain purchase.

The group recognises a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the acquiree's net identifiable assets.

Inter-company transactions, balances and unrealised gains and losses (unless the transaction provides evidence of an impairment of the transferred asset) between group companies are eliminated. The accounting policies and the year-ends of material subsidiaries are consistent throughout the group.

Common control transactions are business combinations in which the combining entities are ultimately controlled by the same entity prior to the combination. The assets and liabilities of the combining entities are not adjusted to fair value but reflected at their carrying amounts at the date of the transaction. The difference between the consideration paid/transferred and the net asset value acquired is accounted for in retained earnings. No additional goodwill will be recognised as a result of a common control transaction.

Employee share trusts are consolidated. Shares in Lewis Group Limited held by subsidiaries and the Lewis Employee Incentive Scheme Trust are classified as treasury shares.

In the company's financial statements, investments in subsidiaries are carried at cost less impairment. Cost of investments includes directly attributable costs.

Functional and presentation currency

(a) Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated and separate financial statements are presented in South African Rand, which is the company's and group's functional and presentation currency.

(b) Group companies

The results and financial position of foreign operations (none of which operate in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- Income and expenses are translated at average exchange rates.
- Resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income. On the sale of a foreign operation, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

21. Group consolidation continued

Currency risk – Net investment in foreign subsidiaries (FCTR)

The currency exposure is limited to the net investment in Botswana of R193.1 million (2020: R267.2 million), which includes a long-term loan account. The currency exposure is managed by keeping the net investment at a minimum practical level by remitting cash to South Africa on a regular basis through loan repayments and dividends.

Below is a sensitivity analysis of the effect of currency movements of 10% on the year-end value of our net investment in Botswana (foreign currency translation reserve):

	2021 Rm	2020 Rm
Currency appreciates by 10%	17.7	23.4
Currency depreciates by 10%	(17.7)	(23.4)

22. Interest in subsidiary companies

Nature of business	2021		2020 Restated	
	Carrying value of subsidiaries Rm	Percentage holding %	Carrying value of subsidiaries Rm	Percentage holding %
Directly held				
Lewis Stores (Pty) Ltd	2 800.0	100	2 800.0	100
Indirectly held				
Incorporated in South Africa				
Monarch Insurance Company Ltd		I		
Kingtimm (Pty) Ltd ⁽²⁾		D		
Lifestyle Living (Pty) Ltd		D		
United Furniture Outlets (Pty) Ltd ⁽¹⁾		D		
Incorporated in Botswana				
Lewis Stores (Botswana) (Pty) Ltd		F		
Lewis Insurance Services (Botswana) (Pty) Ltd		D/M		
Lewis Management Services (Botswana) (Pty) Ltd ⁽²⁾		D		
Incorporated in Eswatini				
Lewis Stores (Eswatini) (Pty) Ltd		F		
Incorporated in Namibia				
Lewis Stores (Namibia) (Pty) Ltd		F		
Incorporated in Lesotho				
Lewis Stores (Lesotho) (Pty) Ltd		F		
Cost of subsidiaries	2 800.0		2 800.0	
Capital contribution in respect of share-based payments	238.5		214.2	
Loans to subsidiaries:				
Amounts due to subsidiary	(7.5)		(5.5)	
Interest in subsidiaries	3 031.0		3 008.7	

F Furniture retailer.

I Insurance company.

M Management services company.

D Dormant company.

⁽¹⁾ In the prior financial year, Lewis Stores restructured its investment in UFO through a merger of the UFO business into Lewis Stores (Pty) Ltd in terms of section 113 and 115 of the Companies Act on 31 March 2020. The UFO business is now a division of Lewis Stores (Pty) Ltd and the UFO company is in the process of deregistration.

⁽²⁾ Company is in the process of deregistration.

Restatement

Refer note 11 of the company annual financial statements for the restatement of the capital contribution in respect of share-based payments and interest in subsidiaries.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

23. Other notes

23.1 Other accounting policies

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Current assets and liabilities

Assets and liabilities with maturity terms of less than 12 months, are classified as current unless they form part of a normal operating cycle, in which case, they are also classified as current.

23.2 New standards and interpretations not yet effective

23.2.1 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.

23.2.2 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.

Lewis Group Limited:

Consolidated financial statements continued

FOR THE YEAR ENDED 31 MARCH 2021

23. Other notes continued

23.3 Other income statement disclosures

	2021 Rm	2020 Rm
Service fees received on accounts receivable (refer note 9.1)	361.2	349.5
Fees payable:		
Investment management fee – insurance investments	1.5	1.7
Outsourcing of IT function	102.0	103.7
	103.5	105.4
Auditors' remuneration		
Audit fees – current year	5.0	4.6
Other services		
– Audit related	0.3	0.3
– Non-audit related	0.1	0.5
	5.4	5.4

23.4 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 period.

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.

23.5 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:

Company statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 Rm	2020 Rm
Revenue – Investment income	2	301.4	312.5
Operating costs		(9.7)	(10.1)
Profit before taxation	3	291.7	302.4
Taxation	4	(0.3)	(0.5)
Net profit and comprehensive income attributable to ordinary shareholders		291.4	301.9

Company balance sheet

AS AT 31 MARCH 2021

	Notes	2021 Rm	2020 Restated Rm	2019 Restated Rm
Assets				
Non-current assets				
Interest in subsidiaries	5	3 038.5	3 014.2	2 985.2
Current assets				
Deposits at bank	8	53.0	21.9	18.2
Total assets		3 091.5	3 036.1	3 003.4
Equity and liabilities				
Capital and reserves				
Share capital and premium	6	1 917.9	2 030.5	2 132.2
Share-based payments reserve		47.3	63.2	55.1
Retained earnings		1 116.6	934.9	810.2
		3 081.8	3 028.6	2 997.5
Current liabilities				
Trade and other payables		2.2	2.0	1.8
Amounts due to subsidiary	10	7.5	5.5	4.1
		9.7	7.5	5.9
Total equity and liabilities		3 091.5	3 036.1	3 003.4

Lewis Group Limited:

Company statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2021

	Note	Share and capital and premium Rm	Share-based payments reserve Rm	Retained earnings Rm	Total Rm
Balance as at 1 April 2019		2 132.2	55.1	680.1	2 867.4
Restatement	11	–	–	130.1	130.1
Restated balance as at 1 April 2019		2 132.2	55.1	810.2	2 997.5
Net profit attributable to ordinary shareholders				301.9	301.9
Dividends paid				(198.1)	(198.1)
Capital contribution in respect of share-based payments			29.0		29.0
Transfer to retained earnings on vesting of share awards			(20.9)	20.9	–
Share repurchase		(101.7)			(101.7)
Restated balance as at 31 March 2020		2 030.5	63.2	934.9	3 028.6
Net profit attributable to ordinary shareholders				291.4	291.4
Dividends paid				(149.9)	(149.9)
Capital contribution in respect of share-based payments			24.3		24.3
Transfer to retained earnings on vesting of share awards			(40.2)	40.2	–
Share repurchase		(112.6)			(112.6)
Balance as at 31 March 2021		1 917.9	47.3	1 116.6	3 081.8

Company cash flow statement

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 Rm	2020 Rm
Cash flow from operating activities			
Cash utilised in operations	7	(9.5)	(9.9)
Dividends received		300.4	310.7
Interest received		1.0	1.8
Taxation paid		(0.3)	(0.5)
		291.6	302.1
Cash flow from financing activities			
Dividends paid		(149.9)	(198.1)
Proceeds from loan to subsidiary		2.0	1.4
Share repurchase		(112.6)	(101.7)
		(260.5)	(298.4)
Net increase in cash and cash equivalents		31.1	3.7
Cash and cash equivalents at the beginning of the year		21.9	18.2
Cash and cash equivalents at the end of the year		53.0	21.9

Lewis Group Limited:

Notes to the company financial statements

FOR THE YEAR ENDED 31 MARCH 2021

1. Accounting policies

The financial statements have been prepared on the historical cost basis and in accordance with IFRS and the requirements of the Companies Act. The accounting policies used in the preparation of these financial statements are set out as follows in the consolidated annual financial statements:

	Note reference
Taxation	15
Interest in subsidiaries	21
Borrowings	6.1
Share capital and premium	13.4
Share-based payments	14.3
The company holds the following financial instruments:	
Deposits at bank	8
Trade and other payables	
Amounts due to subsidiary	10

2. Revenue - Investment income

	2021 Rm	2020 Rm
Dividends received from subsidiary - Lewis Stores Proprietary Limited	300.4	310.7
Interest received - Banks	1.0	1.8
	301.4	312.5

Accounting policy

Investment income is recognised as follows:

- Interest on investments is recognised on a time proportion basis taking into account the effective interest rate method on the assets.
- Dividends are recognised when the right to receive payment is established.

3. Operating profit

	2021 R'000	2020 R'000
Stated after:		
Audit fees - current year	124.0	88.0
Directors' fees (refer note 14.2 to the consolidated annual financial statements)	4 867.0	5 164.0

4. Taxation

	2021 Rm	2020 Rm
Taxation	0.3	0.5
The rate of taxation on profit is reconciled as follows:		
Profit before taxation	291.7	302.4
Taxation calculated at a tax rate of 28% (2020: 28%)	81.7	84.7
Exempt income (dividends received)	(84.1)	(87.0)
Disallowed expenses	2.7	2.8
Taxation per income statement	0.3	0.5

Lewis Group Limited:

Notes to the company financial statements

FOR THE YEAR ENDED 31 MARCH 2021

5. Interest in subsidiaries

	2021 Rm	2020 Restated Rm
Shares at cost	2 800.0	2 800.0
Capital contribution for share-based payments	238.5	214.2
	3 038.5	3 014.2

Full details are provided in note 22 in the consolidated annual financial statements.

Refer note 11 for the restatement.

6. Share capital and premium

	2021 Rm	2020 Rm
Authorised		
150 000 000 ordinary shares of 1 cent each	1.5	1.5
Issued		
71 535 913 (2020: 76 899 090) ordinary shares of 1 cent each	1.0	1.0
Share premium	1 916.8	2 029.5
Total share capital and premium	1 917.8	2 030.5

7. Cash utilised in operations

	2021 Rm	2020 Rm
Profit before taxation	291.7	302.4
Dividends received	(300.4)	(310.7)
Interest received – Banks	(1.0)	(1.8)
Increase in trade and other payables	0.2	0.2
	(9.5)	(9.9)

8. Deposits at bank

	2021 Rm	2020 Rm
At amortised cost	53.0	21.9

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit ratings of the financial institutions holding deposits on our behalf and those whose securities we hold are monitored on a regular basis. Deposits are placed with high-quality South African institutions.

The Moody's credit rating and maximum exposure to credit risk for deposits per institution is detailed in the table below:

Financial institutions	2021		2020		2021 Rm	2020 Rm
	Long-term	Short-term	Long-term	Short-term		
RMB	Ba2	NP	Ba1	NP	53.0	21.9
Total					53.0	21.9

Stage 1 with no movement between stages. No amount for 12-month expected credit loss has been recognised as the amount is immaterial.

Fair value

The fair value of deposits approximates its carrying value as it is linked to market related interest rates.

Lewis Group Limited:

Notes to the company financial statements

FOR THE YEAR ENDED 31 MARCH 2021

9. Guarantees

The company guarantees banking facilities to the value of R1 150 million (2020: R1 150 million) for its subsidiaries at various financial institutions. Based on a review of the cash flows forecast for the 2022 and 2023 financial year, no expected credit loss was recognised on these guarantees. The guarantees have been disclosed as part of the company's liquidity risk below.

Credit risk

While the maximum credit risk is the full extent of the facilities, the extent of the exposure at year-end is Rnil (2020: R922.1 million). Full details of the facilities are provided in note 6.1 in the consolidated annual financial statements.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the group maintains flexibility in funding through the use of committed facility lines.

Management monitors the group's cash flows through the monitoring of actual inflows and outflows against forecasted cash flows and the utilisation of borrowing facilities. A quarterly analysis is presented to the Audit Committee. The company's liquidity needs are catered for under the group's central treasury function.

Maturity profile of financial liabilities

The maturity profiles of undiscounted financial liabilities are as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
2021					
Trade and other payables	(2.2)	-	-	-	(2.2)
Amounts due to subsidiary	(7.5)	-	-	-	(7.5)
Financial guarantees ⁽¹⁾	(1 150.0)	-	-	-	(1 150.0)
	(1 159.7)	-	-	-	(1 159.7)
2020					
Trade and other payables	(2.0)	-	-	-	(2.0)
Amounts due to subsidiary	(5.5)	-	-	-	(5.5)
Financial guarantees ⁽¹⁾	(1 150.0)	-	-	-	(1 150.0)
	(1 157.5)	-	-	-	(1 157.5)

⁽¹⁾ This represents the maximum potential exposure to credit risk under financial guarantee contracts.

10. Related party

	2021 Rm	2020 Rm
Amounts due to subsidiary		
Lewis Stores (Pty) Ltd	7.5	5.5

Amounts due have no fixed terms of repayment.

11. Restatement – Share-based payments

The capital contribution made by the company in respect of share-based payments for employees of its main subsidiary, Lewis Stores (Pty) Ltd (Lewis Stores) was understated by R151 million as a consequence of incorrectly accounting for the transfers out of the share-based payment reserve of Lewis Stores following the vesting of awards. The restatement had the following effect:

	Interest in subsidiaries Rm	Retained earnings Rm
March 2019 – previously reported	2 855.1	680.1
Restatement	130.1	130.1
March 2019 – restated	2 985.2	810.2
March 2020 – previously reported	2 863.2	783.9
Restatement	151.0	151.0
March 2020 – restated	3 014.2	934.9

Lewis Group Limited: Shareholders' information

AS AT 31 MARCH 2021

Shareholders' spread

	Number of shareholders		Number of shares	
	Total	%	Total	%
1 - 1 000 shares	1 406	63.20	350 120	0.48
1 001 - 10 000 shares	510	22.92	1 656 133	2.32
10 001 - 100 000 shares	202	9.08	6 817 034	9.53
100 001 - 1 000 000 shares	90	4.04	29 104 967	40.69
1 000 001 shares and over	17	0.76	33 607 659	46.98
Total	2 225	100.00	71 535 913	100.00

Distribution of shareholders as at 31 March 2021

	Number of shareholders		Number of shares	
	Total	%	Total	%
Public:	2 213	99.47	70 146 901	98.06
Unit Trusts/Mutual Funds			28 464 237	39.79
Pension Funds			15 414 883	21.55
Other			26 267 781	36.72
Non-public:	12	0.53	1 389 012	1.94
Lewis Employee Incentive Scheme Trust	1	0.05	27 009	0.04
Directors:				
Lewis Group Limited				
Direct	2	0.09	545 791	0.76
Indirect	3	0.13	292 175	0.41
Lewis Stores Proprietary Limited				
Direct	3	0.13	348 229	0.49
Indirect	3	0.13	175 808	0.24
Total	2 225	100.00	71 535 913	100.00

Lewis Group Limited:

Shareholders' information continued

AS AT 31 MARCH 2021

Major shareholdings as at 31 March 2021

According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 56 of the Companies Act of 2008, the following entities owned in excess of 5% of the company's shares as at 31 March 2021:

	Number of shares Total	%
Beneficial shareholders:		
Coronation Balanced Plus Fund (SA)	3 684 418	5.15
Corolife Special Opportunities Portfolio (SA)	3 387 269	4.74
By fund manager:		
Coronation Fund Managers (SA)	21 158 866	29.58
36One Asset Management (SA)	4 587 648	6.41
Mianzo Asset Management (SA)	4 391 975	6.14
Ninety One (SA)	3 960 600	5.54
Geographical analysis of shareholders:		
		%
Beneficial shareholders:		
South Africa		65.3
United States of America and Canada		10.7
United Kingdom		2.1
Europe		5.8
Rest of World		16.1
		100.0
By fund manager:		
South Africa		74.6
United States of America and Canada		12.6
United Kingdom		3.9
Europe		6.8
Rest of World		2.1
		100.0

Appendix A:

Audit committee profiles

Duncan Westcott (72)

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

Independent non-executive director

Chairperson of the Audit and Risk committees. Member of the Remuneration and Nominations committees.

Appointed as director on 1 December 2017

Directorships

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

Expertise and experience

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

Specific contribution to the Board

Duncan is an experienced non-executive director on the Board and acts as the chairperson of the Audit and Risk committees. In addition, he is currently Chairman of the Standard Bank Mauritius Board. The group benefits from his training and wide-ranging experience in the retail, construction and financial services industries.

Daphne Motsepe (64)

BCompt, MBA

Independent non-executive director

Member of the Audit, Risk, Remuneration, nominations, and Social, ethics and transformation committees.

Appointed as director on 1 June 2017

Directorships

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

Experience and expertise

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

Specific contribution to the Board

Daphne's Board experience includes serving as chairperson of Remuneration as well as Social ethics and transformation committees of other Boards and serving as a member of the Audit, Risk as well as Nominations/directors affairs committees.

Tapiwa Njikizana (45)

CA(SA) JSE Registered IFRS Advisor

Independent non-executive director

(Zimbabwean)

Member of the Audit, Risk, Remuneration and Nominations committees.

Appointed as director on 19 August 2019

Directorships

W.consulting SA (Pty) Ltd

Experience and expertise

Tapiwa is an executive director at W.consulting SA (Pty) Limited. He has previously served as a non-executive director on the Board of Iliad Africa Limited and Mercantile Bank Holdings Limited.

He was recognised for his contribution to the consulting industry receiving the "Top Consulting Professional" at the Sanlam South African Professional Services Awards - 2018.

Tapiwa has held roles in leading industry bodies and committees including as a member of the Accounting Practice Committee of SAICA, and as a member of the Financial Reporting Investigation Panel (formerly, GAAP Monitoring Panel) of the JSE.

Specific contribution to the Board

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

Appendix B: Audit committee attendance

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

	2020/2021 Audit committee meeting attendance
Number of meetings	3
Non-executive directors	
D Westcott ⁽¹⁾	3
Prof. F Abrahams ⁽²⁾	3
A Bodasing ⁽²⁾	3
D Motsepe ⁽¹⁾	3
T Njikizana ⁽¹⁾	3
H Saven ⁽²⁾	3
Executive directors	
J Enslin ⁽²⁾	3
J Bestbier ⁽²⁾	3

⁽¹⁾ Attended as a member throughout the year

⁽²⁾ Attended as an invitee throughout the year

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

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