INTEGRATED ANNUAL Report

FOR THE YEAR ENDED 31 MARCH 2021

2021

Lewis Group Ltd

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SUPPLEMENTARY ONLINE CONTENT

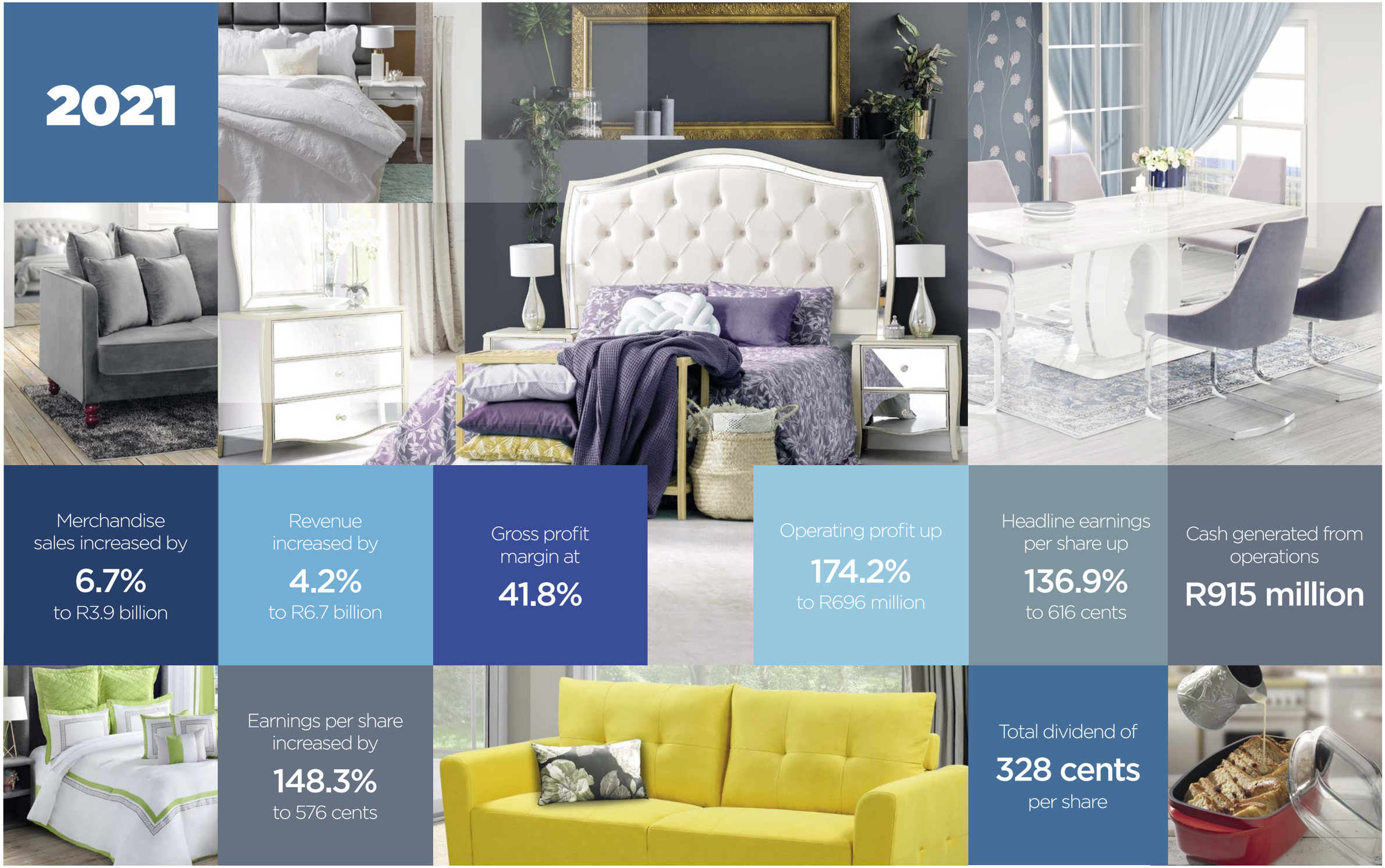
The Integrated report is supplemented by additional financial and governance related reports which are available online at www.lewisgroup.co.za.

Annual financial statements
Five-year financial review
Corporate governance report
Application of King IV principles
Social, ethics and transformation committee report

01

Overview

REVIEW OF 2021 FINANCIAL YEAR



2021

Merchandise sales increased by
6.7%
to R3.9 billion

Revenue increased by
4.2%
to R6.7 billion

Gross profit margin at
41.8%

Operating profit up
174.2%
to R696 million

Headline earnings per share up
136.9%
to 616 cents

Cash generated from operations
R915 million

Earnings per share increased by
148.3%
to 576 cents

Total dividend of
328 cents
per share

INTRODUCING THE INTEGRATED REPORT

Lewis Group's 2021 financial year commenced a few days after the start of the hard lockdown in late March 2020 following the outbreak of the Covid-19 pandemic. The slowdown of the economy had a severe impact on the lives of many, while trading across several sectors was restricted through harsh lockdown regulations.

Our 2021 Integrated Report aims to show how the Group preserved value for shareholders during the challenging months of lockdown and created value through a strong recovery in sales and profitability in the post lockdown phase. The impact of the pandemic and the related constraints on the Group's operations, performance and stakeholders is addressed throughout the Integrated Report.

Reporting scope and boundary

The Report covers information relating to the integrated performance and activities of the Lewis Group, which includes the main operating company, Lewis Stores (Proprietary) Limited, and its subsidiaries ("the Group") for the period 1 April 2020 to 31 March 2021, except for the Remuneration Report which covers the period from 28 August 2020 to 9 June 2021. The companies operate in South Africa, where 85.1% of the revenue is generated, as well as Namibia, Botswana, Eswatini and Lesotho.

The Reportable segments are:

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

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

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

Governance and compliance

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

Reporting complies with the requirements of the Companies Act and the JSE Listings Requirements while financial Reporting complies with International Financial Reporting Standards. The King IV Report on Corporate Governance for South Africa, 2016 (King IV) has been applied throughout the Reporting period. The Group's application of the 16 principles of King IV is outlined in the King IV Report available on lewisgroup.co.za.

The guiding principles of the Integrated Reporting Framework ("the Framework") of the International Integrated Reporting Council have been applied in preparing this Report, noting the recent revisions to the Framework aimed at enhancing integrated Reporting.

Assurance

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

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

Board approval

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

The Audit committee has oversight for the preparation of the Integrated Report and recommended the Report for approval by the board. The 2021 Integrated Report was unanimously approved by the board on 21 June 2021.

Hilton Saven
Independent non-executive chairman

Johan Enslin
Chief executive officer

CHAIRMAN'S REPORT

After trading for a full year in the Covid-19 environment it is encouraging to Report to shareholders on how the Group has adapted to operating in these new conditions, created opportunities out of adversity and demonstrated the resilience of the business model.

Hilton Saven

Management's response to the pandemic and the impact of the national lockdown on the business was decisive, with robust business continuity plans being implemented to manage risks, reduce costs, preserve cash and protect employees and other stakeholders.

The Group's proven strategy was unchanged over the past year as management addressed the challenges posed by the lockdown trading restrictions and also capitalised on opportunities to innovate and change.

Rising unemployment has been an inevitable and unfortunate consequence of the economic restrictions imposed during 2020 and into the early part of 2021. The national unemployment rate at March 2021 rose to a record level of 32.6%. Customers in the Group's lower to middle income target market are regrettably most vulnerable to these rising levels of unemployment.

Stellar financial performance

Against this background the Group delivered a stellar all-round performance, and the board commends the management team under the leadership of Johan Enslin.

Solid merchandise sales growth, which was driven by strong cash sales, together with tight cost management, the improving quality of the debtors' book and expanding margins, contributed to headline earnings increasing by 126.4% to R463.0 million.

The directors declared a final dividend of 195 cents per share (2020: 65 cents), based on the targeted 55% payout ratio, which increased the total dividend for the year by 77.3% to 328 cents per share.

The trading and financial performance is detailed in the Chief executive officer's Report (pages 30 to 31) and the Chief financial officer's Report (pages 46 to 48).

Compelling investment case

The Group's investment case remains compelling, as evidenced by the performance over the past year. Despite trading under the severe Covid-19 limitations, the Group has a robust balance sheet and a healthy cash balance at year-end.

Strong cash generation allows the Group to return funds to shareholders through dividend payments and share buy-backs, while also funding future growth through the investment in the debtors' book and the store portfolio.

The Group has an enviable track record of paying a dividend every year since listing on the JSE in 2004, even through the global financial crisis and the Covid-19 pandemic.

The share repurchase programme is an integral part of the capital management strategy and since the listing the Group has bought back 29% of all shares in issue.

During the Reporting period the Group returned a further R112 million to shareholders through the repurchase of shares, bringing the value returned to shareholders since the start of the current repurchase programme in 2017 to R474 million. The commitment to the share buy-back programme highlights the potential that the board recognises to create value for shareholders.

Operationally the business is well positioned. Certain debtors' book metrics are at their highest levels in several years, despite us being in the midst of a financially devastating pandemic. Management continues to prudently expand the footprint of over 800 stores and ensure convenient access to our brands.

Underpinning the Group's growth story is the success of the diversification strategy, with the expansion of the target market in recent years to include higher income customers, enabling the Group to grow the proportion of cash sales and reduce its reliance on credit sales.

While trading conditions continue to be impacted by Covid-19, the directors believe that the business model has the resilience to absorb this short-term volatility.

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

Board and governance

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

There were no changes to the composition of the board during the year. Professor Fatima Abrahams, who chairs the Remuneration as well as the Social, ethics and transformation committees, was appointed as the lead independent non-executive director.

As a group and as a board we are committed to transformation and furthering the principles of broad-based black economic empowerment. The board has increased the voluntary targets for female and black director representation from 25% to 30%. Currently 38% of the directors are female and 38% are black in terms of the Broad-Based Black Economic Empowerment Act. However, we consider board diversity in a broader context and also aim to achieve a balance in terms of age, board tenure, culture, skills and experience.

As a board we recognise that climate change is already a major risk affecting companies today, both through the impacts of steadily rising global temperatures and through policies adopted by governments across the world. In response to this risk, the group has appointed environmental and climate risk consultants to assist us with the formulation of a climate risk framework.

Appreciation

The performance of the past year can be attributed to the outstanding teamwork of our people. Thank you to our executive leadership, management and staff across South Africa and in the neighbouring countries for their hard work, commitment and resolve.

My highly experienced and insightful board colleagues have ensured that our governance practices have remained at their high standard in the virtual environment of the past year and I thank them for their continued support.

The advantages of mutually beneficial stakeholder relationships forged over several years have been evident throughout the Covid-19 pandemic and I thank our shareholders, customers, regulators, suppliers and business associates for their engagement and support during this time.

Hilton Saven
Independent non-executive chairman

02

Creating value for stakeholders

GROUP PROFILE

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

Founded in Cape Town in 1934, the Lewis Group has been listed on the JSE Limited since 2004. The Group employs 8 847 permanent staff and is a strong supporter of the local furniture manufacturing sector.

The Group has 681 stores across all metropolitan areas and in rural South Africa, as well as a significant footprint in neighbouring African countries.

Diversification of brand portfolio

During the past 13 years the Group has expanded its portfolio beyond the traditional Lewis chain by developing brands internally and acquiring established retail chains with good growth prospects.

- **Lewis** is South Africa's largest furniture chain and is synonymous with furniture retailing in the country.
- **Best Home and Electric** was established in 2008, selling home appliances as well as furniture ranges.
- **Beares**, which was established in 1930, was acquired in 2014 as the Group embarked on a strategy of diversifying across income groups, market segments and product offering.
- **UFO**, a luxury furniture chain targeting the higher income market, was acquired in 2018 and marked the Group's diversification into cash retailing.

African store footprint

Lewis was one of the first South African retailers to expand into southern African countries from the late 1960s. In 2016 the Group acquired a portfolio of 56 stores in Botswana, Lesotho, Namibia and Eswatini which doubled the store presence outside of South Africa.

There are currently 126 stores outside South Africa which collectively accounted for 14.9% of group revenue in the current financial year.

Credit management

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

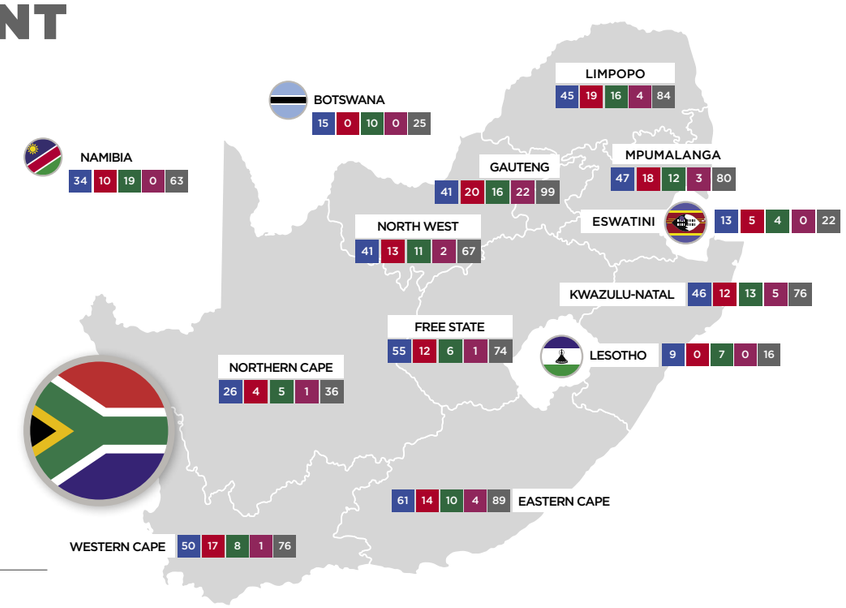
The Group has a credit customer base of over 578 000 active customers and credit sales accounted for 49.1% of total sales in the Reporting period.

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

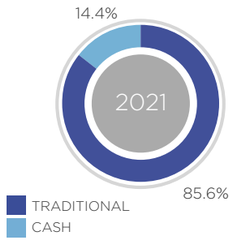
Customer commitment

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

GEOGRAPHIC FOOTPRINT



Sales contribution from segments %



	Lewis	Best Home and Electric	Beares	UFO Furniture	Lewis Group Limited
In South Africa	412	129	97	43	681
Outside South Africa	71	15	40	0	126
Stores – 31 March 2021	483	144	137	43	807
Stores – 31 March 2020	485	141	127	41	794

BRAND PROFILES

Brand	Target market*	Retail channel	Product offering	
Lewis	LSM 4–7	412 stores in SA 71 stores outside SA Average store size 317 m²	Focus mainly on credit sales of household furniture, homeware, electrical appliances and home electronics. On average 90% of merchandise deliveries are completed within 24 hours of the sale.	Traditional retail
Best Home and Electric	LSM 4–7	129 stores in SA 15 stores outside SA Average store size 130 m²		
Beares	LSM 7–9	97 stores in SA 40 stores outside SA Average store size 366 m²		
UFO Furniture	LSM 9+	43 stores in SA Average store size 648 m²	Cash sales of exclusive and luxury household furniture, including lounge, dining room and bedroom ranges.	Cash

** Based on Living Standards Measure*

BUSINESS MODEL

Purpose

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

Customer offer

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

Customer offering

Traditional retail

Lewis welcome home

BEST HOME AND ELECTRIC

BEARES Really Cares about You!

Cash retail

UFO FURNITURE

Business functions

Supply chain

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

Refer to Merchandise, supply chain and stores Report on pages 38 to 39.

Stores

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

Refer to Merchandise, supply chain and stores Report on pages 38 to39.

Credit

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

Refer to Managing credit risk Report on pages 40 to 42.

Monarch Insurance Company Ltd.

Insurance

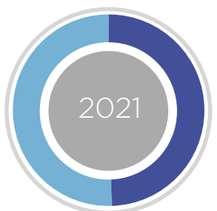
- Monarch, the group's insurer underwrites customer protection insurance offered to customers purchasing goods on an instalment sale basis.
- The insurance product offered is optional and provides cover to the group's credit customers in the event of death, disability, loss of income, or loss or damage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

Revenue split

Merchandise sales

58.4% Merchandise sales

41.6% Other revenue



49.1% Credit

50.9% Cash

STRATEGY AND TARGETS

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

Diversification strategy

The Group adopted a strategy to diversify the business and reduce the reliance on credit sales.

In 2014, the Group acquired the Beares brand with a focus on a higher target market with a higher proportion of cash sales than the traditional retail brands.

Beares currently trades out of 137 stores.

In 2017, the Group doubled its store base outside of South Africa through acquisition and now has 126 stores in Botswana, Lesotho, Eswatini and Namibia.

Stores outside South Africa account for 14.9% of the Group's revenue.

In 2018, the acquisition of cash retailer UFO enabled the Group to target a higher income customer market and increase cash sales.

UFO contributed 14.4% of total group sales in the Reporting period.

The increase in cash sales from UFO as well as the traditional brands in the Reporting period, resulted in the cash: credit sales mix of 50.9%: 49.1%.

Medium-term strategies

Medium-term growth strategies are developed by executive management and reviewed and approved by the board.

These growth strategies are developed by considering internal and external factors, risks and opportunities, resources and relationships, and key interdependencies.

The strategy is further supported by detailed business plans and budgets, information technology solutions, human capital requirements and operational policies and procedures. Medium-term targets are determined to measure the Group's progress in the implementation of its strategies.

Material issues and risks

Material issues and risks that could impact on the Group's strategy, its stakeholders and its ability to sustain growth are reviewed on a continuous basis as part of the strategic planning process (refer to Material Issues and Risks Report on page 16 to 19).

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

Strategy during Covid-19 pandemic

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

While trading restrictions have been lifted, Covid-19 continues to impact the broader economy as well as the Group's store operations due to health and safety protocols for employees and customers. Management remains flexible in the execution of the strategy and is able to adjust its shorter-term operating plans in response to specific Covid-19 related challenges and opportunities that may arise.

Strategic focus areas, performance indicators and targets

Strategic focus areas	Performance indicators	Achieved 2021	Targets (%) 2021	Targets (%) 2022	Targets (%) Medium term
Merchandising and supply chain	Gross profit margin	41.8%	38-42	40-42	41-43
Credit management	Debtor costs as a percentage of debtors at gross carrying value	14.3%	15-18	13-16	12-15
	Satisfactory paid customers	74.4%	64-67	72-75	73-76
Operational management	Operating profit margin (based on sales)	17.7%	8-12	12-18	16-20
	Credit sales as a percentage of total sales	49.1%	56-60	52-56	52-56
	(Decrease)/ increase in operating costs	(2.9)%	3-5	8-12	3-5
Capital management	Gearing	7.4%	<15	<15	<25

MATERIAL ISSUES AND RISKS

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

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

These material issues are reviewed by the board and executive management annually as part of the Group's strategic planning process, while the key risks are monitored by the Risk committee. In reviewing the material issues, the directors believe the current issues remain relevant and appropriate and are unchanged for the 2022 financial year.

Determining materiality

Our material issues

1. Covid-19 pandemic
2. Retail trading conditions
3. Credit risk management
4. Capital management
5. Information technology
6. People
7. Regulation

1 Covid-19 pandemic	RELATED RISKS	RISK MITIGATION
The Covid-19 pandemic continues to have an adverse impact on the economy, business and the lives of many South Africans.	• Third wave of infections could result in stricter lockdown regulations being reintroduced • Prolonged adverse economic impact due to slow pace of vaccination roll-out • Store closures and trading disruption owing to staff infections • Potential disruption of the merchandise supply chain on local and imported merchandise owing to logistical challenges and factory closures • Rising unemployment due to financial impact of Covid-19 • Higher death claims and loss of income claims together with a possible increase in unpaid premiums • Travel restrictions on operational management and collections staff resulted in limited levels of supervisory oversight and the inability to execute the collection model	• Health and safety protocols maintained across all stores and offices • Effective business continuity plans for working remotely during the pandemic • Prioritised the safety and livelihoods of employees by focusing on safety in the workplace, maintaining full remuneration and job preservation • Continued support to staff affected by Covid-19 through employee wellness programme • Transport provided to head office employees who utilised public transport • Cost of Covid-19 testing covered by employer • Applied for government relief funding for employees • Focus on cash preservation • Tight cost management • Robust balance sheet and low gearing ensures that the group continues to be resilient to any potential or unforeseen trading disruptions

2 Retail trading conditions	RELATED RISKS	RISK MITIGATION
The macro-economic environment in South Africa has a significant impact on the Group's operations and the weak trading conditions can impact both sales and collections across the trading brands.	• Constrained consumer spending and weak consumer sentiment as a result of poor economic conditions • Consumer spending contracting further due to financial impact of Covid-19 and related economic restrictions • Discontinuation of government's Covid-19 relief measures	• The Group's store-based business model has proven resilient through multiple economic downturns • The amendments to the affordability assessment regulations of the National Credit Regulator enabling self-employed and informally employed individuals to again apply for credit, will continue to benefit sales • The growth rate in other revenue is expected to move closer to the growth in credit sales over the medium-term • The Group's diversification strategy is expected to continue to support sales growth, with UFO, the Group's cash business, continuing to perform well

MATERIAL ISSUES AND RISKS CONTINUED

3 Credit risk management

RELATED RISKS	RISK MITIGATION
Effective credit risk management aims to optimise the quality of the debtors book by reducing debtor costs through improved collections and lower bad debts.	• Inability to manage credit risk could result in higher bad debts, slower collections, limited new account growth and fewer customers being able to buy on credit • External factors such as the Covid-19 pandemic, high levels of unemployment and tough economic conditions in the countries of operation could impact on the Group's ability to maintain the optimal quality of the debtors book	• Adjusting credit risk policies and rules to mitigate risks • Ensuring continued focus on productivity and efficiency to increase collection rates and reduce bad debts • Expanded strategy to convert more customers to the AEDO (Authenticated Early Debit Order)/DebiCheck collection service • Focus on increasing satisfactory paying customers

4 Capital management

RELATED RISKS	RISK MITIGATION
The efficient management of capital, financial risks and liquidity is key to the Group's financial stability and to improving returns to shareholders.	• Inefficient capital management could impact on profitability and returns to shareholders • Volatility of exchange rate impacting on margin, pricing and merchandise planning	• Ensure access to capital at all times • Ensure efficient allocation of capital • Continued investment in organic growth and in the debtors book • Return funds to shareholders through dividend payments • Continue the share buy-back programme at levels that are earnings enhancing • Limit borrowings to ensure group's gearing remains low • Manage currency exposure and risk, and hedge against currency fluctuations

5 Information technology

RELATED RISKS	RISK MITIGATION
Leading information technology systems are critical to protect the Group against the threat of cyber-crime and limit the risk of breaches of data security and customer privacy, and avoid business interruption due to the unavailability of key operating systems.	• Cyber risk could result in the breach of personal information, identity theft, loss of intellectual property and financial loss • Legal liability and reputational damage arising from breaches in cyber security • Business interruption owing to the unavailability of main operating systems and disruption to critical services could impact on revenue and profitability • Loss of data as a result of the exposure of systems to mobile devices and other interfacing systems • Unauthorised access to sensitive corporate data and customers' personal information • Increased security risk from remote working and learning	• Monitor IT governance processes across the business through the IT steering committee • Risk committee regularly updated on IT-related risks and mitigation plans • Continued investment in cyber security • Maintain and enhance the Group's information security management system • Policies implemented to address data security risks and cyber security solutions • Automated blocking of cyber threats by global specialists in cyber defence • Adequate cyber insurance cover • Business continuity and disaster recovery capability enhanced by upgrading storage and computer processing capacity at disaster recovery site

6 People

RELATED RISKS	RISK MITIGATION
Attracting, motivating and retaining scarce and skilled retail and financial services talent is key to the sustainability of the Group and the delivery of its strategic objectives.	• Inability to attract, motivate, develop and retain competent people • Skills shortage in retail and financial services sectors increases employee mobility • Loss of key people and challenge of attracting and retaining staff in current climate • Incentive schemes not attractive owing to share price underperformance affecting the value of long-term incentive schemes • High levels of staff turnover	• Improve talent management • Focus on remuneration retention schemes • Ensure remuneration packages for key staff are competitive and externally benchmarked • Enhance recruitment and selection practices and appoint internal succession candidates to vacant posts where possible • Enhance transformation through Black Economic Empowerment to improve diversity at all levels in the Group • Continued investment in leadership training and development • Enhance mentoring and coaching programmes

7 Regulation

RELATED RISKS	RISK MITIGATION
Ensure compliance with relevant legislation and regulation and limit impact of legislative changes on margins and profitability.	• Legal sanctions for regulatory non-compliance could result in material financial loss and reputational damage • Changes in legislation and regulation could adversely affect margins and profitability • Inability to respond effectively to ongoing regulatory changes	• Monitor compliance with regulations and legislation through in-house legal and compliance teams • Mitigation measures and disciplinary processes implemented to ensure regulatory compliance in selling of financial products • Engage with regulators on proposed legislative changes • Ensure business is operating efficiently and identify alternate sources of revenue should legislative changes impact margins and profitability • Focus on complying with licencing and related requirements of the new Insurance Act

INVESTMENT CASE

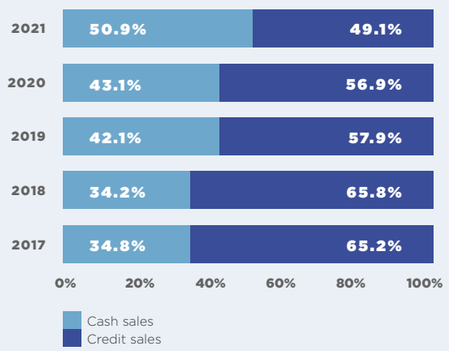
Lewis Group offers investors exposure across southern Africa's retail customer markets through its portfolio of well-established traditional brands operating in the low to middle income credit market and upper income cash customers through UFO.

While trading conditions continue to be impacted by Covid-19, the directors believe that the business model has the resilience to absorb this short-term volatility, as evidenced in the height of the pandemic.

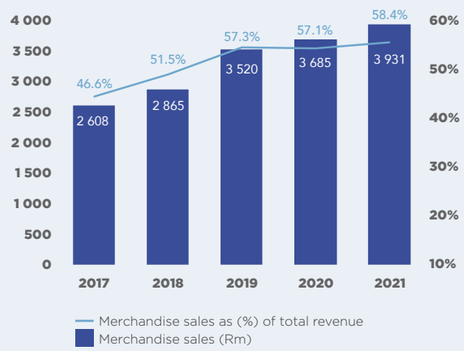
The following factors motivate an investment case for Lewis Group and should support competitive long-term returns for shareholders.

- **Favourable positioning in a challenging retail environment**
- **Strong balance sheet and effective capital management strategy**
- **Diversification across income segments**
- **Extensive retail footprint**
- **Customer loyalty and engagement**
- **Differentiated and exclusive merchandise**
- **Proven credit risk management**

Cash/credit sales mix



Merchandise sales



Customer markets

LOW TO MIDDLE INCOME		UPPER INCOME
LSM 4-7	LSM 7-9	LSM 9+
Lewis welcome home; BEST HOME AND ELECTRIC	BEARES	UFO FURNITURE
TRADITIONAL		CASH

Favourable positioning even in challenging retail environment

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

Strong balance sheet and effective capital management strategy

- Robust balance sheet with low gearing and no borrowings
- Active capital management strategy enhancing returns to shareholders through dividend payouts and share buy-back programme
- Strong cash position enabled the Group to withstand the trading restrictions during lockdown without having to access external funding

Diversification across income segments

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

Extensive retail footprint

- National coverage with 681 stores across urban and rural areas in South Africa
- Expansion in the past three years into the higher income segment with UFO chain comprising 43 stores
- Exposure to other African markets with 126 stores in Namibia, Botswana, Lesotho and Eswatini

Customer loyalty and engagement

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

Differentiated and exclusive merchandise

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

Proven credit risk management

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

SUSTAINABILITY REPORT

Introduction

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

- Offering affordable, exclusive and quality household goods to customers
- Supporting our employees, customers, and communities
- Creating long-term value for shareholders
- Ensuring that the business model remains sustainable
- Ensuring that it meets its responsibilities in sustaining the environment in which it operates.

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

This Report focuses on environmental and social aspects of sustainability, aligned with the SDG's where we believe we make a meaningful contribution.

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

The Group's contribution to the social aspects of sustainability have been aligned to the following SDGs:

End poverty in all its forms everywhere

Funding is provided to uplift communities in which the Group trades through the support of schools, crèches, upliftment projects, vegetable growing projects and orphanages. This includes shelters that assist displaced or homeless people with assessment and reintegration into society. Funding is also provided to hospitals and centres caring for the aged.

Early childhood development initiatives are a main focus area for Lewis Group.

Children of the Dawn supports and reinforces rural community initiatives which focus on caring for HIV/AIDS orphans and vulnerable children in the country. Lewis sponsors 138 children in eight locations.

The sponsorship provides children with essential basic requirements, including education, nutrition, clothing, hygiene, transport, integration into the community as well as emotional and moral support.

During the Covid-19 pandemic, funding went towards providing food security through a large-scale food drive, as normal activities were interrupted.

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

The Group supports feeding and nutritional initiatives for both children and disadvantaged communities. Through the Peninsula School Feeding Association (PSFA), Lewis continues to support its 11 adopted schools in the Western Cape, providing meals for approximately 1 200 children each school day.

PSFA's key focus areas are to reduce short term hunger through the provision of optimal nutritional meals to enhance children's ability to learn and to increase school attendance.

During the Covid-19 pandemic when children were unable to attend school, funding was used to provide food parcels to learners' families.

Ensure healthy lives and promote well-being for all at all ages

Lewis provides ongoing assistance to HIV/AIDS orphans, vulnerable and disabled children as well as old age homes on matters pertaining to health. This includes support of informal organisations which assist their local communities as well as hospices and home-based care programmes.

Projects funded by the Group include the Rape Crisis Centre in the Helderberg area which counsels rape victims from the Hottentots Holland Hospital in Somerset West and surrounding community, from young children to the elderly, including abused boys and men.

The Group also sponsors PATCH, a rape crisis centre for young children in Macassar in the Western Cape.

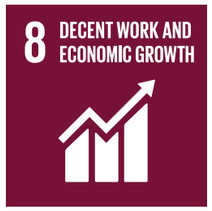
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Lewis partners with TSIBA Business School, an accredited higher education institution offering undergraduate and postgraduate business qualifications as well as short courses in leadership, entrepreneurship and commerce. The Group again provided funding for 10 scholarships and has committed a further 10 scholarships for the 2021 academic year. These graduates are then integrated into the Group's internship programme and on completion, many of them are placed in permanent positions across the Group.

The Group supports the Lesedi la Batho Centre in Mobopane, Gauteng, which provides unemployed people with skills from sewing to beadwork, computer skills and baking, allowing them to make and sell a range of merchandise to the public. A life-skills course is offered for young people who have not completed their formal education. Lewis purchases teddy bears from this organisation which helps to generate an income for approximately 20 ladies and their families. These bears are in turn donated to children in hospitals, hospices, children's homes and places of safety with over 3 400 bears having been donated to date.

Ongoing assistance is provided to Learn to Earn, an organisation training thousands of unemployed people in market driven skills. This year the Group supported woodwork, sewing, barista and Bake4Profit students. During the pandemic the Group supported the sewing skills programme by purchasing 1 600 face masks for employees and also funded various skills development courses.

SUSTAINABILITY REPORT CONTINUED



Promoting sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all

Employment equity

The Group's employment equity plan focuses on increasing the representation of designated groups, mainly in the senior management and professionally qualified areas. Strategies have been developed to achieve internal employment equity targets, including the implementation of a comprehensive learning and development plan, in-service training of retail management students, granting bursaries, job profiling and performance assessments.

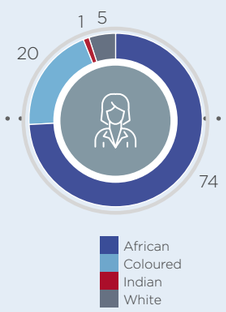
Management is committed to ensuring that the Group's employee profile is representative of the customer base it serves and the communities in which it trades. Black staff account for 95.2% (2020: 95%) of the staff complement, with females comprising 58.2% (2020: 58%).

The employment equity profile of the workforce in South Africa (excluding neighbouring countries) on 31 March 2021 is contained in the following table:

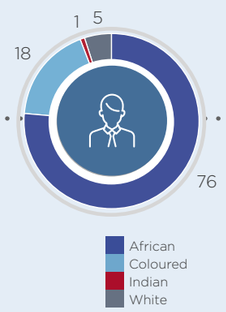
Occupational levels

Occupational levels	Female					Male					Grand total
	African	Coloured	Indian	White	Total	African	Coloured	Indian	White	Total	
Top management					–		2		3	5	**5**
Senior management	7	6	2	17	32	9	4	1	32	46	**78**
Middle management	27	30	7	40	104	56	27	5	46	134	**238**
Junior management	447	127	16	72	662	298	73	12	48	431	**1 093**
Semi-skilled	2 692	666	27	78	3 463	2 034	428	11	17	2 490	**5 953**
Unskilled	4	2			6		3			3	**9**
Non-permanent	125	44	1	3	173	40	30		10	80	**253**
Grand total	**3 302**	**875**	**53**	**210**	**4 440**	**2 437**	**567**	**29**	**156**	**3 189**	**7 629**

Grand total female employees (%)



Grand total male employees (%)



Black economic empowerment

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

The Group remains focused on improving its rating to meet the objectives of the B-BBEE Act and in 2021 achieved a rating of Level 8. This rating was verified by AQRate, an accredited empowerment rating agency.

B-BBEE element	Weighting	2021	2020	2019
Equity ownership	25	**5.78**	7.83	6.93
Management control	19	**11.76**	11.30	8.63
Skills development	20	**17.00**	16.71	14.96
Enterprise and supplier development	40	**29.07**	37.68	30.60
Socio-economic development	5	**5.00**	5.00	5.00
Total score		**68.61**	78.52	66.12
B-BBEE rating		**Level 8**	Level 6	Level 8

Training, talent and skills development

The Group's training and development programmes are geared towards creating opportunities for all employees from basic sales and product knowledge to training key talent for branch managers and management positions over time. The Group's training department is accredited with the Wholesale and Retail Sector Education and Training Authority and offers a range of classroom based and e-learning programmes in all aspects of retail, management and leadership training.

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

Key outputs from the Group's training and development programme in 2021 include:

- 15 846 training interventions (2020: 12 263)
- Black staff accounted for 93% of total employees trained (2020: 92%)
- 152 employees enrolled on an adult basic education training course with a view to assisting these employees to obtain a grade 12 certificate (2020: 187)
- 37 interns/learnerships were absorbed and offered full-time positions (2020: 16)

Enterprise and supplier development

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

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

During 2020 due to the Covid-19 pandemic and associated lockdowns, beneficiaries experienced shortages of raw materials which delayed the production and supply of certain products. Our procurement team worked closely with factories finding alternative solutions, ensuring that the impact was minimal.

We honoured all merchandise orders placed with beneficiaries during this time and offered payment holidays on all funding provided.

SUSTAINABILITY REPORT CONTINUED

Camphill Village West Coast

Learn to Earn Bake4Profit

Learn to Earn Mask Sewing Project

South African Education Projects

Lesedi la Batho Teddy Bear Project

Lesedi la Batho Teddy Bear Project

Addressing climate change

The Group recognises the need to introduce and maintain environmentally sustainable business practices.

The Group's environmental practices will evolve, guided by environmental principles, economic drivers and the commitment to be a responsible corporate citizen.

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

The Group appointed consultants specialising in environmental and climate risk to assist with the formulation of a climate risk framework.

The consultants will commence with the identification and management of climate related risks under the Task Force on Climate-related Financial Disclosures (TCFD) framework in the 2022 financial year, with the Group aiming to implement the recommendations over the next five years.

The Group currently measures electricity and fuel consumption as part of the monitoring of its carbon footprint. Further performance indicators will be identified and monitored in the next two years.

Environmental performance indicators

Consumption totals		2021	2020
Fuel	(kℓ)	**6 830**	7 690
Electricity	(MWh)	**26 881**	34 794

The main reason for the decline in consumption relates to the impact of Covid-19 trading restrictions when all stores were closed for six weeks.

Carbon footprint

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

Scope 1 emissions are emissions from company operations, which in the case of the Lewis Group comprise fuel combustion in all company-owned vehicles. The Group has an extensive fleet of delivery vehicles which undertake all deliveries from stores to customers.

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

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

Lewis Group emissions breakdown

Source	2021	2020
Scope 1		
South African fuel	**14 105**	16 401
International fuel	**1 958**	2 321
	16 063	18 722
Scope 2		
South African electricity	**21 456**	28 556
International electricity	**1 756**	2 401
	23 211	30 957
Total scope 1 and 2	**39 274**	49 679
Scope 3		
Fuel- and energy-related activities	**13 190**	16 395
Upstream transportation and distribution	**9 869**	7 329
Business travel	**24**	301
Employee commuting	**4 033**	4 317
Total scope 3	**27 116**	28 234

The Group's total scope 1 and scope 2 emissions are calculated at 39 274 tCO_2e for the 2021 financial year, with the South African operations contributing 91% to this total.

The results show a 21% decrease in emissions, with a 14% and 25% decrease in scope 1 and 2 respectively when compared to the 2020 emissions. The reduced emissions can primarily be attributed to the Covid-19 restrictions which impacted operations.

Scope 3 fuel and energy related activities decreased by 20% as a result of the decreased fuel and electricity usage across the Group.

Upstream transportation and distribution increased from 7 329 tCO_2eq in 2020 to 9 876 tCO_2eq in 2021, which is in line with the annual increase noted in previous assessments and is a result of increased stock purchases and resulting movement. Emissions from air travel decreased by 91%, due to a significant decline in flights as a result of Covid-19. Car hire emissions similarly decreased. Employee commuting emissions decreased due to Covid-19 restrictions and enforced store closures as well as the head office being closed for a major portion of the year.

03

Leadership

CHIEF EXECUTIVE OFFICER'S REPORT

After the national Covid-19 lockdown severely impacted sales and account collections in the first quarter of the financial year, the Group recovered steadily as the economy was gradually opened with the easing of lockdown restrictions.

Johan Enslin

The lockdown trading restrictions required all stores to be closed for six weeks, resulting in the Group losing approximately R360 million in sales and R250 million in collections.

Our financial and operational focus during this time was on cash preservation and cost control. The Group remained cash positive during the lockdown when stores were closed and no borrowings were utilised, while operating costs were tightly managed and reduced by 2.9% for the year.

Our priority was to ensure the health and wellness of our staff and the safety of our customers, with the Group investing over R15 million to achieve this.

It is thanks to the continuing support of our loyal customers and our partnerships with committed suppliers that Lewis Group has emerged stronger from the pandemic.

Strong recovery post hard lockdown

After declining by 4.9% in the first half of the year, merchandise sales grew by 17.0% in the second half, resulting in an annual increase of 6.7% to R3.9 billion. Excluding the months of April and May 2020 when stores were closed, merchandise sales increased by 18.2%.

Cash sales benefited from the Covid-19 social relief grants and increased by 25.9%, contributing 50.9% (2020: 43.1%) of total merchandise sales. Credit sales were impacted by the hard lockdown and declined by 7.9%.

Merchandise sales have continued to increase as a proportion of total revenue over the past five years, growing from 46.6% of total revenue in 2017 to 58.4% in 2021.

The Group Reported a balanced performance across all four trading brands. The traditional retail brands Lewis, Best Home and Electric, and Beares increased sales by 6.6% (17.3% excluding April and May 2020) and cash retailer UFO grew sales by 6.9% (23.2% excluding April and May 2020). The stores in the neighbouring countries of Namibia, Botswana, Eswatini and Lesotho accounted for 17.8% of total sales.

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

The gross profit margin expanded by 80 basis points to 41.8%. This was largely attributable to the growth in the higher margin furniture and appliance categories. Furniture accounted for 62.1% of total sales (2020: 61.6%) and appliances 26.2% (2020: 25.3%), with the contribution from audio-visual declining to 11.7% (2020: 13.1%).

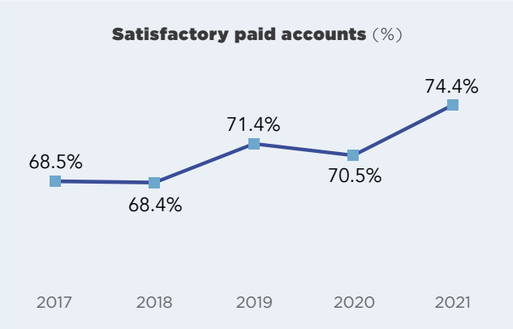
Management took a conscious decision to ensure adequate stock levels to counter challenges in the supply chain which include a global shortage of shipping containers and severe port congestion. This resulted in inventory levels being 28% higher at year-end.

The Group's financial performance is covered in the Chief financial officer's Report on page 46.

Improving quality of debtors' book

The Group entered lockdown with its debtors' book in a healthy state. After customer account collections were negatively impacted over the two months when stores were closed, the quality of the debtors' book continued to improve as the year progressed.

This is reflected in the level of satisfactory paid customers increasing from 70.5% in 2020 to 74.4% in 2021, the highest in 10 years. Customers are classified as satisfactory paid when they have paid 70% or more of the amounts due over the contract period.



Collection rates recovered as restrictions were lifted, improving from a low of 59.9% in the first quarter to 73.2% for the second quarter, 75.6% for the third quarter and 79.4% for the fourth quarter. Collections averaged 71.8% for the year (2020: 74.5%).

Debtor costs reduced by 19.5% over the prior year when an additional Covid-19 debtors' impairment provision of R189.5 million was raised. This reduction in debtor costs is being supported by enhanced collection practices implemented by management post-lockdown as well as the positive impact of the Covid-19 relief grants.

As expected in the depressed economic environment with high levels of unemployment, net bad debts increased by R124 million. Net bad debts as a percentage of debtors increased to 16.2% from 13.9% in the prior year.

The credit application decline rate for the year was 38.1% compared to 37.5% in the prior year.

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

Refer to the Managing Credit Risk Report on page 40 for further analysis of the debtors' book.

Store base passes 800 mark

The store base exceeded the 800 mark as 24 stores were opened and 11 closed, increasing the store presence to 807 at year-end. A net 10 Beares stores were opened while UFO expanded its store footprint in the Eastern Cape and opened its first store in the Western Cape.

Lewis continues to open smaller format stores which now comprise 47% of the brand's stores.

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

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

Outlook

It is encouraging to Report that the sales momentum of the second half of the 2021 financial year has continued into the new year, aided by good stock availability. The credit health of the Group's customer base is also at a multi-year high.

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

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

Appreciation

Thank you to our Chairman Hilton Saven for his decisive leadership of the board during the pandemic and to our non-executive directors for their guidance and support of management.

As we close off on a year of unprecedented challenges, I pay tribute to our more than 8 800 employees for the selfless manner in which they responded to the crisis and remained totally committed to delivering outstanding service to our customers.

My long-standing colleague Les Davies retired from the Group after more than three decades of dedicated service. During his career Les served as financial director of Lewis Stores, CFO of Lewis Group and CEO of Monarch Insurance, and most recently as director of IT for Lewis Stores. Les was a consummate professional who always went beyond the call of duty. We thank Les for his loyalty and commitment and wish him a healthy and happy retirement.

Johan Enslin
Chief executive officer

BOARD OF DIRECTORS

Hilton Saven

Independent non-executive chairman (68)

BCom, CA(SA)

Chairperson of the board and Nominations committee; Member of Risk, Remuneration and Social, ethics and transformation committees.

Appointed June 2004

Directorships:
Truworths International Limited and Balwin Properties Limited.

Expertise and experience:
Corporate governance, strategy and finance.

Hilton is an experienced company director and a registered chartered accountant. Hilton is the former chairperson of Mazars South Africa, an international firm of accountants as well as the former chairperson of Praxity Alliance, an international alliance of accounting firms.

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

Fatima Abrahams

Independent non-executive director and lead independent director (LID) (58)

BEcon (Hons), MCom, DCom

Chairperson of the Remuneration and Social, ethics and transformation committees; Member of the Risk, Remuneration and Nomination committees. Appointed as LID in 2021.

Appointed September 2005

Directorships:
The Foschini Group Limited and the Clicks Group Limited.

Expertise and experience:
Human resources and remuneration.

Prof. Abrahams is an academic, experienced company director and a registered industrial psychologist. She is currently a senior professor (part-time) at the University of the Western Cape, having also served as Dean of the Faculty of economic and management sciences.

Specific contribution to the board:
Fatima serves as a non-executive director on the board of two listed companies, with particular involvement in retail businesses. Her strong academic qualifications and experience have provided her with extensive expertise in these areas. She has performed similar roles for other listed and unlisted entities over a number of years, which is of benefit to the Group.

Jacques Bestbier

Chief financial officer (48)

CA(SA)

Member of the Risk committee and attends the Audit committee by invitation.

Appointed to the board April 2018

Directorship:
Lewis Stores (Pty) Limited

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

Specific contribution to the board:
Jacques is the Chief financial officer and executive director of the Group.

Adheera Bodasing

Non-executive director (47)

BA, LLB

Member of the Risk, Remuneration and Nominations committees.

Appointed June 2017

Directorship:
Polarity Consulting (Pty) Limited

Expertise and experience:
Legal and compliance.

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

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

Johan Enslin

Chief executive officer (47)

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

Appointed to the board October 2009

Directorship:
Lewis Stores (Pty) Limited.

Expertise and experience:
Johan has more than 27 years credit furniture retail experience. He joined the Lewis Group as a salesman in 1993 and rose rapidly through the ranks, holding positions including branch manager, regional controller, divisional general manager, general manager operations and operations director of Lewis Stores (Pty) Limited. Prior to his appointment as the Chief executive officer he was Chief operating officer with responsibility for the retail operations of the Group.

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

Daphne Motsepe

Independent non-executive director (64)

BCompt, MBA

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

Appointed June 2017

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

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

Specific contribution to the board:
Daphne's 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.

BOARD OF DIRECTORS CONTINUED

Tapiwa Njikizana

Independent non-executive director (Zimbabwean), (45)

CA(SA) JSE Registered IFRS Advisor

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

Appointed August 2019

Directorship:
W.Consulting SA (Pty) Limited

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

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

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

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

Duncan Westcott

Independent non-executive director (72)

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

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

Appointed December 2017

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

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

Specific contributions to the board:
Duncan is an experienced non-executive director on the board and acts as the 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.

Ntokozo Makomba

Company secretary (35)

LLB, LLM

Appointed June 2018

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

EXECUTIVE MANAGEMENT

Johan Enslin

Chief executive officer (47)

27 years of service

Johan is the Chief executive officer of the Group.

Waleed Achmat

Human resources director (58)

BA Hons (Industrial Psychology)

4 years of service

Waleed is the human resources director.

Jacques Bestbier

Chief financial officer (48)

CA(SA)

9 years of service

Jacques is the Chief financial officer of the Group.

Derek Loudon

Merchandise director (58)

20 years of service

Derek is responsible for the Group's merchandising functions.

Rinus Oliphant

Operations director (47)

23 years of service

Rinus is responsible for the retail operations of the Group.

04

Operations review

MERCHANDISE, SUPPLY CHAIN AND STORES

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

Merchandise strategy

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

New ranges are launched frequently to introduce customers to the ongoing newness of the merchandise.

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

UFO offers luxury exclusive furniture to cash customers in the higher income market.

In the current constrained economic environment sales are increasingly promotionally driven as customers seek value.

Merchandise offering

The merchandise offering covers three core product categories:

Furniture: Bedroom suites, beds, base sets, mattresses, lounge and dining room suites, wall units and kitchen units. Lounge suites and base sets account for 62.1% of sales in this category.

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

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

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

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

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

Merchandise sourcing

Products are sourced from a wide range of local and international suppliers to ensure that customers are offered exclusive merchandise ranges. Imported merchandise accounted for 37% (2020: 29%) of stock purchases in the Reporting period.

More goods were imported during the Reporting period due to South African suppliers being faced with a shortage of raw materials required to support production.

As a member of the Proudly South African Association, the Group is committed to promoting social and economic change. The Group sources locally by investing and partnering with local manufacturers, making a meaningful contribution to building a better South Africa, alleviating unemployment and retaining existing employment opportunities.

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

Supply chain and distribution

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

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

Traditional retail stores have dedicated delivery vehicles which enables 90% of deliveries to be completed within 24 hours.

Stores

The Group's store base increased to 807 following the opening of 24 stores and the closure of 11 stores in the past financial year.

Traditional retail

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

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

Lewis	BEST HOME AND ELECTRIC	BEARES
412 stores in SA	129 stores in SA	97 stores in SA
71 stores outside SA	15 stores outside SA	40 stores outside SA
153 039 m² trading space	18 703 m² trading space	50 143 m² trading space
Average store size 317 m²	Average store size 130 m²	Average store size 366 m²

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

The flagship brand, Lewis, carries a comprehensive range of merchandise and caters for specific markets and regional differences. Stores have an average trading space of 317 m² and the smaller format stores are approximately 250 m². The smaller format store, introduced in 2010, has enabled the chain to gain access to high traffic areas at more affordable rentals. This store format offers customers key merchandise lines, with the full range available on the electronic catalogue and display screens in-store. Lewis now has 227 small format stores in its portfolio.

An active store refurbishment programme ensures that stores remain relevant and modern, with stores being refurbished on average every five years. During the Reporting period, 100 stores across the portfolio were refurbished.

Cash retail

UFO stores are located in high-end malls and shopping centres, with the chain's flagship store in Marlboro, Johannesburg, recognised as a destination shopping location. UFO recently expanded its stores in the Eastern Cape and opened its first store in the Western Cape during the current year. Stores average 648 m² with most product displayed on the shop floor.

UFO FURNITURE
43 stores in SA
27 873 m² trading space
Average store size 648 m²

MANAGING CREDIT RISK

The Group's strategy of centralised credit granting and decentralised collection processes is a core strength in managing credit risk and debtor costs in the current constrained economic environment which has been compounded by the social and economic impacts of the Covid-19 pandemic over the past year.

Performance of the debtor book

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

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

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

Credit ratios and statistics		2021	2020
Credit sales as a percentage of total sales	%	**49.1**	56.9
Gross debtors	Rm	**5 691**	5 746
(Decrease)/increase in gross debtors	%	**(1.0)**	4.0
Collection rates from instalment sales	%	**71.8**	74.5
Total collections from instalment sales	Rm	**3 911**	4 052
Debtor impairment provision	Rm	**2 424**	2 534
Debtor impairment provision as a percentage of gross debtors at carrying value	%	**42.6**	44.1
Debtor costs	Rm	**813**	1 010
Debtor costs as a percentage of debtors at gross carrying value	%	**14.3**	17.6
Bad debts as a percentage of debtors at gross carrying value	%	**16.2**	13.9
Satisfactory paid accounts as a percentage of total customers	%	**74.4**	70.5
Credit application decline rate	%	**38.1**	37.5
Active credit customer base		**578 818**	595 919

Credit offering

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

The credit offering is supported by Monarch Insurance, the Group's insurer, which offers a range of optional microinsurance products to customers purchasing merchandise on credit. These products are compliant with the National Credit Act. Insurance cover is offered for the settlement of customers' outstanding debt in the event of death, permanent disability, retrenchment, and the replacement of goods as a result of accidental loss, such as fire, theft or natural disaster. Monarch is registered with the Financial Sector Conduct Authority and operates under a microinsurance licence.

Credit risk management

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

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

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

Assessing customer affordability: Information is collected on the applicants' income, expenses and current debt obligations. Lewis uses its own priority expense model as well as the National Credit Regulator's expense table in determining the customer's minimum living expense.

Credit limit: The applicants risk score determined by the scorecard, together with the expense assessment and outstanding obligations, are used to calculate a credit limit within the customer's affordability level.

These credit granting systems are used to determine the Group's appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit granting system. The Group monitors any variances from the level of risk that has been adopted and adjusts the credit granting process when necessary.

Credit granting compliance

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

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

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

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

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

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

MANAGING CREDIT RISK CONTINUED

Credit collection

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

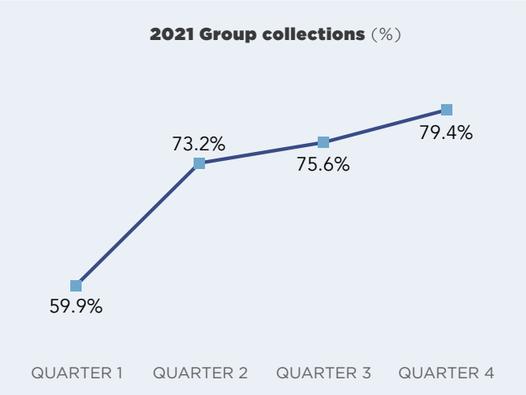
Store collection staff are often from the same community and can communicate in the language of the customer which benefits collection rates.

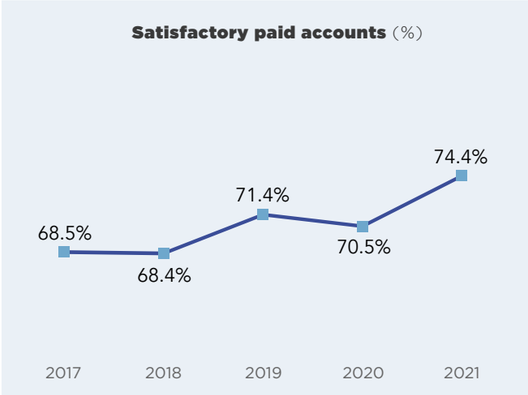
During the Covid-19 lockdown period, when all stores were closed, management established electronic payment platforms which enabled account payments for all Lewis Group brands to be made at a range of major national food chains, as these retailers continued to trade during this time.

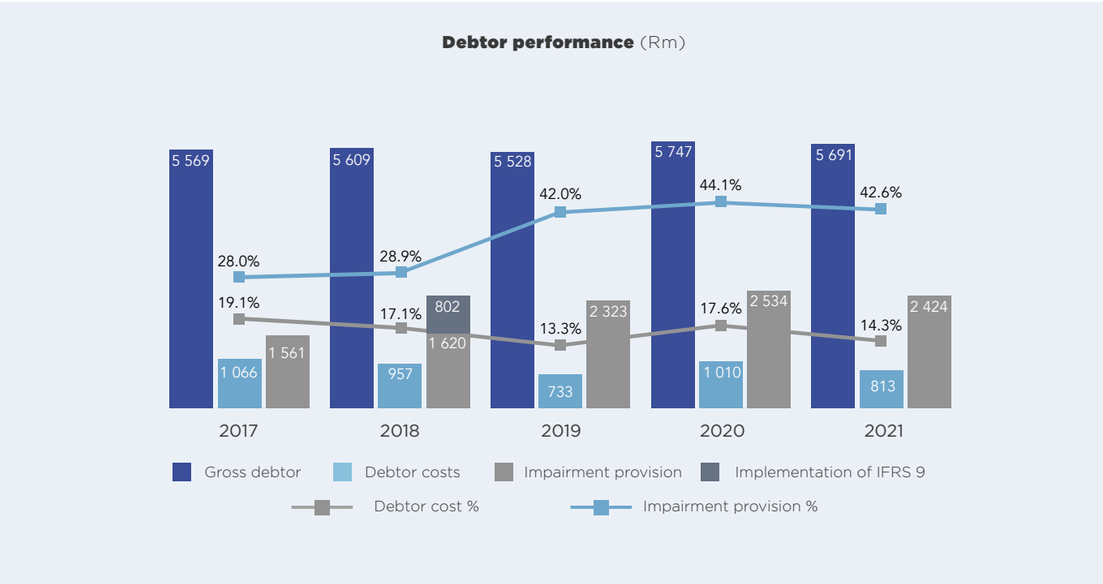
Bad debts

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

Refer to note 2 to the summary financial statements on pages 59 to 63 for detail on the determination of the impairment provision and the calculation of contractual arrears, as well as the combined impairment and contractual arrears tables.



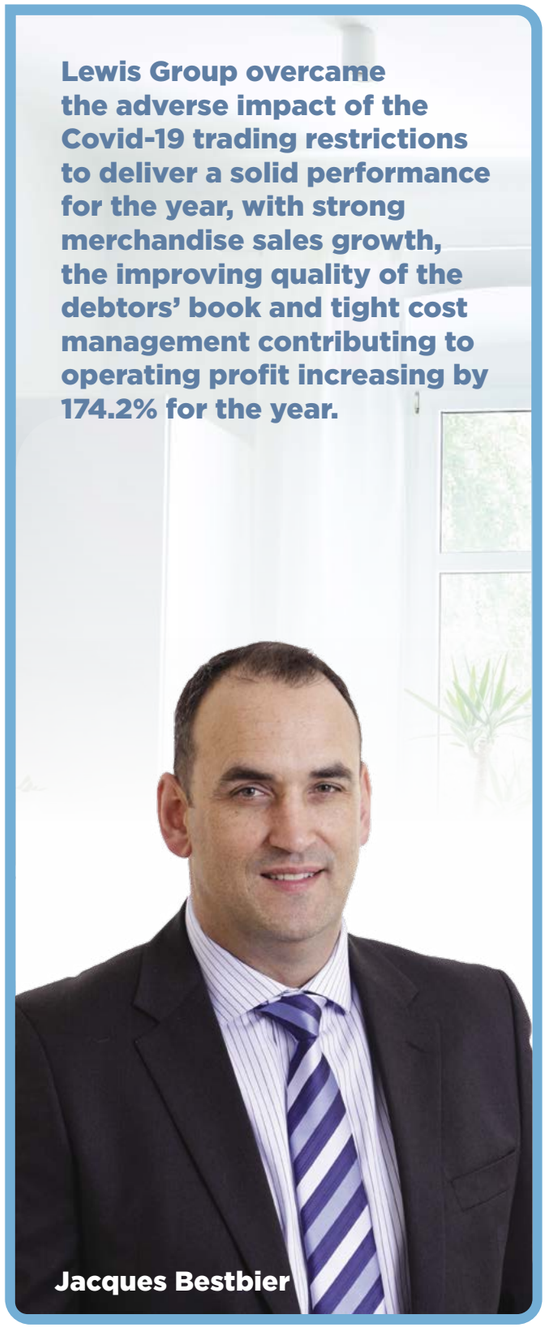




Financial review

CHIEF FINANCIAL OFFICER'S REPORT

Lewis Group overcame the adverse impact of the Covid-19 trading restrictions to deliver a solid performance for the year, with strong merchandise sales growth, the improving quality of the debtors' book and tight cost management contributing to operating profit increasing by 174.2% for the year.



Jacques Bestbier

Headline earnings increased by 126.4% to R463.0 million, with headline earnings per share (HEPS) increasing 136.9% to 616 cents, reflecting the benefit of the share buy-back programme.

The board declared a final dividend of 195 cents per share (2020: 65 cents), in line with the targeted dividend payout ratio of 55%, increasing the total dividend for the year by 77.3% to 328 cents per share.

Cash generated from operations increased by 46.8% to R914.6 million while the Group's balance sheet remains robust, with no borrowings.

Financial performance

The following review of the Group's financial performance should be read together with the audited summary financial statements on pages 53 to 71.

Revenue

Merchandise sales recovered strongly after stores reopened in June 2020. Following a decline of 4.9% in the first half of the year, sales grew by 17.0% in the second half to post an annual increase of 6.7% to R3 931 million (2020: R3 686 million). Comparable store sales grew by 5.1%.

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

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

Total revenue, comprising merchandise sales and other revenue, increased by 4.2% to R6 726 million (2020: R6 453 million).

Gross profit

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

Operating costs

Operating costs, excluding debtor costs, continued to be tightly managed and reduced by 2.9%, with lower transport and administration costs in the Covid-19 operating environment. Marketing expenditure reduced significantly owing to limited activity during lockdown and revised marketing strategies adopted post lockdown. Expenses increased by 3.2% in the second half.

Analysis of costs (excluding debtor costs)	2021 Rm	2020 Rm	%
Employment costs	**1 259**	1 214	3.7
Administration and IT	**325**	360	(9.7)
Marketing	**184**	299	(38.5)
Transport and travel	**242**	273	(11.4)
Depreciation, amortisation and impairment	**343**	376	(8.8)
Other operating costs	**575**	494	16.4
Total	**2 928**	3 016	(2.9)

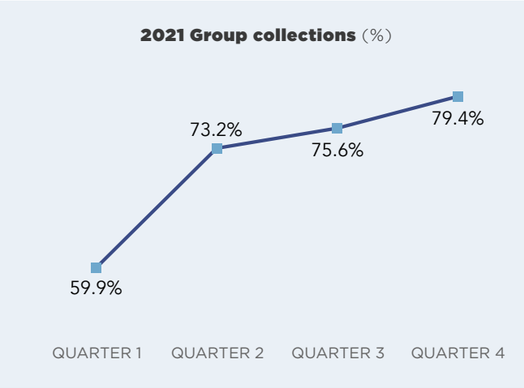
Debtor performance

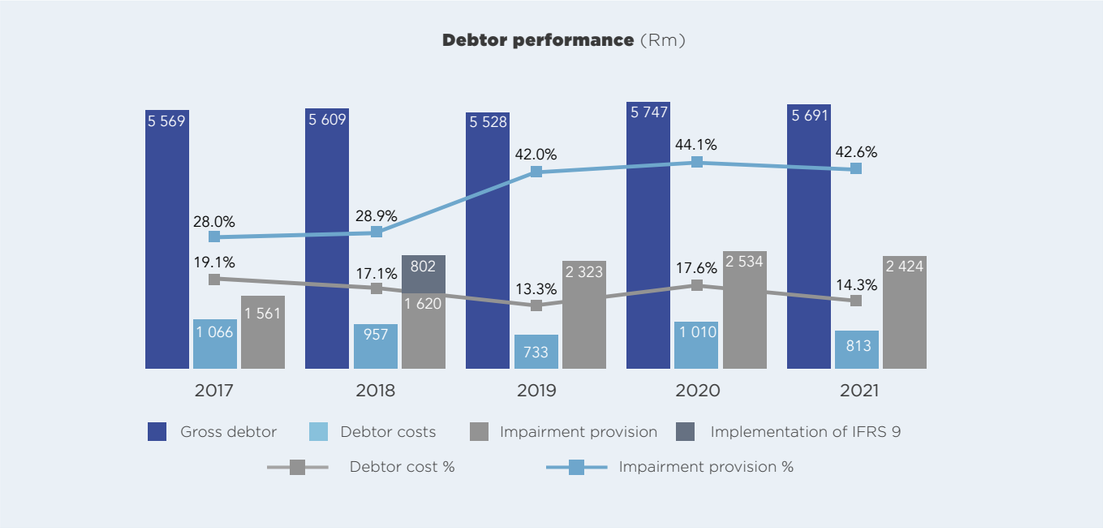
Debtor performance		2021	2020
Collections			
Collections from instalment sales	(Rm)	**3 911**	4 052
Actual collections achieved			
Percentage of one contract instalment per customer per month (12 months)	(%)	**71.8**	74.5
Percentage of one contract instalment per customer per month (10 months)	(%)	**74.9**	73.8
Contractual arrears		**2 057**	2 112
Percentage of debtors at gross carrying value	(%)	**36.1**	36.7
Debtor costs			
Debtor costs (-19.5%)	(Rm)	**813**	1 010
– Net bad debts written off	(Rm)	**923**	799
– Debtors impairment provision	(Rm)	**(110)**	211
Debtor costs as a percentage of debtors at gross carrying value	(%)	**14.3**	17.6

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

After losing approximately R250 million in customer account collections when stores were closed in April and May 2020, collections improved to 73.2% for the second quarter, 75.6% for the third quarter and 79.4% for the fourth quarter, averaging 71.8% for the year (2020: 74.5%).

The level of satisfactory paid customers increased from 70.5% in 2020 to 74.4% in 2021.





CHIEF FINANCIAL OFFICER'S REPORT

CONTINUED

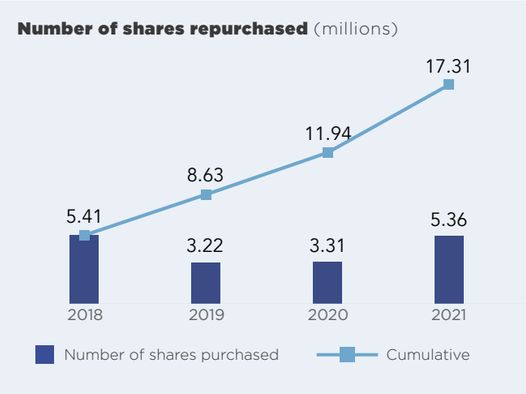
Operating profit

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

Finance costs

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

Cash and capital management



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

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

The gearing ratio including lease liabilities was 7.4% compared to 12.0% in the prior year.

As previously advised to shareholders, the Group accessed existing borrowing facilities shortly before the 2020 financial year-end as a precautionary measure to ensure liquidity during lockdown. This funding was not utilised as the Group remained cash positive during the lockdown period and the borrowings were repaid once the stores reopened.

The Group repurchased 5.4 million shares during the financial year at an average market price of R20.92 per share. Since the commencement of the current share repurchase programme in 2017, the Group has bought back 17.3 million shares at an average price of R27.38 per share.

The total dividend for the year amounted to R238 million (2020: R144 million).

Capital ratios (%)	2021	2020
Gearing ratio (including IFRS 16)	**7.4**	12.0
Return on average shareholders' funds	**9.0**	3.8
Return on average capital employed	**8.7**	3.7
Return on average assets managed	**10.5**	4.8

Outlook for 2022

Continued tight expense control and efficient capital management are priorities for the year ahead.

Management is committed to returning funds to shareholders through the share repurchase programme. At the annual general meeting in October 2020, shareholders granted authority to repurchase a further 10% of the issued share capital. By 31 March 2021, the Group had repurchased shares accounting for 4.6% of the shares in issue.

Management is confident that the remainder of the mandate will be utilised and will seek shareholder approval to repurchase a further 10% of the issued share capital.

The Group's financial targets have been reviewed and revised to reflect the expected performance for 2022 and over the medium term.

Performance indicators	2021 Actual %	2022 targets %	Medium-term targets %
Gross profit margin	41.8	**40-42**	**41-43**
Operating profit margin – based on sales	17.7	**12-18**	**16-20**
(Decrease)/increase in operating costs	(2.9)	**8-12**	**3-5**
Credit sales as a percentage of total sales	49.1	**52-56**	**52-56**
Satisfactory paid customers	74.4	**72-75**	**73-76**
Debtor costs as a percentage of debtors at gross carrying value	14.3	**13-16**	**12-15**
Gearing	7.4	**<15**	**<25**

Appreciation

Thank you to our local and international shareholders for your virtual engagement over the past year as well as the broader investment community for your interest in the Group. I also extend my thanks to my committed colleagues in the Group finance team who have overcome the challenges of remote working to ensure that the Group maintains its high standards of financial Reporting.

Jacques Bestbier
Chief financial officer

FIVE-YEAR REVIEW

		2021	2020	2019	2018	2017
RATIOS AND STATISTICS						
Returns						
Return on average shareholders' funds (after-tax)	(%)	**9.0**	3.8	6.4	5.1	6.6
Return on average capital employed (after-tax)	(%)	**8.7**	3.7	6.5	5.1	6.7
Return on average assets managed (pre-tax)	(%)	**10.5**	4.8	8.5	6.6	8.2
Margins						
Gross profit margin	(%)	**41.8**	41.0	41.2	41.4	42.4
Operating profit margin – based on revenue	(%)	**10.3**	3.9	7.2	6.8	10.1
Operating profit margin – based on sales	(%)	**17.7**	6.9	12.6	13.2	21.6
Productivity						
Number of stores		**807**	794	784	773	761
Revenue per store	(R'000)	**8 334**	8 128	7 828	7 189	7 348
Operating profit per store	(R'000)	**862**	320	565	491	741
Average number of permanent employees		**8 847**	8 248	8 101	8 093	8 619
Revenue per employee	(R'000)	**760**	782	758	687	649
Operating profit per employee	(R'000)	**79**	31	55	47	65
Trading space	(sqm)	**249 758**	249 538	254 590	258 463	248 271
Revenue per square metre	(R)	**26 930**	25 861	24 106	21 499	22 524
Operating profit per square metre	(R)	**2 785**	1 017	1 740	1 468	2 272
Inventory turn	(times)	**2.4**	2.9	3.1	2.8	3.4
Credit ratios						
Credit sales	(%)	**49.1**	56.9	57.9	65.8	65.2
Bad debts as a percentage of debtors at gross carrying value	(%)	**16.2**	13.9	15.1	16.0	18.6
Debtor costs as a percentage of debtors at gross carrying value	(%)	**14.3**	17.6	13.3	17.1	19.1
Debtors impairment provision as a percentage of debtors at gross carrying value	(%)	**42.6**	44.1	42.0	43.2	28.0
Satisfactory paid accounts as a percentage of total customers	(%)	**74.4**	70.5	71.4	68.4	68.5
Arrear instalments on satisfactory paid accounts as a percentage of debtors at gross carrying value	(%)	**10.4**	10.7	8.8	9.2	9.8
Arrear instalments on slow paying and non-performing accounts as a percentage of debtors at gross carrying value	(%)	**25.7**	26.0	26.2	28.8	28.6
Credit applications decline rate	(%)	**38.1**	37.5	37.4	37.1	38.7

		2021	2020	2019	2018	2017
Solvency and liquidity						
Financing cover	(times)	**5.6**	8.9	16.7	9.0	4.5
Gearing ratio – pre IFRS 16	(%)	**–**	(5.6)	(4.2)	(1.6)	2.9
Gearing ratio – post IFRS 16	(%)	**7.4**	12.0	–	–	–
Current ratio	(times)	**3.9**	2.8	5.9	3.8	5.3
Share performance						
Earnings per share	(cents)	**576.4**	232.1	377.5	306.8	402.9
Headline earnings per share	(cents)	**616.5**	260.2	376.2	302.7	399.5
Cash flow per share	(cents)	**1 217.7**	792.7	795.8	822.8	1 256.5
Net asset value per share	(cents)	**6 814.1**	6 126.4	6 080.4	5 777.8	6 127.3
Share price:						
Closing price	(R)	**30.71**	17.82	31.10	42.20	41.50
High	(R)	**31.00**	37.50	48.00	44.40	54.11
Low	(R)	**12.22**	16.00	26.20	23.67	27.95
Price-earnings ratio		**5.3**	7.7	8.2	13.8	10.3
Dividends per share for the financial year	(cents)	**328.0**	185.0	234.0	200.0	200.0
Dividend payout ratio	(%)	**55.0**	78.9	61.1	71.1	54.8
Number of shares in issue	(million)	**71.5**	76.9	80.2	92.7	98.1
Volume of shares traded	(million)	**38.0**	26.4	34.6	58.3	59.3
Value of shares traded	(million)	**631.1**	625.0	1 137.4	1 844.2	2 764.6
Market capitalisation	(million)	**2 196**	1 370	2 494	3 521	3 685
Number of shareholders		**2 225**	1 722	1 773	1 732	1 695

Explanatory notes:

1. *All ratios are based on figures at the end of the period unless otherwise disclosed.*
2. *Total assets for ratio purposes exclude the deferred tax asset and reinsurance asset.*
3. *Revenue and operating profit per store and square metres for 2017 is calculated on an average to cater for the acquisitions during the year.*

INDEPENDENT AUDITOR'S REPORT

ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Lewis Group Limited

Opinion

The summary consolidated financial statements of Lewis Group Limited, set out on pages 53 to 71 of the Lewis Group Limited Integrated Annual Report 2021, which comprise the summary consolidated balance sheet as at 31 March 2021, the summary consolidated income statement, the summary consolidated statement of comprehensive income, summary of consolidated changes in equity and summary consolidated cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of Lewis Group Limited for the year ended 31 March 2021.

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

Summary consolidated financial statements

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

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 27 May 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's responsibility for the summary consolidated financial statements

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

Auditor's responsibility

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

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PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: MC Hamman
Registered Auditor

Cape Town, South Africa
27 May 2021

LEWIS GROUP LIMITED: SUMMARY FINANCIAL STATEMENTS

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 Audited Rm	2020 Audited Rm
Revenue	4.1	**6 725.9**	6 453.3
Retail revenue	4.2	**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	7	**(2 288.8)**	(2 173.5)
Operating costs		**(3 741.6)**	(4 026.1)
Debtor costs	2.2	**(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		**(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	10	**(343.0)**	(375.5)
Other operating costs		**(575.1)**	(494.5)
Operating profit before investment income		**695.5**	253.7
Investment income	3.2	**39.1**	53.6
Profit before net finance costs		**734.6**	307.3
Net finance costs		**(130.2)**	(34.5)
Interest paid	5.3	**(105.3)**	(98.0)
Interest received	5.3	**17.2**	34.2
Forward exchange contracts	5.3	**(42.1)**	29.3
Profit before taxation		**604.4**	272.8
Taxation	9	**(171.5)**	(90.4)
Net profit attributable to ordinary shareholders		**432.9**	182.4
Earnings per share (cents)		**576.4**	232.1
Diluted earnings per share (cents)		**565.3**	225.4

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

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

EARNINGS AND DIVIDENDS PER SHARE

FOR THE YEAR ENDED 31 MARCH 2021

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

BALANCE SHEET

AS AT 31 MARCH 2021

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	2021 Audited Rm	2020 Audited Rm
Share capital and premium		
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)
Share awards to employees	**23.6**	20.5
Cost of own shares acquired	**(23.0)**	(21.0)
	(0.4)	(1.0)
Other reserves		
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		
Opening balance as previously Reported	**4 657.3**	4 827.3
IFRS 16 Transitional adjustments	**–**	(92.8)
Opening balance	**4 657.3**	4 734.5
Net profit attributable to ordinary shareholders	**432.9**	182.4
Distribution to shareholders	**(147.0)**	(196.4)
Transfer of cost of cancelled shares	**(112.6)**	(101.7)
Transfer of share-based payments reserve to retained earnings on vesting	**40.2**	20.9
Retirement benefit remeasurements	**(8.6)**	37.3
Share awards to employees	**(23.6)**	(20.5)
Transfer of other reserve to retained earnings	**–**	0.8
	4 838.6	4 657.3
Balance as at 31 March	**4 872.7**	4 709.5

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 Audited Rm	2020 Audited Restated Rm
Cash flow from operating activities			
Cash flow from trading	8.1	**1 053.3**	879.0
Changes in working capital	8.2	**(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	8.3	**(90.4)**	(98.0)
(Losses)/gains on forward exchange contracts		**(16.6)**	13.1
Taxation (paid)/refunded		**(55.3)**	25.2
		808.1	650.0
Cash utilised in investing activities			
Purchases of insurance investments	3.1	**(61.1)**	(76.0)
Disposals of insurance investments		**84.2**	172.0
Acquisition of property, plant and equipment and intangible assets		**(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		**(147.0)**	(196.4)
Payment of principal portion of lease liabilities	11.1	**(254.2)**	(256.2)
(Repayments)/advances of borrowings	5.1	**(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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. Basis of Reporting

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

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

The Group has moved to a trading cycle of 1 April to 31 March aligned with its statutory year-end. In prior periods, the trading cycle ended on the fifth day after the month being Reported on, unless such day fell on a Sunday, in which case it ended on the fourth day. For the current financial year, the trading period was from 5 April 2020 to 31 March 2021. The impact of the change was insignificant due to the Covid-19 lockdown implemented on 27 March 2020 where stores were closed in accordance with Level 5 regulations.

These financial statements are a summary of the Group's audited annual financial statements for the year-ended 31 March 2021. The audited annual financial statements were prepared by the Group's Finance Department under the supervision of Mr J Bestbier CA(SA). A copy of the full set of the audited financial statements is available on the Group website, www.lewisgroup.co.za.

2. Trade, other receivables and debtor costs

2.1 Trade, insurance and other receivables

		2021 Audited Rm	2020 Audited Rm
Trade and insurance receivables		**5 691.4**	5 746.5
Trade receivables		**5 551.5**	5 599.5
Insurance receivables		**139.9**	147.0
Provision for impairment		**(2 423.7)**	(2 534.0)
Trade receivables		**(2 338.5)**	(2 469.0)
Insurance receivables		**(85.2)**	(65.0)
Trade and insurance receivables (net)		**3 267.7**	3 212.5
Due within 12 months		**2 098.5**	2 040.3
Due after 12 months		**1 169.2**	1 172.2
Other receivables		**99.6**	113.6
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.

Impairment provision

Payment ratings

The customer's payment profile is managed by using payment ratings. Payment ratings are determined on an individual customer level and aggregated over all the customer's sub-accounts. Payment ratings measure the customers actual payments received over the lifetime of the account relative to the instalments due in terms of the contract. These payment ratings are used to categorise and Report on customers at the store level to follow up the slow paying and non-performing customers.

Impairment modelling

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Impairment modelling continued

The probability-weighted cash flows are calculated using the following:

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

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

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

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

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

Forward-looking information

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

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

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

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

To incorporate the potential further impact of Covid-19 on the forward-looking information, the impact of event risk not accounted for was quantified by building stressed macroeconomic variables into the impairment model. These include further economic strain that could result from another hard lockdown, the discontinuation of Covid-19 social grants and the impact of government employees wage freeze on their ability to service debt. The combined impact on the Group's ECL for these variables is R114.1 million. Management's areas of judgement include the probabilities of these scenarios occurring, the severity of the scenarios and the potential impact it might have on payment performance.

A sensitivity analysis has been performed and the impact is deemed to be immaterial.

Combined impairment and contractual arrears table

The table reflects the following:

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

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

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Debtors analysis – 31 March 2021

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears 1 R'000	2 R'000	3 R'000	>3 R'000
Satisfactory paid Customers who have paid 70% or more of amounts due over the contract period	430 459	3 537 586	733 902	20.7	592 247	169 226	118 916	88 177	215 928
(%)	74.4	62.2	30.3						
Slow payers Customers who have paid 55% to 70% of amounts due over the contract period	78 608	915 822	618 421	67.5	568 282	64 802	62 430	59 197	381 853
(%)	13.6	16.1	25.5						
Non-performing accounts Customers who have paid less than 55% of amounts due over the contract period	69 751	1 238 029	1 071 346	86.5	895 977	61 765	60 953	60 193	713 066
(%)	12.0	21.7	44.2						
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* Satisfactory R'000	*In duplum* Slow pay R'000	Debt counselling Satisfactory R'000	Debt counselling Slow pay R'000	No payment in three consecutive months Satisfactory R'000	No payment in three consecutive months Slow pay R'000	Total R'000
Gross carrying value	1 238 029	2 047	1 974	32 973	56 203	53 074	80 068	1 464 368
Impairment provision	(1 071 346)	(939)	(1 364)	(10 496)	(35 820)	(18 325)	(53 172)	(1 191 462)
Amortised cost	166 683	1 108	610	22 477	20 383	34 749	26 896	272 906

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Debtors analysis – 31 March 2020

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

Credit impaired debtors as at 31 March 2020

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

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Interest rate risk

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

The average effective interest rate on instalment sale receivables is 21.2% (2020: 22.9%) and the average term of the sale is 32.4 months (2020: 32.8 months).

Fair value

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

2.2 Debtor costs

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

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. Insurance

3.1 Insurance investments

	2021 Audited Rm	2020 Audited 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.

Fair value hierarchy

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

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

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

3.2 Investment income

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

4. Revenue

4.1 Revenue

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

4.2 Retail revenue

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

5. Borrowings, cash and net finance costs

5.1 Borrowings, banking facilities and cash

		2021 Audited Rm	2020 Audited Rm
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
Cash and cash equivalents			
Cash-on-hand and deposits		**447.0**	1 193.4
		447.0	1 193.4

5.2 Capital management

Net debt		**358.8**	566.6
Shareholders' equity		**4 872.7**	4 709.5
Gearing ratio	(%)	**7.4**	12.0

5.3 Net finance costs

Interest paid		**(105.3)**	(98.0)
Borrowings		**(14.3)**	(20.1)
Lease liabilities		**(66.0)**	(71.5)
Other		**(25.0)**	(6.4)
Interest received – bank		**17.2**	12.4
Interest received – other		**–**	21.8
Forward exchange contracts		**(42.1)**	29.3
Net finance costs		**(130.2)**	(34.5)

6. Reportable segments

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

Geographical	South Africa Rm	Namibia Rm	BLE[1] Rm	Group Rm
For the year ended 31 March 2021				
Revenue	**5 724.8**	**498.7**	**502.4**	**6 725.9**
For the year ended 31 March 2020				
Revenue	5 492.7	475.9	484.7	6 453.3

[1] *Botswana, Lesotho and Eswatini*

7. Gross profit

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

8. Cash flow from operations

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

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

	2021 Audited Rm	2020 Audited Rm
8.2 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
8.3 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)

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**

9. Taxation

	2021 Audited Rm	2020 Audited Rm
Taxation charge		
Normal taxation	**124.3**	34.7
Current year	**123.6**	66.4
Prior year	**0.7**	(31.7)
Deferred taxation	**47.2**	45.7
Current year	**57.0**	12.1
Prior year	**(9.8)**	33.6
Withholding tax	**–**	10.0
Taxation per income statement	**171.5**	90.4
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

10. Depreciation, amortisation and impairment

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

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

11. Leases

	2021 Audited Rm	2020 Audited Rm
11.1 Lease liabilities recognised		
Opening balance	**837.9**	–
Recognised on adoption of IFRS 16	**–**	856.1
Reallocated to restoration provision	**–**	(33.4)
Additions and renewed leases	**239.3**	269.3
Expired, renegotiated and modified leases	**(3.8)**	2.1
Rent concessions	**(13.4)**	–
Principal portion of lease liabilities	**(254.2)**	(256.2)
Interest on lease liabilities	**66.0**	71.5
Lease liability payments	**(320.2)**	(327.7)
Closing balance	**805.8**	837.9
Analysed as follows:	**805.8**	837.9
Non-current	**556.0**	611.1
Current	**249.8**	226.8
11.2 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

12. New standards and interpretations not yet effective

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

14. Post balance sheet events

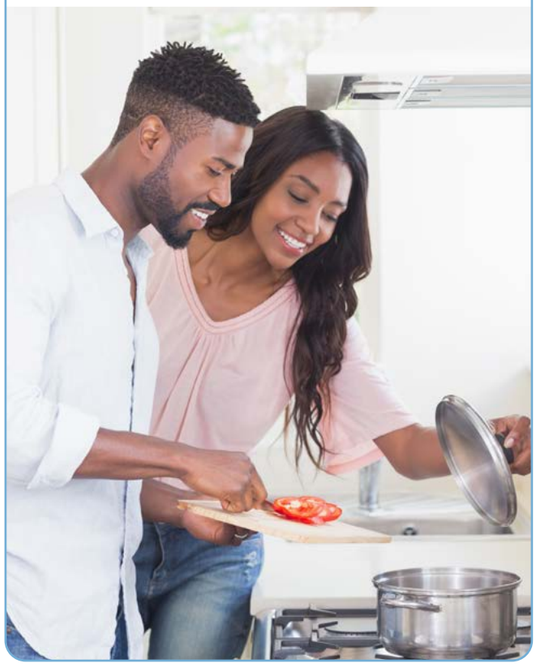
There were no significant post balance sheet events that occurred between the year-end and the date of approval of the financial statements by the directors.

06

Governance

CORPORATE GOVERNANCE REPORT

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



Introduction

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

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

Board composition

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

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

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

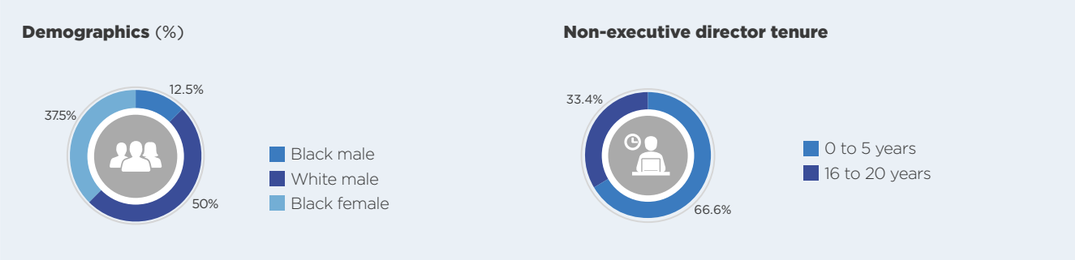
The age, tenure, experience and expertise of board members is set out briefly in the Board of Directors Report on pages 32 to 34.

Key responsibilities

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

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

Board composition



There were no changes to the composition of the board during the Reporting period. Fatima Abrahams was appointed as the lead independent non-executive director.

Directors do not have a fixed term of appointment and are subject to retirement by rotation and re-election by shareholders at the AGM at least every three years. Directors are required to retire at the next AGM after they turn 70 unless the board decides at its discretion that a director may continue to hold office. Independent non-executive director Duncan Westcott reached the age of 70 and the board satisfied itself that he makes an invaluable contribution to board and committee affairs with his skills, expertise and experience, and that he should continue to hold office.

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

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

Independence of directors

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

Board diversity

The board's diversity policy is aimed at enhancing diversity. In 2020 the board increased the voluntary targets for female representation and racial diversity on the board from 25% to 30%. Currently 38% of board members are female and 38% are black in terms of the Broad-Based Black Economic Empowerment (B-BBEE) Act. Independent non-executive director Tapiwa Njikizana is Zimbabwean by birth and is therefore not included for purposes of the B-BBEE Act.

Board evaluation

All directors participate in the annual evaluation of the board's performance. The questionnaire-based evaluation covers the board's role and agenda setting; the size, independence and composition of the board; director orientation and development; board meetings; board committees; board accountability and governance practices. The process also includes an assessment of the performance of the Chairman, Chief executive officer and the Company secretary. In addition, the Chairman has individual sessions with each director where necessary.

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

Chief financial officer and finance function evaluation

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

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

Company secretary

The Company secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with regulations, the induction of new directors and providing advice to directors on governance, compliance and their fiduciary responsibilities. The Company secretary acts as secretary for all board committees.

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

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

CORPORATE GOVERNANCE REPORT

CONTINUED

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

Governance structure

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

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

See the full Corporate Governance Report on www.lewisgroup.co.za for details of board committees.

Board meetings

The number of board and committee meetings held during the year was affected by the national lockdown.

Meeting attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
Number of meetings	**3**	**3**	**3**	**2**	**2**	**2**
Non-executive directors						
H Saven	3+	3	3	2	2+	2
F Abrahams	3	3*	3	2+	2	2+
A Bodasing	3	3*	3	2	2	–
T Njikizana	3	3	3	2	2	–
D Motsepe	3	3	3	2	2	2
D Westcott	3	3+	3+	2	2	–
Executive directors						
J Enslin	3	3*	3	2*	2*	2
J Bestbier	3	3*	3	–	–	–

\+ *Chair.*
* *Attends by invitation.*

Risk management

The board is responsible for the oversight of the risk management process and has delegated specific responsibility to the Risk committee.

The committee is responsible for ensuring that the Group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant.

The Chief risk officer is responsible for the risk management process to identify, assess and manage potential risks and opportunities that may affect group strategies and objectives. The risk management framework includes the risk management policy, risk appetite, relevant responsibilities and the risk management plan.

The Risk Working Group (RWG) is responsible for designing and implementing the risk management process and monitoring ongoing progress. The business units are accountable for managing risk in achieving their financial and operating objectives.

The focus of the risk management process is on strategic and key operational risks. The business units in the Group assesses the risks on a quarterly basis. The RWG reviews the registers with a focus on:

- completeness of risks identified across the Group;
- causes of the risks;
- the residual risk ratings;
- the tolerance levels based on the risk indicators; and
- the need for further management action.

The RWG also develops the risk appetite and obtains board approval through the Risk and Audit committees. Senior executives and line management are responsible for implementing the risk appetite and Reporting any material deviations above the approved threshold limits.

The risks identified by the business units are consolidated by category of risk into a group register and the results of the Group risk assessment are Reported to the risk committee of Lewis Group and the audit and risk committee of Monarch Insurance.

The key risks are documented in the Material Issues and Risks Report on pages 16 to 19.

The Group's external insurance and self-insurance programmes cover a wide range of risks.

The insurance levels and insured events are reviewed annually to ensure adequate cover and amended after taking into account changed processes and emerging risks.

Internal control

A well-established control environment, which incorporates risk management and internal control procedures, exists to provide reasonable but not absolute assurance that assets are safeguarded and the risk facing the business is being adequately managed.

The board confirms that during the period under review the Group has maintained an efficient and effective process to manage key risks.

Going concern

The board is satisfied that the Group will be a going concern for the foreseeable future, based on the budget and cash flows for the year to 31 March 2022, as well as the current financial position. The financial statements have therefore been prepared on the going concern basis. The board appraises the Group's going concern status at the board meetings coinciding with the interim and final results.

Internal audit

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

Information technology governance

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

Legal compliance

The board is responsible for governance and compliance with applicable laws and regulations as well as any adopted non-binding rules, codes and standards. The Group has a zero-tolerance policy to non-compliance of breach compliance measures.

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

Legal and regulatory compliance

The Group's regulatory universe identifies the following legislation as core for the Group:

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

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

National Credit Act

The company, as a credit provider, takes all complaints received seriously. Matters referred from the National Credit Ombudsman are monitored by the social, ethics and transformation committee until they have been resolved.

Credit compliance

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

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

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

Non-regulatory compliance

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

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

Behavioural and ethical compliance

Ethics remain a key focus for the board and management. The board approved ethics framework, code of conduct and core values outline the standards of honesty, integrity and mutual respect which employees are required to observe.

A conflict of interest policy is aimed at ensuring employees act in the best interests of the Group and do not profit from their position in the company.

The policy governs employees' relationships with suppliers, serving as office bearers on external organisations and industry bodies, and receiving gifts and hospitality from suppliers.

The corporate fraud policy sets out the responsibility of staff and management towards the detection, prevention and Reporting of fraud. A tip-offs anonymous hotline which is run independently is available to all employees and other stakeholders to Report suspected incidents of fraud or dishonesty.

Personal share dealings

An insider trading policy restricts directors and specific staff from dealing in the shares of Lewis Group during closed periods. The closed periods are effective from the end of the interim and annual Reporting periods until the financial results are disclosed on SENS. Embargoes are also placed on share dealing when the Group is trading under a cautionary statement.

Directors are required to obtain written clearance from the Chairman of the board prior to dealing.

The Chairman is required to obtain written permission from the Chairman of the Audit committee. It is mandatory to notify the Company secretary of any dealings in the company's shares within three business days. This information must be published on SENS within 24 hours of the notification of such dealing. A register of share dealings by directors is maintained by the Company secretary and reviewed by the board.

Non-compliance

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

REMUNERATION REPORT

Lewis Group strives to create a performance-oriented culture which fairly rewards staff for their contribution in achieving the Group's strategic, financial and operational objectives. Key to the Group's remuneration philosophy is recognising employees' contribution to the success of the business.

Committee Chairperson's Report

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

Scope of Report

The Remuneration Report for the 2020 financial year covered the period up to 28 August 2020. Consequently, this year's Report covers the period from 29 August 2020 to the date of this Report, being 9 June 2021.

Committee composition and meetings

The committee met on 24 March 2021 and 25 May 2021.

The composition of the committee for the Reporting period was as follows:

Director	Status
Prof. Fatima Abrahams	Independent non-executive director
Adheera Bodasing	Non-executive director
Daphne Motsepe	Independent non-executive director
Tapiwa Njikizana	Independent non-executive director
Hilton Saven	Independent non-executive director
Duncan Westcott	Independent non-executive director

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

Non-binding advisory votes

At the annual general meeting in October 2020, the Remuneration Policy was endorsed by shareholders and received 93.0% of the votes cast while the Implementation Report received 56.0% support (79.9% and 82.9% respectively in 2019). In accordance with the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 and paragraph 3.84(j) of the JSE Limited Listings Requirements, dissenting shareholders were invited to participate in an engagement process through an announcement published on SENS on 23 October 2020. The engagement process was held on 16 November 2020. There was one participant representing less than 1% of the shares held. The Remuneration committee considered matters that were raised.

Committee activities

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

- Considered and approved the total guaranteed pay for executive directors and the internal audit executive for 2022 financial year.
- Reviewed and approved the Remuneration and Implementation Report included in the 2021 Integrated Report.
- Approving June 2021 awards under the 2019 Lewis Executive Retention Scheme (2019 LERS), 2019 Lewis Executive Performance Scheme (2019 LEPS) and the Cash Settled Long-Term and Short-Term Executive Performance Plan (CSLSPP).
- Setting the Group's performance targets for all share incentive schemes, the cash settled plan and cash-based performance bonus for the 2022 financial year.
- Considered the measurement of the actual performance against targets for the 2021 financial year for the Lewis Long-term and Short-term Executive Performance Scheme (LSPS), 2019 LEPS and CSLSPP.
- Considered the measurement of the actual performance against targets for the 2021 financial year for the cash-based performance bonus.

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

Prof. Fatima Abrahams
Chairperson

9 June 2021

Remuneration Policy

Remuneration philosophy

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

Remuneration principles

Remuneration practices are structured to encourage sustainable, long-term wealth creation through the following:

- Aligning remuneration practices with the Group's strategy.
- Aligning executive reward systems with the interests of stakeholders.
- Promoting a performance-based culture across the business.
- Offering appropriate short-term and long-term performance-related rewards that are fair and achievable.
- Attracting and retaining talented individuals in the furniture retail and financial services industries.
- Rewarding, retaining and motivating talented people while still managing employment costs effectively.

Remuneration governance

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

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

The responsibilities of the committee are as follows:

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

Non-binding advisory vote

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

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

Remuneration benchmarking

Remuneration is market-based and competitive owing to the portability of skills in the retail and financial services sectors. External remuneration surveys are used to benchmark executive and non-executive remuneration in comparable positions. Market surveys assist in ensuring executives are competitively rewarded in line with their performance and contribution. Remuneration packages are determined by considering market trends, the importance of a position relative to the Group's business, the required skills set, job specific expertise, performance and contribution of individuals.

Remuneration structure

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

Executive directors and senior management

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

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

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

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

Annual guaranteed pay

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

Annual cash-based performance bonus

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

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

The targets for revenue growth, merchandise sales growth, net profit before taxation and headline earnings per share are not disclosed as this is considered by the board to be market and price sensitive information. The performance against the targeted net profit before tax is disclosed on page 87.

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

The bonus conditions are:

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

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

Medium- and long-term share-based incentives

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

The Group's equity-settled share schemes are operated through the Lewis Employee Share Incentive Scheme Trust specifically for this purpose. Awards will only be paid if the participant is in the employ of the Group at the time of vesting, other than in the event of death, ill-health, retirement or retrenchment.

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

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

Incentive awards to the management group are split into two groups, those participating in the equity-settled schemes and the remainder in the cash-settled scheme. This will limit shareholder dilution.

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

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

REMUNERATION REPORT CONTINUED

Lewis Executive Retention Scheme (LERS)

The first awards under the LERS were made on 30 June 2015. Currently, awards made under this scheme on 30 June 2018 and 30 June 2019 were are still outstanding as at 31 March 2021.

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

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

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

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

Lewis 2019 executive Retention Scheme (2019 LERS)

The first awards were made on 28 August 2020. Currently, awards under this scheme were made on 28 August 2020 and 9 June 2021.

The terms of the scheme are substantively the same as the LERS above except for the following changes:

- The percentage of the cash-based performance bonus that can be invested in the scheme is at the discretion of the Remuneration committee with the minimum percentage being 25% and the maximum percentage is 100%.
- The Group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or an equivalent in money where shares have not been repurchased and cancelled where the executive:
  - is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and failure to materially perform their duties; and
  - 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 company will utilise a maximum of 1.5 million shares for purposes of the 2019 LERS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 600 000 shares over the lifetime of the 2019 LERS.

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

This scheme was approved by shareholders at the AGM held on 24 June 2015. Currently, short-term awards made under this scheme on 30 June 2018 were still outstanding as at 31 March 2021.

The purpose of the LSPS is to:

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

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

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

Short-term awards

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

Long-term awards

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

Performance targets for short-term awards

Performance targets can either be set at the grant date for the entire performance period or for each financial year during the performance period, which shall be determined by the committee within three months after the commencement of each financial year or such later date as the committee may determine if extraordinary circumstances exist, as determined by the committee.

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

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

Performance targets for long-term awards

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

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

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

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

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

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

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

The first awards were made on 30 June 2019.

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

Lewis 2019 Executive Performance Scheme (2019 LSPS)

This scheme was approved at the AGM held on 25 October 2019. Awards under this scheme were made on 28 August 2020 and 9 June 2021.

The terms of the scheme are substantively the same as the LSPS above except for the following changes:

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

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

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

Management

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

REMUNERATION REPORT CONTINUED

Staff

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

Salespersons earn a commission on gross profit above a prescribed threshold. Operational management are incentivised on a balanced set of targets including sales, collections, write-offs, stock management and expense control.

Non-executive directors

Non-executive directors are paid a fee for their services as directors. In addition, fees are paid for serving on board committees. The fees are benchmarked externally against comparable companies and based on an assessment of the non-executive director's time commitment and increased regulatory and governance obligations.

In line with best governance and remuneration practice, non-executives do not participate in the Group's incentive schemes. None of the non-executive directors have service contracts with the Group, with the exception of Adheera Bodasing who provides certain consulting services to Lewis Stores (Pty) Limited through Polarity Consulting. These consulting fees are not material to either Lewis or Polarity Consulting.

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

Implementation Report 2021

Approvals granted by shareholders

The Group's Remuneration Policy and Implementation Report was proposed to shareholders for a non-binding advisory vote at the AGM on 25 October 2020. The Remuneration Policy was endorsed by shareholders and received 93% of the votes while the Implementation Report received 56% support as set out below.

Resolution	Votes for (%)		Votes against (%)		Abstentions (%)	
	2020	2019	2020	2019	2020	2019
Approval of the company's Remuneration Policy	93.0	79.9	5.9	20.1	1.1	0
Approval of the company's Implementation Report	56.0	82.9	42.9	17.1	1.1	0

In accordance with the recommendations of the King IV Report on Corporate Governance for South Africa, 2016 and paragraph 3.84(j) of the JSE Limited Listings Requirements, dissenting shareholders were invited to participate in an engagement process through the SENS published on 23 October 2020. The engagement process was held on 16 November 2020. The number of participants was less than 1% of the shareholders, both in terms of number of shareholders and shares held. Shareholders also approved the fees payable to non-executive directors for the 2021 financial year by a vote of 95.8%.

Annual salary increase

The average annual staff increase, excluding unionised staff, was 4% for April 2021 (2020:4%). Increases for senior management and executives were merit-based and averaged 6% in April 2021 and 4% in April 2020. Increases as a result of promotions were excluded from these averages.

Annual cash-based performance bonus scheme

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

For the 2020 financial year, the Remuneration committee agreed that the Covid-19 adjustments be excluded from the 2020 profit before tax for calculating the bonus subject to the stipulation that the maximum bonus for 2020 that an executive could be awarded was 65% of cash salary, despite this being only 43.3% of the maximum amount that could have been achieved for if the Covid-19 lockdown had not occurred.

REMUNERATION REPORT CONTINUED

Lewis Executive Retention Scheme (LERS)

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

Year	Vesting date	Average share price of award	Total shares purchased for executives	Total matching share awards
2019 Awards	30/06/2022	R33.03	243 864	442 805
2018 Awards	30/06/2021	R29.99	239 996	435 581
2017 Awards	–	–	–	–
2016 Awards	–	–	–	–
2015 Original award(*)	30/06/2018	R98.88	65 660	111 294

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

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

The movement in the outstanding shares under this scheme for the respective financial years (ie from 1 April to 31 March) is as follows:

	Lewis Executive Retention Scheme
2021	
Beginning of year	887 688
Granted	–
Forfeited	(9 302)
Vested	–
End of year	878 386
Maximum awards available over the life of the scheme	1 000 000
Utilised for the scheme to date	989 680
Invested shares	483 860
2020	
Beginning of year	439 308
Granted	448 380
Forfeited	–
Vested	–
End of year	887 688
Maximum awards available over the life of the scheme	1 000 000
Utilised for the scheme to date	998 982
Invested shares	489 348

Lewis 2019 Executive Retention Scheme

This scheme was approved at the general meeting on 25 October 2019. This scheme is similar to that of the Lewis Executive Retention Scheme with amendments dealing with a clawback of shares provision in the case of fraud, dishonesty, misrepresentation and failure materially to perform their duties and an amendment which allows the committee to set the percentage of the bonus to be invested. The details of the outstanding awards as at 9 June 2021 are reflected below:

	June 2021 Awards	August 2020 Awards
Vesting date	9/6/2024	28/8/2023
Average share price of award	R33.60	R17.17
Total shares purchased for executives	266 979	161 245
Total matching share awards	485 417	292 241

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

Short-term awards – Three-year awards

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

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

The short-term award share allocations for executive directors are disclosed in the outstanding share awards table on page 90.

For the 2021 financial year, all the targets for the respective measures were met as set out below.

2021 Targets	2021 Target	2021 Actual	2021 Award
Headline earnings per share	315.9 cents	616.5 cents	Achieved
Quality of the debtors book			
– Level of satisfactory paid customers	≥ 67.0%	74.4%	Achieved
– Debtor costs as percentage of net debtors	≤ 15.0%	14.3%	Achieved
Gross margin	≥ 40.0%	41.8%	Achieved

With respect to the 2020 targets, these were impacted by the Covid-19 lockdown and subsequent restrictions and the Remuneration committee amended the performance targets as allowed in clause 4.11 of the scheme rules.

2020 Targets	2020 Target	2020 Actual	2020 Adjusted	2020 Award
Headline earnings per share	404.2 cents	260.2 cents	544.4 cents	Achieved
Quality of the debtors book				
– Level of satisfactory paid customers	≥ 70.0%	70.5%	70.5%	Achieved
– Debtor costs as percentage of net debtors	≤ 14.0%	17.6%	12.1%	Achieved
Gross margin	≥ 40.0%	41.0%	41.0%	Achieved

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

2019 Targets	2019 Target	2019 Actual	2019 Award
Headline earnings per share	318.3 cents	367.4 cents	Achieved
Quality of the debtors book			
– Level of satisfactory paid customers	≥ 67.0%	71.4%	Achieved
– Debtor costs as percentage of net debtors	≤ 19.9%	13.3%	Achieved
Gross margin	≥ 40.0%	41.2%	Achieved

2018 Targets	2018 Target	2018 Actual	2018 Award
Headline earnings per share	264.4 cents	302.6 cents	Achieved
Quality of the debtors book			
– Level of satisfactory paid customers	≥ 67.0%	68.4%	Achieved
– Debtor costs as percentage of net debtors	≤ 19.9%	17.5%	Achieved
Gross margin	≥ 38.0%	41.4%	Achieved

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

REMUNERATION REPORT CONTINUED

Below are the outstanding shares under this scheme as at 31 March 2021, detailed per each award:

Lewis Long-Term and Short-Term Executive Performance Scheme

	2015 Share award	2016 Share award	2017 Share award	2018 Share award	Total Share awards
Share price at award date	R99.45	R45.95	R32.57	R30.55	
	Number of shares	Number of shares	Number of shares	Number of shares	
Three year awards	203 660	900 058	1 570 988	1 133 581	3 808 287
Total forfeitures-staff leaving	(32 736)	(147 446)	(147 672)	(80 522)	(408 376)
Total forfeitures – non-performance	(91 770)	(223 729)	–	–	(315 499)
Shares vested	(79 154)	(528 883)	(1 423 316)	–	(2 031 353)
Shares remaining – 31 March 2021	–	–	–	1 053 059	1 053 059

Long-term awards – Four-year awards
Long-term awards were awarded on 30 June 2015. These awards vested on 30 June 2018 and 30 June 2019 respectively with only 10% of the award vesting for those participants in the employ of the Group at the vesting dates. No further long-term awards were made.

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

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

Below is a table setting out the movements for 2021 and 2020 financial years (ie. from 1 April to 31 March):

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

Number of 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
30 June 2019 – three year award	1 144 665	1 157 435
28 August 2020 – three year award	1 037 873	

On 9 June 2021, awards under the CSLSPP were made to selected executives. The outstanding awards under this scheme as at 9 June 2021 are as follows:

Year	Vesting date	Average share price of award	Total outstanding award shares
June 2021 awards	9/6/2024	R33.44	529 439
August 2020 awards	28/8/2023	R14.90	1 037 873
June 2019 awards	30/6/2022	R33.38	1 144 665

Lewis 2019 Executive Performance Scheme

This scheme was adopted at the 2020 AGM. The terms of the scheme which are substantively the same as the LSPS above except for amending the scheme for a clawback of shares provision in the case of fraud, dishonesty, misrepresentation and failure to materially perform their duties and for providing for vesting at certain percentages where the performance target has not been met (95% to 100% of target). Full details of the scheme are provided on page 84.

The Remuneration committee approved the granting of the first awards under this scheme on 28 August 2020. The following awards are outstanding as at 9 June 2021:

Lewis 2019 Executive Performance Scheme

Summary of three year awards as at 9 June 2021	2020 Share award	2021 Share award	Total share awards
Share price at award date	R14.90	R33.44	–
	Number of shares	Number of shares	
Three year awards	1 148 374	549 496	1 697 870
Total forfeitures-staff leaving	–	–	–
Total forfeitures – non-performance	–	–	–
Shares vested	–	–	–
Shares awards – 9 June 2021	1 148 374	549 496	1 697 870

Summary of all equity-settled awards as at 31 March 2021

	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	161 245	–

	Lewis Executive Retention Scheme	Lewis Long-Term and Short-Term Executive Performance
2021		
Beginning of year	887 688	3 266 973
Granted	–	–
Forfeited	(9 302)	(205 262)
Vested	–	(571 383)
End of year	878 386	2 490 328
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	989 680	3 391 127
Invested shares	483 860	–

REMUNERATION REPORT CONTINUED

Executive directors' remuneration disclosure per financial year

Lewis Group Limited Executive director's remuneration	J Enslin (CEO) Number of shares	Share price Rand	2021 R'000	2020 R'000	J Bestbier (CFO) Number of shares	2021 R'000	2020 R'000
Cash remuneration							
Total Guaranteed Pay			**5 241**	5 000		**3 120**	3 000
Cash Performance Bonus			**2 698**	5 756		**1 681**	3 491
Total GP and CPB			**7 939**	10 756		**4 801**	6 491
Share awards							
LERS – matching award			**–**	–		**–**	–
– Face value of award	**–**	**–**	**–**	–		**–**	–
– Share price performance	**–**	**–**	**–**	–		**–**	–
Add: LSPS – three-year award			**2 731**	3 506		**1 482**	756
– Face value of award	**219 498**	**32.57**	**7 149**	6 892	**119 107**	**3 879**	1 485
– Performance criteria			**–**	(2 235)		**–**	(482)
– Share price performance	**219 498**	**(20.13)**	**(4 418)**	(1 151)	**119 107**	**(2 397)**	(248)
Add: LSPS – four-year award			**–**	200		**–**	50
– Face value of award				5 933			1 483
– Performance criteria				(5 339)			(1 335)
– Share price performance				(393)			(98)
Total share awards			**2 731**	3 707		**1 482**	806
Total earned remuneration			**10 670**	14 463		**6 283**	7 297

Outstanding shares for Lewis Group Executive Directors as at 9 June 2021

Outstanding share awards for executive directors Equity-settled schemes	Share price	Vesting date	J Bestbier	J Enslin
Lewis Short-Term and Long-Term Executive Performance Scheme				
30 June 2018 – Short-term award	**R30.55**	**30 June 2021**	**114 284**	**188 397**
Lewis 2019 Executive Performance Scheme				
28 August 2020 – Short-term award	**R14.90**	**28 August 2023**	**270 771**	**438 977**
9 June 2021 – Short-term award	**R33.44**	**9 June 2024**	**128 769**	**210 794**
Lewis Executive Retention Scheme				
30 June 2018	**29.99**	**30 June 2021**	**48 493**	**119 154**
30 June 2019	**R33.03**	**30 June 2022**	**70 256**	**115 816**
Lewis 2019 Executive Retention Scheme				
28 August 2020	**R17.17**	**28 August 2023**	**63 635**	**102 147**
9 June 2021	**R33.60**	**9 June 2024**	**78 047**	**126 533**
			774 255	**1 301 818**

	Invested shares J Bestbier	J Enslin
Lewis Executive Retention Scheme	**65 315**	**129 240**
Lewis 2019 Executive Retention Scheme	**77 925**	**125 774**
As at 9 June 2021	**143 240**	**255 014**

Outstanding notional shares – Cash-settled schemes	Share price	Vesting date	J Bestbier	J Enslin
Lewis Cash-Settled Short-Term and Long-Term Executive Performance Scheme – New Scheme				
30 June 2019	**R33.38**	**30 June 2022**	**116 217**	**187 347**

Non-executive directors' remuneration disclosure per financial year

	Directors' fees R'000	Audit committee member R'000	Risk committee member R'000	Remuneration committee member R'000	Nomination committee member R'000	Social, ethics and transformation committee member R'000	Monarch Director's fees R'000	Monarch Audit and risk committee member R'000	Total Non-executive director's fees R'000
2021									
Hilton Saven	**644**	**133**	**93**	**73**	**102**	**73**	**245**	**76**	**1 439**
Fatima Abrahams	**311**	**133**	**93**	**149**	**43**	**149**	**179**	**76**	**1 133**
Adheera Bodasing	**310**	**133**	**93**	**73**	**43**				**652**
Daphne Motsepe	**311**	**133**	**93**	**73**	**43**	**73**			**726**
Tapiwa Njikizana	**265**	**133**	**93**	**73**	**43**				**607**
Alan Smart*							**16**	**5**	**21**
Duncan Westcott	**310**	**310**	**150**	**73**	**43**		**179**	**154**	**1 219**
Total	**2 151**	**975**	**615**	**514**	**317**	**295**	**619**	**311**	**5 797**
2020									
Hilton Saven	611	128	90	71	99	71	172	73	1 315
Fatima Abrahams	293	128	90	144	42	144	172	73	1 085
Adheera Bodasing	293	128	90	71	42				623
Daphne Motsepe	293	128	90	71	42	71			694
Tapiwa Njikizana	186	81	57	45	26	45			440
Alan Smart	293	128	90	71	42	71	245	73	1 012
Duncan Westcott	293	299	144	71	42		172	148	1 168
Total	2 261	1 018	652	544	332	402	761	367	6 337

** Retired 2 April 2020.*

Proposed non-executive director fees for 2022

Board/committee position	% Increase	Proposed fees for 2022 R'000	Fees earned for 2021 R'000
Non-executive chairman	**5.4**	**680**	**645**
Non-executive director	**5.2**	**325**	**309**
Audit committee chairman	**6.3**	**335**	**315**
Audit committee member/invitee	**5.9**	**143**	**135**
Risk committee chairman	**5.3**	**160**	**152**
Risk committee member	**5.3**	**100**	**95**
Remuneration committee chairman	**5.3**	**160**	**152**
Remuneration committee member	**5.3**	**79**	**75**
Nomination committee chairman	**5.8**	**110**	**104**
Nomination committee member	**6.8**	**47**	**44**
Social, ethics and transformation committee chairman	**5.3**	**160**	**152**
Social, ethics and transformation committee member	**5.3**	**79**	**75**

Directors' shareholding as at 31 March

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

Director	2021 Direct	2021 Indirect	2020 Direct	2020 Indirect
Hilton Saven		**6 440**		6 440
Jacques Bestbier	**120 255**	**100 314**	1 148	65 315
Johan Enslin	**425 536**	**185 421**	206 038	129 240
Alan Smart			319 070	
Total	**545 791**	**292 175**	526 256	200 995

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Shareholder information

SHAREHOLDER ANALYSIS

AS AT 31 MARCH 2021

Shareholders' spread

	Number of shareholders Total	%	Number of shares 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

	Number of shareholders Total	%	Number of shares 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
	2 225	100.00	71 535 913	100.00

Major shareholdings

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

Geographic analysis of shareholders

SHAREHOLDERS' DIARY

Record date for voting at the Annual General Meeting	15 October 2021
Annual general meeting	22 October 2021
Interim profit announcement	24 November 2021
Financial year-end	31 March 2022
Final profit announcement	May 2022
Final dividend declared	May 2022
Integrated Report	June 2022

CORPORATE INFORMATION

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

www.lewisgroup.co.za