

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

H1 2022



H1 2022



Merchandise
sales increased by

20.7%
to R2.0 billion

Revenue
increased by

12.2%
to R3.4 billion

Cash generated from
operations at

R595.1 million

Gross profit
margin at

40.2%



Operating profit
increased by

23.3%
to R341 million

Interim dividend
increased by

46.6%
to 195 cents per share

Earnings per share
increased by

43.8%
to 342 cents

Headline earnings
per share increased by

39.7%
to 330 cents

Lewis Group Limited

Commentary

Introduction

The group posted strong sales growth for the first six months of the 2022 financial year despite the impact of the civil unrest in KwaZulu-Natal and Gauteng on trading in the July to September quarter. The prior period included the Covid-19 hard lockdown in South Africa when all the group's stores were closed for at least six weeks.

The quality of the group's debtors' book has continued to improve, with collection rates strengthening, the percentage of satisfactory paid accounts increasing and debtor costs continuing to decline. These factors, together with continued tight expense management, have contributed to the group's operating profit increasing by 23.3%.

The board has increased the interim dividend by 46.6% to 195 cents per share (H1 2021: 133 cents), based on a 55% payout ratio.

Trading and financial performance

Merchandise sales increased by 20.7% to R1.99 billion, supported by high levels of stock availability during a period of significant supply chain challenges. Credit sales grew by 24.4% and cash sales by 17.1%, with credit sales accounting for 50.6% (H1 2021: 49.1%) of total merchandise sales. Comparable store sales increased by 17.9%.

Sales in the stores outside South Africa, which represent 15.8% of the store base, increased by 17.5% and accounted for 18.3% of the group's sales.

During the past six months the group opened a net 10 new stores across all brands, increasing the store footprint to 817.

Other revenue, consisting of interest income and initiation fees, insurance revenue and ancillary services income, increased by 2.2%, with interest income being impacted by the lower interest rates over the past two years.

Total revenue, comprising merchandise sales and other revenue, increased by 12.2% to R3.4 billion.

The gross profit margin at 40.2% (H1 2021: 40.5%) remains within the group's target range of 40% to 42%.

Operating costs, excluding debtor costs, increased by 16.9% mainly due to significant cost savings in the prior period during the six-week hard lockdown. Operating costs grew by 6.3% when compared to the six months ended September 2019.

Debtor costs reduced by 32.8% and debtor costs as a percentage of debtors at gross carrying value reduced from 7.1% to 4.7%. Collections rates improved to 78.7% for the six months (H1 2021: 66.5%).

The level of satisfactory paid customers increased to 75.2% (H1 2021: 69.5%), the highest in 14 years.

The debtors' impairment provision as a percentage of debtors reduced from 44.7% to 42.2% for the current period.

Solid merchandise sales growth and reduced debtor costs contributed to operating profit increasing by 23.3% to R341.2 million, with the operating profit margin improving from 16.8% to 17.1%.

Net finance costs declined by R16.2 million due to lower interest on lease liabilities while the group had no borrowings during this period.

Lewis Group Limited

Commentary continued

Headline earnings increased by 24.5% to R226 million, with headline earnings per share (HEPS) increasing 39.7% to 330 cents and reflecting the positive leverage effect from the group's aggressive share repurchase programme. This is in line with the earnings forecast range provided in the group's trading statement released on SENS on 8 November 2021.

Management has continued to pursue its strategy of increasing inventory levels to ensure the group has adequate stock cover to meet customer demand and to counter the ongoing challenges in the supply chain. These include the global shortage of shipping containers and severe local port congestion.

Cash generated from operations at R595.1 million was marginally lower than the prior period.

The group's balance sheet remains robust and at the end of September 2021 the group had no borrowings, with a gearing ratio of 9.3% resulting from lease liabilities.

Update on impact of civil unrest

The widespread civil unrest in KwaZulu-Natal and parts of Gauteng during July 2021 had a significant impact on the group's store operations, with 57 stores being damaged and looted.

By 30 September 2021, 51 of the stores had reopened. The remaining six stores will reopen once the damages have been repaired. The group's total South African Special Risks Insurance Association (SASRIA) claim amounts to approximately R78.8 million (excluding VAT), including stock losses of R40.2 million and R38.6 million for damaged assets. A total of R42.5 million of the claim has been received and recognised in the results for the reporting period. The balance of the insurance claims of R36.3 million are expected to be received before the end of the financial year.

The group has separate cover for business interruption losses and management are still assessing the value of these losses. Management estimates that the group lost sales of approximately R38.6 million for the period that stores remained closed due to the civil unrest.

Share repurchase programme

The group repurchased 5.4 million shares at a cost of R194.5 million during the six-month period, at an average price of R35.94 per share. Since the commencement of the current share repurchase programme in 2017, the group has bought back 22.7 million shares at an average price of R29.52 per share. At the annual general meeting in October 2021, shareholders granted management the authority to repurchase a further 10% of the issued share capital.

Outlook

Management expects trading conditions to become increasingly challenging in the second half of the financial year with further tightening of the domestic economy.

High unemployment levels, rising interest rates and the sensitivity of the group's core target market to higher fuel and food prices are expected to constrain spending in the months ahead. Further contributing to the tougher trading conditions are the widespread electricity load shedding which disrupts trade and impacts sales, as well as Covid-19 which continues to pose a risk.

The sales and collections momentum for the first half of the year continued into October. The group's good stock position is a competitive advantage going into Black Friday and the festive season and will be supported by targeted marketing and promotions to drive sales growth.

Dividend declaration

Notice is hereby given that an interim gross cash dividend of 195 cents per share in respect of the six months ended 30 September 2021 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 65 960 172. The dividend has been declared out of income reserves and is subject to a dividend tax of 20%. The dividend for determining the dividend tax is 195 cents and the dividend tax payable is 39 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 156.00000 cents. The dividend tax rate may be reduced where the shareholder is tax resident in a foreign jurisdiction which has a Double Tax Convention with South Africa and meets the requirements for a reduced tax rate. The company's tax reference number is 9551/419/15/4.

The following dates are applicable to this declaration:

Last date to trade "cum" dividend	18 January 2022
Date trading commences "ex" dividend	19 January 2022
Record date	21 January 2022
Date of payment	24 January 2022

Share certificates may not be dematerialised or rematerialised between 19 January 2022 and 21 January 2022, both days inclusive.

For and on behalf of the board



Hilton Saven
*Independent non-executive
chairman*



Johan Enslin
Chief executive officer



Jacques Bestbier
Chief financial officer

Cape Town
24 November 2021

Income statement

for the six months ended 30 September 2021

	Notes	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Revenue	4.1	3 405.5	3 034.0	6 725.9
Retail revenue	4.2	2 394.1	2 037.8	4 747.7
Merchandise sales		1 990.5	1 649.5	3 931.2
Ancillary services		403.6	388.3	816.5
Insurance revenue		368.7	353.9	707.2
Effective interest income		642.7	642.3	1 271.0
Cost of merchandise sales	5	(1 191.3)	(982.1)	(2 288.8)
Operating costs		(1 873.0)	(1 775.1)	(3 741.6)
Debtor costs	2.2	(273.0)	(406.3)	(813.0)
Bad debts net of recoveries		(252.5)	(371.9)	(923.3)
Movement in debtors' impairment provision		(20.5)	(34.4)	110.3
Employment costs		(690.3)	(621.7)	(1 259.1)
Administration and IT		(182.1)	(157.2)	(325.3)
Transport and travel		(138.8)	(92.9)	(241.9)
Marketing		(146.1)	(90.0)	(184.2)
Depreciation, amortisation and impairment	8	(186.0)	(173.9)	(343.0)
Other operating costs		(256.7)	(233.1)	(575.1)
Operating profit before investment income		341.2	276.8	695.5
Investment income	3.2	17.1	21.0	39.1
Profit before net finance costs		358.3	297.8	734.6
Net finance costs		(20.2)	(36.4)	(130.2)
Interest paid	6.3	(33.8)	(49.8)	(105.3)
Interest received	6.3	12.7	10.8	17.2
Forward exchange contracts	6.3	0.9	2.6	(42.1)
Profit before taxation		338.1	261.4	604.4
Taxation	10	(104.0)	(78.8)	(171.5)
Net profit attributable to ordinary shareholders		234.1	182.6	432.9
Earnings per share (cents)		341.8	237.7	576.4
Diluted earnings per share (cents)		335.7	237.7	565.3

Statement of comprehensive income

for the six months ended 30 September 2021

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Net profit for the period	234.1	182.6	432.9
Items that may be subsequently reclassified to income statement:			
Movement in other reserves	0.9	10.3	(2.8)
Fair value adjustments	7.3	17.1	19.1
Changes in the fair value of debt instruments at fair value through other comprehensive income – FVOCI debt investments	10.2	23.8	26.5
Tax effect	(2.9)	(6.7)	(7.4)
Disposal of FVOCI debt investments	–	0.1	(0.4)
Disposal	–	0.1	(0.5)
Tax effect	–	–	0.1
Foreign currency translation reserve	(6.4)	(6.9)	(21.5)
Items that may not be subsequently reclassified to income statement:			
Retirement benefit remeasurements	–	–	(8.6)
Remeasurements of the retirement asset and liabilities	–	–	(11.9)
Tax effect	–	–	3.3
Other comprehensive income	0.9	10.3	(11.4)
Total comprehensive income for the period attributable to equity shareholders	235.0	192.9	421.5

Earnings and dividends per share

for the six months ended 30 September 2021

		6 months ended 30 Sept 2021 Unaudited	6 months ended 30 Sept 2020 Unaudited	12 months ended 31 March 2021 Audited
Weighted average number of shares				
Weighted average	('000)	68 478	76 795	75 109
Diluted weighted average	('000)	69 712	76 795	76 580
Headline earnings				
Attributable earnings	(Rm)	234.1	182.6	432.9
Profit on disposal of fixed assets	(Rm)	(9.4)	(1.1)	(0.1)
Loss on scrapping of fixed assets due to civil unrest	(Rm)	1.3	–	–
Scrapping of assets	(Rm)	7.1	–	–
Compensation from insurers	(Rm)	(5.8)	–	–
Impairment of right-of-use assets	(Rm)	–	–	24.3
Goodwill write-off	(Rm)	–	–	5.9
Headline earnings	(Rm)	226.0	181.5	463.0
Earnings per share				
Earnings per share	(cents)	341.8	237.7	576.4
Diluted earnings per share	(cents)	335.7	237.7	565.3
Headline earnings per share				
Headline earnings per share	(cents)	330.0	236.3	616.5
Diluted headline earnings per share	(cents)	324.1	236.3	604.6
Dividends per share				
Dividends paid per share				
Final dividend 2021 (2020)	(cents)	195.0	65.0	65.0
Interim dividend 2021	(cents)	–	–	133.0
	(cents)	195.0	65.0	198.0
Dividends declared per share				
Interim dividend 2022 (2021)	(cents)	195.0	133.0	133.0
Final dividend 2021	(cents)	–	–	195.0
	(cents)	195.0	133.0	328.0

Balance sheet

as at 30 September 2021

	Notes	6 months as at 30 Sept 2021 Unaudited Rm	6 months as at 30 Sept 2020 Unaudited Rm	12 months as at 31 March 2021 Audited Rm
Assets				
Non-current assets				
Property, plant and equipment		407.7	318.6	386.0
Right-of-use assets	7.2	661.2	653.2	635.0
Intangible assets		111.3	117.6	114.2
Goodwill		182.4	187.6	182.4
Deferred taxation		114.6	118.8	112.2
Retirement benefit asset		105.4	106.8	105.4
Financial assets – insurance investments	3.1	263.8	251.5	253.6
		1 846.4	1 754.1	1 788.8
Current assets				
Inventories		1 056.6	857.9	947.8
Trade, insurance and other receivables	2.1	3 439.0	3 321.0	3 367.3
Taxation		55.0	56.2	48.8
Financial assets – insurance investments	3.1	240.0	246.8	223.7
Cash-on-hand and deposits	6.1	389.6	563.9	447.0
		5 180.2	5 045.8	5 034.6
Total assets		7 026.6	6 799.9	6 823.4
Equity and liabilities				
Capital and reserves				
Share capital and premium		0.9	0.9	0.9
Treasury shares		(3.7)	(0.4)	(0.4)
Other reserves		6.1	34.6	33.6
Retained earnings		4 734.1	4 778.3	4 838.6
		4 737.4	4 813.4	4 872.7
Non-current liabilities				
Lease liabilities	7.1	599.4	567.1	556.0
Deferred taxation		40.2	27.2	20.6
Retirement benefit liability		85.8	77.5	79.1
		725.4	671.8	655.7
Current liabilities				
Trade and other payables		888.1	796.8	674.5
Payments in advance		181.8	131.8	162.8
Insurance liabilities		124.0	132.5	123.1
Lease liabilities	7.1	232.8	251.8	249.8
Taxation		137.1	1.8	84.8
		1 563.8	1 314.7	1 295.0
Total equity and liabilities		7 026.6	6 799.9	6 823.4

Statement of changes in equity

for the six months ended 30 September 2021

	Note	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Share capital and premium				
Opening balance		0.9	0.9	0.9
Cost of own shares acquired	12	(194.5)	(28.2)	(112.6)
Transfer of cost of cancelled shares		194.5	28.2	112.6
		0.9	0.9	0.9
Treasury shares				
Opening balance		(0.4)	(1.0)	(1.0)
Cost of own shares acquired		(55.1)	(23.0)	(23.0)
Share awards to employees		51.8	23.6	23.6
		(3.7)	(0.4)	(0.4)
Other reserves				
Opening balance		33.6	52.3	52.3
Other comprehensive income:				
Changes in fair value of FVOCI debt investments		7.3	17.1	19.1
Disposal of FVOCI debt investments		–	0.1	(0.4)
Foreign currency translation reserve		(6.4)	(6.9)	(21.5)
Equity-settled share-based payments		11.0	12.2	24.3
Transfer of share-based payments reserve to retained earnings on vesting		(39.4)	(40.2)	(40.2)
		6.1	34.6	33.6
Retained earnings				
Opening balance		4 838.6	4 657.3	4 657.3
Net profit attributable to ordinary shareholders		234.1	182.6	432.9
Distribution to shareholders		(131.7)	(50.0)	(147.0)
Transfer of cost of cancelled shares		(194.5)	(28.2)	(112.6)
Transfer of share-based payments reserve to retained earnings on vesting		39.4	40.2	40.2
Retirement benefit remeasurements		–	–	(8.6)
Share awards to employees		(51.8)	(23.6)	(23.6)
		4 734.1	4 778.3	4 838.6
Balance as at the end of the period		4 737.4	4 813.4	4 872.7

Cash flow statement

for the six months ended 30 September 2021

	Notes	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Restated Rm	12 months ended 31 March 2021 Audited Rm
Cash flow from operating activities				
Cash flow from trading	11.1	575.8	518.0	1 053.3
Changes in working capital	11.2	19.3	83.7	(138.7)
Cash flow from operations		595.1	601.7	914.6
Interest received other than from trade receivables		29.8	31.7	55.8
Interest paid	11.3	(32.3)	(49.8)	(90.4)
(Losses)/gains on forward exchange contracts		(16.4)	9.5	(16.6)
Taxation paid		(43.8)	(56.0)	(55.3)
		532.4	537.1	808.1
Cash utilised in investing activities				
Purchases of insurance investments	3.1	(27.0)	(24.9)	(61.1)
Disposals of insurance investments		10.7	24.5	84.2
Acquisition of property, plant and equipment and intangible assets		(71.0)	(30.6)	(121.3)
Proceeds on disposal and scrapping of property, plant and equipment		24.6	0.5	2.6
		(62.7)	(30.5)	(95.6)
Cash flow from financing activities				
Dividends paid		(131.7)	(50.0)	(147.0)
Payment of principal portion of lease liabilities	7.1	(145.8)	(112.8)	(254.2)
Repayments of borrowings		–	(922.1)	(922.1)
Purchase of own shares		(249.6)	(51.2)	(135.6)
		(527.1)	(1 136.1)	(1 458.9)
Net decrease in cash and cash equivalents		(57.4)	(629.5)	(746.4)
Cash and cash equivalents at the beginning of the period		447.0	1 193.4	1 193.4
Cash and cash equivalents at the end of the period		389.6	563.9	447.0

Notes to the summary financial statements

for the six months ended 30 September 2021

1. Basis of reporting

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

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

2. Trade, other receivables and debtor costs

2.1 Trade, insurance and other receivables

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Trade and insurance receivables	5 787.0	5 750.3	5 691.4
Trade receivables	5 648.3	5 590.0	5 551.5
Insurance receivables	138.7	160.3	139.9
Provision for impairment	(2 444.2)	(2 568.4)	(2 423.7)
Trade receivables	(2 359.9)	(2 475.4)	(2 338.5)
Insurance receivables	(84.3)	(93.0)	(85.2)
Trade and insurance receivables (net)	3 342.8	3 181.9	3 267.7
Due within 12 months	2 140.1	2 028.1	2 098.5
Due after 12 months	1 202.7	1 153.8	1 169.2
Other receivables	96.2	139.1	99.6
Total trade, insurance and other receivables	3 439.0	3 321.0	3 367.3
Debtors' impairment provision as a percentage of debtors at gross carrying value (%)	42.2	44.7	42.6

Amounts due from trade receivables after one year are reflected as current, as they form part of the normal operating cycle. The credit terms of trade receivables range from 6 to 36 months.

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Impairment provision

Payment ratings

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

Impairment modelling

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

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

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

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

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

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

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

Notes to the summary financial statements continued

for the six months ended 30 September 2021

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Forward-looking information

IFRS 9 requires that the ECL impairment provision considers potential future changes in the economic environment. To achieve this, an economic overlay model has been developed by performing a regression analysis between key economic variables 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.

As at the end of September 2021, the continuing threat that Covid-19 poses to the economy, exacerbated by extraordinarily high levels of unemployment, rising consumer inflation as well as looming interest rate hikes led management to believe that trading conditions will become tougher. Management has therefore considered the potential negative impact of these variables and included a total economic overlay of R270.0 million (2020: R302.1 million) in the impairment model.

Combined impairment and contractual arrears table

The table reflects the following:

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

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

Notes to the summary financial statements continued

for the six months ended 30 September 2021

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Debtors analysis 30 September 2021

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Installments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
Customer grouping paid									
Satisfactory paid Customers who have paid 70% or more of amounts due over the contract period.	437 383 75.2	3 649 167 63.1	719 478 29.4	19.7	587 355	162 322	114 743	85 568	224 722
Slow payers Customers who have paid 55% to 70% of amounts due over the contract period.	73 965 12.7	857 018 14.8	595 531 24.4	69.5	573 041	61 321	59 357	57 135	395 228
Non-performing accounts Customers who have paid less than 55% of amounts due over the contract period.	69 941 12.1	1 280 813 22.1	1 129 178 46.2	88.2	999 503	62 430	61 582	61 003	814 488
Total	581 289	5 786 998	2 444 187	42.2	2 159 899	286 073	235 682	203 706	1 434 438

Credit impaired debtors as at 30 September 2021

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in three consecutive months		
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Total R'000
Gross carrying value	1 280 813	1 516	1 856	41 728	59 744	64 468	177 550	1 627 675
Impairment provision	(1 129 178)	(709)	(1 376)	(11 465)	(39 421)	(22 280)	(122 668)	(1 327 097)
Amortised cost	151 635	807	480	30 263	20 323	42 188	54 882	300 578

Notes to the summary financial statements continued

for the six months ended 30 September 2021

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Debtors analysis 30 September 2020

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

Credit impaired debtors as at 30 September 2020

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

Notes to the summary financial statements continued

for the six months ended 30 September 2021

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Debtors analysis
31 March 2021

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Installments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
Customer grouping paid									
Satisfactory paid									
Customers who have paid 70% or more of amounts due over the contract period.	430 459 74.4 (%)	3 537 586 62.2	733 902 30.3	20.7	592 247	169 226	118 916	88 177	215 928
Slow payers									
Customers who have paid 55% to 70% of amounts due over the contract period.	78 608 13.6 (%)	915 822 16.1	618 421 25.5	67.5	568 282	64 802	62 430	59 197	381 853
Non-performing accounts									
Customers who have paid less than 55% of amounts due over the contract period.	69 751 12.0 (%)	1 238 029 21.7	1 071 346 44.2	86.5	895 977	61 765	60 953	60 193	713 066
Total	578 818	5 691 437	2 423 669	42.6	2 056 506	295 793	242 299	207 567	1 310 847

Credit impaired debtors as at 31 March 2021

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in three consecutive months		
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Total R'000
Gross carrying value	1 238 029	2 047	1 974	32 973	56 203	53 074	80 068	1 464 368
Impairment provision	(1 071 346)	(939)	(1 364)	(10 496)	(35 820)	(18 325)	(53 172)	(1 191 462)
Amortised cost	166 683	1 108	610	22 477	20 383	34 749	26 896	272 906

Notes to the summary financial statements continued

for the six months ended 30 September 2021

2. Trade, other receivables and debtor costs continued

2.1 Trade, insurance and other receivables continued

Interest rate risk

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

The average effective interest rate on instalment sale and loan receivables is 20.3% (2020: 22.1%) and the average term of the sale is 32.6 months (2020: 32.5 months).

Fair value

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

2.2 Debtor costs

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Bad debts	294.9	398.9	982.2
Bad debts before adjustment for interest on credit impaired accounts	348.6	467.8	1 133.0
Adjustment for interest on credit impaired accounts	(53.7)	(68.9)	(150.8)
Bad debt recoveries	(42.4)	(27.0)	(58.9)
Movement in debtors' impairment provision	20.5	34.4	(110.3)
Closing balance	2 444.2	2 568.4	2 423.7
Opening balance	(2 423.7)	(2 534.0)	(2 534.0)
	273.0	406.3	813.0
Debtor costs as a percentage of debtors at gross carrying value (%)	4.7	7.1	14.3

Notes to the summary financial statements continued

for the six months ended 30 September 2021

3. Insurance

3.1 Insurance investments

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Financial assets – insurance investments			
<i>Listed investments</i>			
Fixed income securities			
– FVOCI debt investments	263.8	251.5	253.6
<i>Unlisted Investments</i>			
Money market			
– FVOCI debt investments	240.0	246.8	223.7
	503.8	498.3	477.3
Analysed as follows:			
Non-current	263.8	251.5	253.6
Current	240.0	246.8	223.7
	503.8	498.3	477.3
Movement for the period			
Beginning of the period	477.3	473.9	473.9
Additions to investments	27.0	24.9	61.1
Disposals of investments	(27.8)	(43.1)	(119.8)
Interest	17.1	18.7	36.1
Fair value adjustment	10.2	23.9	26.0
End of the period	503.8	498.3	477.3

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

Notes to the summary financial statements continued

for the six months ended 30 September 2021

3. Insurance continued

3.1 Insurance investments continued

Fair value hierarchy

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

	Level 2 Rm	Total Rm
30 September 2021		
Insurance investments:		
Fixed income securities – FVOCI debt investments	263.8	263.8
Money market – FVOCI debt investments	240.0	240.0
	503.8	503.8
30 September 2020		
Insurance investments:		
Fixed income securities – FVOCI debt investments	251.5	251.5
Money market – FVOCI debt investments	246.8	246.8
	498.3	498.3
31 March 2021		
Insurance investments:		
Fixed income securities – FVOCI debt investments	253.6	253.6
Money market – FVOCI debt investments	223.7	223.7
	477.3	477.3

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

3.2 Investment income

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Interest and other income – insurance business	17.1	20.9	38.6
Realised gain on disposal of insurance investments	–	0.1	0.5
	17.1	21.0	39.1

Notes to the summary financial statements continued

for the six months ended 30 September 2021

4. Revenue

4.1 Revenue

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Retail revenue – revenue from contracts with customers	2 394.1	2 037.8	4 747.7
Merchandise sales	1 990.5	1 649.5	3 931.2
Ancillary services	403.6	388.3	816.5
Insurance revenue	368.7	353.9	707.2
Effective interest income	642.7	642.3	1 271.0
Finance charges and initiation fees earned	696.4	711.2	1 421.8
Adjustment for interest on credit impaired accounts	(53.7)	(68.9)	(150.8)
	3 405.5	3 034.0	6 725.9

4.2 Retail revenue

	Traditional Rm	Cash Rm	Group Rm
30 September 2021			
Merchandise sales			
– Cash	712.4	271.4	983.8
– Credit	1 006.7	–	1 006.7
Ancillary services			
– At a point in time	75.7	4.5	80.2
– Over time	323.4	–	323.4
	2 118.2	275.9	2 394.1
30 September 2020			
Merchandise sales			
– Cash	608.5	231.6	840.1
– Credit	809.4	–	809.4
Ancillary services			
– At a point in time	67.3	4.5	71.8
– Over time	316.5	–	316.5
	1 801.7	236.1	2 037.8

Notes to the summary financial statements continued

for the six months ended 30 September 2021

4. Revenue continued

4.2 Retail revenue continued

	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

5. Gross profit

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Merchandise sales	1 990.5	1 649.5	3 931.2
Cost of merchandise sales	(1 191.3)	(982.1)	(2 288.8)
Merchandise gross profit	799.2	667.4	1 642.4
Gross profit percentage (%)	40.2	40.5	41.8

Notes to the summary financial statements continued

for the six months ended 30 September 2021

6. Borrowings, cash and net finance costs

6.1 Borrowings, banking facilities and cash

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Interest-bearing borrowings			
Short-term banking facilities	–	–	–
Cash-on-hand and deposits	389.6	563.9	447.0
Net cash	389.6	563.9	447.0
Available facilities			
Banking facilities	1 050.0	1 150.0	1 150.0
Domestic Medium-Term Note programme	2 000.0	2 000.0	2 000.0
	3 050.0	3 150.0	3 150.0
Available funds	3 439.6	3 713.9	3 597.0
Cash and cash equivalents			
Cash-on-hand and deposits	389.6	563.9	447.0
	389.6	563.9	447.0
6.2 Capital management			
Net debt	442.6	255.0	358.8
Shareholders' equity	4 737.4	4 813.4	4 872.7
Gearing ratio (%)	9.3	5.3	7.4
6.3 Net finance costs			
Interest paid	(33.8)	(49.8)	(105.3)
Borrowings	(2.7)	(10.4)	(14.3)
Lease liabilities	(29.6)	(36.4)	(66.0)
Other	(1.5)	(3.0)	(25.0)
Interest received – bank	8.8	10.8	17.2
Interest received – other	3.9	–	–
Forward exchange contracts	0.9	2.6	(42.1)
Net finance costs	(20.2)	(36.4)	(130.2)

Notes to the summary financial statements continued

for the six months ended 30 September 2021

7. Leases

7.1 Lease liabilities

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Opening balance	805.8	837.9	837.9
Additions and renewed leases	173.6	93.0	239.3
Expired, renegotiated and modified leases	(0.7)	0.8	(3.8)
Rent concessions	(0.7)	–	(13.4)
Principal portion of lease liabilities	(145.8)	(112.8)	(254.2)
Interest on lease liabilities	29.6	36.4	66.0
Lease liability payments	(175.4)	(149.2)	(320.2)
Closing balance	832.2	818.9	805.8
Analysed as follows:	832.2	818.9	805.8
Non-current	599.4	567.1	556.0
Current	232.8	251.8	249.8

7.2 Right-of-use assets

Retail premises

Opening balance	635.0	693.7	693.7
Additions and renewed leases	173.6	93.0	239.3
Expired, renegotiated and modified leases	–	–	(3.2)
Remeasurement of restoration provision	–	–	(7.9)
Rent concessions	(0.7)	–	(13.4)
Depreciation and impairment	(146.7)	(133.5)	(273.5)
Closing balance	661.2	653.2	635.0

Notes to the summary financial statements continued

for the six months ended 30 September 2021

8. Depreciation, amortisation and impairment

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Depreciation and impairment			
Right-of-use assets	146.7	133.5	273.5
Property, plant and equipment	32.1	33.9	50.6
Amortisation			
Intangible assets	7.2	6.5	13.0
Write-off			
Goodwill	–	–	5.9
	186.0	173.9	343.0

9. Reportable segments

Primary	Traditional Rm	Cash Rm	Group Rm
For the six months ended 30 September 2021 (Unaudited)			
Revenue	3 129.6	275.9	3 405.5
Merchandise sales	1 719.1	271.4	1 990.5
Operating profit before investment income	320.5	20.7	341.2
Operating margin (%)	18.6	7.6	17.1
Segment assets	4 237.5	161.9	4 399.4
For the six months ended 30 September 2020 (Unaudited)			
Revenue	2 797.9	236.1	3 034.0
Merchandise sales	1 417.9	231.6	1 649.5
Operating profit before investment income	257.5	19.3	276.8
Operating margin (%)	18.2	8.3	16.8
Segment assets	3 907.5	132.3	4 039.8
For the 12 months ended 31 March 2021 (Audited)			
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

Notes to the summary financial statements continued

for the six months ended 30 September 2021

9. Reportable segments continued

Geographical	South Africa Rm	Namibia Rm	BLE⁽¹⁾ Rm	Group Rm
For the six months ended 30 September 2021 (Unaudited)				
Revenue	2 895.7	257.3	252.5	3 405.5
For the six months ended 30 September 2020 (Unaudited)				
Revenue	2 564.5	248.0	221.5	3 034.0
For the 12 months ended 31 March 2021 (Audited)				
Revenue	5 724.8	498.7	502.4	6 725.9

⁽¹⁾ Botswana, Lesotho and Eswatini

Notes to the summary financial statements continued

for the six months ended 30 September 2021

10. Taxation

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
Taxation charge			
Normal taxation	89.9	34.6	124.3
Current year	90.4	30.6	123.6
Prior year	(0.5)	4.0	0.7
Deferred taxation	14.1	44.2	47.2
Current year	5.9	44.2	57.0
Prior year	8.2	–	(9.8)
Taxation per income statement	104.0	78.8	171.5
Tax rate reconciliation			
Profit before taxation	338.1	261.4	604.4
Taxation calculated at a tax rate of 28% (2020: 28%)	94.7	73.2	169.2
Differing tax rates in foreign countries	1.8	0.4	4.3
Disallowances	12.0	9.0	37.1
Exemptions	(12.2)	(7.8)	(30.0)
Prior years	7.7	4.0	(9.1)
Taxation per income statement	104.0	78.8	171.5
Effective tax rate (%)	30.8	30.1	28.4

Notes to the summary financial statements continued

for the six months ended 30 September 2021

11. Cash flow from operations

	Notes	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Restated Rm	12 months ended 31 March 2021 Audited Rm
11.1 Cash flow from trading		575.8	518.0	1 053.3
Operating profit before investment income		341.2	276.8	695.5
Adjusted for:				
Share-based payments		31.8	17.9	43.6
Depreciation, amortisation and impairment	8	186.0	173.9	343.0
Inventory write-off due to civil unrest	13	13.6	–	–
Loss on scrapping of fixed assets due to civil unrest	13	1.8	–	–
Movement in debtors' impairment provision	2.2	20.5	34.4	(110.3)
Movement in other provisions		(11.9)	16.4	43.7
Other non-cash flow movements		(7.2)	(1.4)	37.8

Included in cash flow from trading is interest received on trade receivables of R696.4 million (2020: R711.2 million).

Notes to the summary financial statements continued

for the six months ended 30 September 2021

11. Cash flow from operations continued

11.1 Cash flow from trading continued

Restatement – 30 September 2020

The realised portion of gains and losses on forward exchange contracts in the comparative period 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
Six months ended 30 September 2020 – previously reported	527.5	–
Restatement	(9.5)	9.5
Six months ended 30 September 2020 – restated	518.0	9.5

The above restatement was effected in the group annual financial statements for the year ended 31 March 2021.

	6 months ended 30 Sept 2021 Unaudited Rm	6 months ended 30 Sept 2020 Unaudited Rm	12 months ended 31 March 2021 Audited Rm
11.2 Changes in working capital	19.3	83.7	(138.7)
Increase in inventories	(150.2)	(123.7)	(211.7)
(Increase)/decrease in trade and other receivables	(89.5)	(36.0)	30.3
Increase in trade and other payables	239.1	234.0	11.7
Increase/(decrease) in payments in advance	19.0	(18.3)	12.7
Increase in insurance liabilities	0.9	27.7	18.3
11.3 Interest paid per cash flow statement	(32.3)	(49.8)	(90.4)
Interest paid per the income statement	(33.8)	(49.8)	(105.3)
Non-cash flow movement	1.5	–	14.9

Notes to the summary financial statements continued

for the six months ended 30 September 2021

12. Share repurchases

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

	Number of shares repurchased 000's	Average price R	Total value repurchased Rm
Share repurchases made during the 2022 financial year			
For the six months ended 30 September 2021	5 411	35.94	194.5
Share repurchases made during the 2021 financial year			
For the six months ended 30 September 2020	1 663	16.97	28.2
For the six months ended 31 March 2021	3 700	22.81	84.4
Total	5 363		112.6

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

	6 months ended 30 Sept 2021 Unaudited 000's	6 months ended 30 Sept 2020 Unaudited 000's	12 months ended 31 March 2021 Audited 000's
Number of ordinary shares in issue			
Number of shares issued at the beginning of the period	71 536	76 899	76 899
Shares repurchased	(5 411)	(1 663)	(5 363)
Number of shares issued at the end of the period	66 125	75 236	71 536
Treasury shares held by:			
Lewis Employee Share Incentive Scheme Trust	(108)	(27)	(27)
Effective number of shares in issue	66 017	75 209	71 509

13. Impact of civil unrest in South Africa

The widespread violence and looting experienced in KwaZulu-Natal and parts of Gauteng during July 2021 had a significant impact on the group's store operations during the six month reporting period ended 30 September 2021.

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

By 30 September 2021, following their restoration, 51 stores (48 Traditional and 3 UFO) had been reopened. The remaining six stores will reopen once the damages have been repaired. The operations of the reopened stores have recovered significantly with the month of September showing a very encouraging improvement in trading performance, however there has been a noted lag when compared to the rest of the stores in the group.

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

In respect of insurance, the group has adopted the policy of only recognising insurance recoveries where it has received the amount in cash and/or has a signed agreement of loss from the insurer. Management considers that these requirements meet the prerequisite of virtual certainty of recovery in terms of IAS 37. All insurance recoveries raised in the income statement had a signed agreement of loss and all the amounts were received before the issuance of these summary financial statements.

The total SASRIA claim amounts to approximately R78.8 million (VAT exclusive) of which approximately R40.2 million relates to stock losses and R38.6 million relates to damaged assets. As at the end of the reporting period, R36.9 million of these claims have been received and based on the deemed certainty as assessed by management, an additional receivable of R5.6 million was recognised. This amount has been subsequently received from SASRIA prior to the release of these results. The balance of the insurance claims of R36.3 million are expected to be received within the 2022 financial year.

The group has separate cover for business interruption losses and management are still in the process of assessing the value of these losses.

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

Notes to the summary financial statements continued

for the six months ended 30 September 2021

13. Impact of civil unrest in South Africa continued

	6 months ended 30 Sept 2021 Unaudited Rm
Impact on the Income Statement	
Cost of merchandise sales	13.6
Inventory write-off	48.1
Inventory insurance recoveries	(34.5)
Other operating costs	1.8
Losses due to scrapping of assets	9.8
Insurance recoveries due to damaged assets	(8.0)
Impact on the Balance Sheet	
Trade, insurance and other receivables	
Insurance recovery receivable	5.6

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

In the comparative period, the government-imposed lockdown restrictions in April and May 2020 had a material impact on the group's trading performance during the six months ended 30 September 2020. It was estimated by management that the group lost approximately R360 million in merchandise sales and R250 million in customer account collections in the comparative reporting period.

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

Management remains committed to monitoring strict compliance with Covid-19 safety protocols.

15. Post balance sheet events

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

Key ratios

		6 months ended 30 Sept 2021 Unaudited	6 months ended 30 Sept 2020 Unaudited	12 months ended 31 March 2021 Audited
Operating efficiency ratios				
Gross profit margin	(%)	40.2	40.5	41.8
Operating profit margin	(%)	17.1	16.8	17.7
Number of stores		817	805	807
Number of employees	(average)	8 880	8 519	8 847
Trading space	(sqm)	251 138	252 127	249 758
Inventory turn (annualised)	(times)	2.3	2.3	2.4
Current ratio		3.3	3.8	3.9
Credit ratios				
Credit sales	(%)	50.6	49.1	49.1
Debtor costs as a percentage of debtors at gross carrying value	(%)	4.7	7.1	14.3
Debtors' impairment provision as a percentage of debtors at gross carrying value	(%)	42.2	44.7	42.6
Arrear instalments on satisfactory paid accounts as a percentage of total debtors at gross carrying value	(%)	10.1	10.5	10.4
Arrear instalments on slow paying and non-performing accounts as a percentage of total debtors at gross carrying value	(%)	27.2	28.6	25.7
Credit applications decline rate*	(%)	39.1	38.4	38.1
Shareholder ratios				
Net asset value per share	(cents)	7 176	6 398	6 814
Gearing ratio	(%)	9.3	5.3	7.4
Dividend payout ratio	(%)	55.0	54.8	55.0
Return on average shareholders' funds (annualised) after-tax	(%)	9.7	7.7	9.0
Return on average capital employed (annualised) after-tax	(%)	8.8	6.9	8.7
Return on average assets managed (annualised) pre-tax	(%)	10.5	8.6	10.5

* The credit applications decline rate for the six months ended 30 September 2020 has been corrected to 38.4%.

Notes:

1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The net asset value has been calculated using 66 017 091 shares in issue (2020: 75 235 607).
3. Total assets exclude the deferred tax asset.

Lewis Group Limited

Corporate information

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

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