

# 2019

INTEGRATED REPORT

Creating sustainable stakeholder value by offering affordable, exclusive and quality household goods to all customers



**Lewis**  
Group Ltd

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Revenue up  
**10.4%**  
to R6.1 billion



Merchandise  
sales up  
**22.9%**  
to R3.5 billion

Debtors costs  
reduced by

**11.9%**



Operating  
profit up  
**16.8%**  
to R443 million



Headline  
earnings per  
share up  
**24.3%**  
to 376.2 cents

Balance sheet  
ungeared

Total dividend  
up  
**17.0%**  
to 234 cents

Launched  
**in**spire  
HOME CHANGING  
home shopping  
retailer

## Introducing the report

The directors have pleasure in presenting Lewis Group's 2019 Integrated Report which aims to demonstrate how the group's business model and diversification strategy are positioned to create value for all stakeholders in the short, medium and long term.

The Integrated Report is central to 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. The King Code on Corporate Governance (King IV) has been applied throughout the reporting period and the directors confirm that the group has in all material respects applied with the principles of the code. The group's application of the 16 principles of the code is outlined in the King IV Report available on [www.lewisgroup.co.za](http://www.lewisgroup.co.za).

### Integrated reporting framework

The group's reporting process is guided by the Integrated Reporting Framework of the International Integrated Reporting Council. The Framework recommends reporting to shareholders on the six capital resources used by the business in the creation of value. The group's performance and activities relative to these forms of capital are covered throughout the report and can be summarised as follows:

- **Financial capital** relates to the financial resources raised, utilised and generated by the company.
- **Manufactured capital** is the physical infrastructure used in selling merchandise and includes retail stores, call centres, the online platform and the supply chain.
- **Intellectual capital** is the collective knowledge and expertise across the business.
- **Human capital** deals with the competency, capability and experience of the directors, management and staff.
- **Social and relationship capital** deals primarily with the stakeholders that influence the group's business.
- **Natural capital** relates to the group's environmental management practices and the way in which the business manages its impact on natural resources.

## Reporting scope and boundary

This report covers material 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 2018 to 31 March 2019. The companies operate in South Africa, where 83.6% of the revenue is generated, as well as Namibia, Botswana, eSwatini and Lesotho.

The reportable segments have been changed to reflect the new strategic direction of the group and are as follows:

- **Traditional business** which comprises the credit-focused brands of Lewis, Best Home and Electric, and Beares.
- **Cash business** being the recently acquired UFO business.
- **Omni-channel business** being the recently launched INspire brand.

The principle of materiality has again been applied in preparing the content and disclosure in this report. Materiality is determined by the board and 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.

## Adoption of IFRS 9 and debtor impairment

IFRS 9 – Financial instruments is effective for the group for the year ended 31 March 2019, replacing IAS 39 – Financial Instruments: Recognition and measurements. The most significant impact of IFRS 9 on the group relates to the implementation of the forward-looking expected credit loss impairment model on the measurement of debtors. IAS 39 applied the incurred loss model.

The adoption of IFRS 9 does not impact on the group's credit management practices and business model and these will continue to be consistently applied.

## Forward-looking statements

Shareholders will note that the Integrated Report includes forward-looking statements relating to the future financial position and results of the group's operations. These are not statements of fact but rather statements by management based on current estimates and expectations of future performance. No assurance can be given that forward-looking statements will prove to be correct and stakeholders are advised to exercise caution in this regard. The group does not undertake to update or revise these forward-looking statements. Any forward-looking statements contained in the report have not been reviewed or reported on the by the group's independent auditor.

## Independent assurance

The content of the Integrated Report has been reviewed by the board but 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 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. Management has verified the processes for measuring all other non-financial information.

## Directors' 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, which has oversight for the preparation of the Integrated Report, recommended the report for approval by the directors who accordingly approved the 2019 Integrated Report for release to stakeholders.



**Hilton Saven**  
Independent  
non-executive chairman



**Johan Enslin**  
Chief executive officer

## Group profile

### Mission

To create sustainable stakeholder value by offering affordable, exclusive and quality household goods to all customers

### Vision

To be the leading furniture group, preferred and trusted throughout southern Africa

### Values

#### Respect

- Communicate in a respectful manner
- Promote fairness at all levels of seniority
- Embrace diversity
- Value all stakeholders

#### Integrity

- Operate with honesty and transparency
- Honour our commitments and deliver on our promises
- Protect confidentiality of information
- Communicate effectively

#### Responsibility

- Take responsibility for our actions
- Serve the best interests of the Lewis Group
- Be a loyal brand ambassador of the Lewis Group
- Use our resources and time responsibly

#### Excellence

- Deliver quality products through service excellence
- Work together as a productive team
- Develop our people and our skills
- Ensure a safe and healthy work environment

Lewis Group is a leading retailer of household furniture and electrical appliances through its trading brands Lewis, Beares, Best Home and Electric, INspire and United Furniture Outlets (UFO).

**Founded in Cape Town in 1934, the Lewis Group has been listed on the JSE Limited since 2004. The group employs 8 000 permanent staff and is a meaningful contributor to job creation and support of the local furniture manufacturing sector.**

The group has 784 stores across all metropolitan areas and in rural South Africa, as well as a strong presence in neighbouring African countries.

**Lewis** is the country's largest furniture chain with 489 stores and is a household name in furniture retailing.

**Beares**, a well-respected brand with a history dating back 80 years, was acquired by the group in 2014 and currently has 121 stores.

**Best Home and Electric** was established in 2008 and sells home appliances as well as furniture ranges through 138 stores.

**UFO** is a luxury brand cash furniture retailer for the higher income market. Established in 2004 and acquired by the group in 2018, UFO has a footprint of 36 stores in South Africa.

**INspire** is an omni-channel home shopping retailer which is marketed through outbound and inbound call-centres, agents and digital channels including online shopping at [www.inspire.co.za](http://www.inspire.co.za).

INspire was launched in May 2018 as part of the group's diversification strategy.

Credit is offered to customers in the traditional retail brands of Lewis, Beares and Best Home and Electric, as well as INspire. The group has a credit customer base of over 580 000 and credit sales accounted for 58% of total sales in the reporting period.

**Monarch Insurance Limited**, the group's short-term insurance subsidiary, offers insurance cover to customers purchasing merchandise on credit.






### Customer service

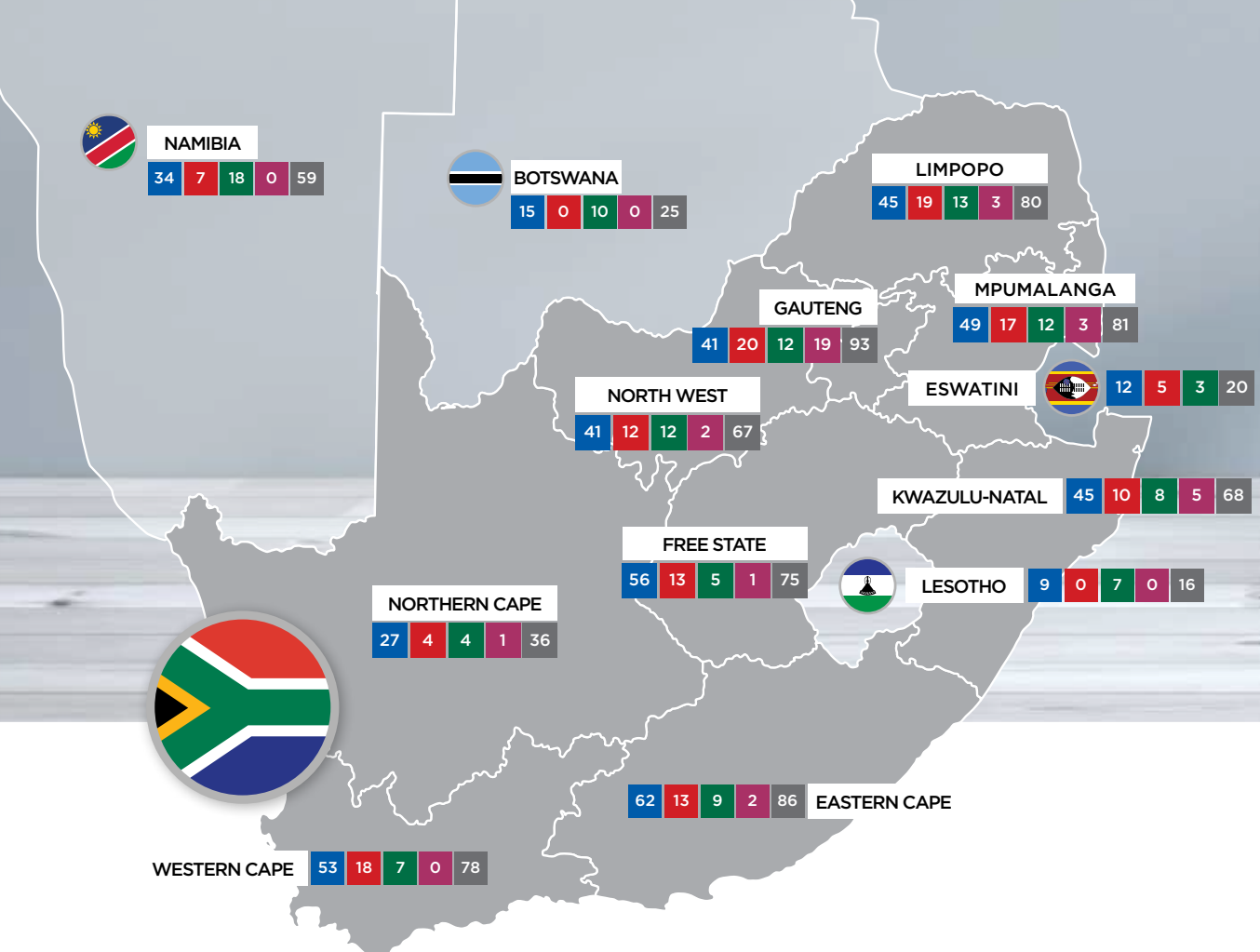
The group is committed to service excellence and offering quality, exclusive merchandise. High levels of repeat sales to existing customers are evidence of service satisfaction, trust and customer loyalty. As part of the commitment to service excellence, Lewis strives to be an integral part of the communities in which it operates. Shoppers are served by staff from local communities, with stores being located close to the places where Lewis customers live, work, shop and commute.

### African presence

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 120 stores outside South Africa which collectively accounted for 18.2% of group merchandise sales in the current financial year.

# Geographic footprint

					
Total - in South Africa	419	126	83	36	664
Total - outside South Africa	70	12	38	0	120
Total stores - 31 March 2019	489	138	121	36	784
Total stores - 31 March 2018	499	126	117	31	773



	TRADITIONAL RETAIL	CASH RETAIL	OMNI-CHANNEL
<b>BRANDS</b>	Lewis, Best Home and Electric, and Beares	UFO	INspire
<b>TARGET MARKET*</b>	Lewis and Best Home and Electric: LSM 4 – 7 Beares: LSM 7 – 9	LSM 9+	LSM 4 – 8
<b>RETAIL CHANNEL</b>	748 stores	36 stores	Online, call centre and agents
<b>PRODUCT OFFERING</b>	Household furniture, electrical appliances and home electronics	Household furniture, including lounge, dining room and bedroom ranges	Bedding, linen, tableware, cookware and small electrical appliances

\* Based on Living Standard Measurements (LSM) categories.

# Leadership



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## Chairman's report



**It is pleasing that the group reported a significantly improved and highly competitive performance in the prevailing adverse trading environment.**

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

South Africa's economic woes were highlighted by the worse than expected contraction in the economy in the first quarter of 2019 of -3.2%, recording the biggest quarterly drop in gross domestic product in a decade.

In this economic climate, consumers have faced increasing headwinds over the past year from an increase in the value added tax rate, low wage growth, higher fuel, energy and water costs, and electricity load shedding.

Consumer confidence also declined in the first quarter of 2019, and although the index is still positive at a reading of +2 points, this is in stark contrast to the record high of +26 index points recorded in the first quarter of 2018 following Cyril Ramaphosa's appointment as the country's president.

### Financial performance

Strong merchandise sales, improving revenue growth, tight cost containment and good margin management contributed to the group's operating profit increasing by 16.8% to R443.0 million. Headline earnings grew by 18.4% to R308.4 million with headline earnings benefiting from the group's share repurchase programme and increasing by 24.3% to 376.2 cents.

A final cash dividend of 129 cents per share was declared to shareholders, bringing the total dividend for the year to 234 cents per share, an increase of 17%, with a dividend payout ratio of 61.1%.

The balance sheet remained ungeared at year end and the group has no borrowings. The business remains highly cash generative with cash resources totaling R205 million at year end after returning almost R100 million to shareholders through share buy-backs.

The group's financial position remains strong, with the net asset value per share increasing by 5.2% to R60.81 at year end.

All financial targets have been achieved, with the targets for debtor cost management and satisfactory paid customers being exceeded.

Based on this performance and the outlook for the year ahead, new targets have been set to provide guidance to shareholders on our performance objectives for the 2020 financial year and into the medium term.

### Diversification strategy

The group's strategy of diversifying across income groups, market segments, retail channels, product mix and credit/cash sales is starting to pay dividends.

As a traditional store-based credit retailer operating in the lower to middle income LSM 4-7 target market, the group acquired the long-established Beares brand in 2014 and expanded into the LSM 8 market. In 2016 the group acquired a portfolio of 56 stores in the neighbouring countries of Botswana, Lesotho, Namibia and eSwatini which doubled the store presence outside of South Africa.

The diversification strategy gained momentum in 2018 with the acquisition of United Furniture Outlets (UFO), the cash furniture retailer serving the higher income market. This was followed by the launch during the reporting period of the omni-channel home shopping retail brand INspire, which is aimed at LSM 4-8 customers in urban areas.

The outcome of the diversification strategy is that the group now serves all income groups across multiple channels, has increased the furniture component of its merchandise mix to 61% and cash sales to 42% of total sales. When the group embarked on this strategy, merchandise sales comprised 46% of total revenue and this contribution has now increased to 57%.

Shareholders should be reassured that the diversification strategy is low risk as the business is expanding into areas of retailing which are closely aligned with the group's core competencies.

## Investment case

We believe Lewis Group offers a compelling investment case for fund managers seeking exposure to growth markets in the South African retail sector.

On a macro level, the group is well positioned to gain market share in the changing competitive environment while the traditional brands and the new omni-channel business operate in the growing middle-income segment of the South African population. The group's business model has proven to be relevant and resilient in all market conditions.

The diversified target market and sales channels provide exposure to customers across all income segments in the country, as outlined earlier. The group has a substantial retail presence across urban and rural areas in South Africa, with critical mass in each of the neighbouring African markets in which it operates.

Our management team is strong and stable, with highly experienced furniture retail specialists. This includes a deep understanding of managing credit risk in our lower to middle income target market, supported by centralised credit approval and granting, and decentralised cash collections at stores.

The group has a loyal customer base, with over 50% of credit sales from existing customers, while the brands have high levels of awareness and trust with customers.

The director's commitment to the share buy-back programme is evidence of the potential that the board recognises to create value for shareholders. At year end the Lewis Group share was trading at a 50% discount to net asset value and trades on an attractive dividend yield of 7.5%.

In recent years the group's investment case has found increasing appeal with foreign investors, with 59% of the group's shares now being held by international fund managers.

## Board and governance

After undergoing significant changes in the previous financial year, there have been no changes to the board or board committees this year. We have a healthy balance 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.

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 a gender and race policy to enhance diversity, with voluntary targets of 25% representation being set for gender and racial diversity. Currently 38% of the directors are female and 38% are black.

The directors confirm that the group has in all material respects applied King IV and we remind shareholders of two departures. First, the board has chosen not to appoint a lead independent director as recommended by King IV as the directors believe that the chairman is an independent non-executive member of the board. Second, the code recommends that the chairman of the board should not serve as a member of the Audit Committee. The remaining board members determined that my experience and expertise in the auditing profession are critical for continuity and for the efficient functioning of the Audit Committee. I therefore continue to serve on the committee which is elected by shareholders each year.

## Appreciation

On behalf of the board, I thank and congratulate Johan Enslin and his executive team for delivering an outstanding performance over the past year. They are well supported by committed management and staff across the country and in our neighbouring countries. Thank you to my board colleagues for their insight and guidance.

Our external stakeholders, including shareholders, customers, regulators, suppliers and business associates, are critical to the success and sustainability of our business and I thank them for their engagement and support over the past year.



**Hilton Saven**

*Independent non-executive chairman*

## Chief executive officer's report



**Lewis Group continued its sustained recovery of the past two years despite the country's stagnant economy, social and political uncertainty, and stubbornly high unemployment.**

**John Enslin**  
*Chief executive officer*

Two major factors are driving this recovery which has translated into a significant improvement in the operational and financial performance for the year.

First, the turnaround in the group's traditional retail segment, comprising the Lewis, Best Home and Electric, and Beares brands, has resulted in strong growth in merchandise sales and operating profit.

Second, the group's diversification strategy continues to gain traction.

United Furniture Outlets (UFO) is proving to be a sound acquisition which has enabled the group to access higher income customers and increase the proportion of cash sales.

Early in the financial year the group diversified into omni-channel retailing with the launch of home shopping brand INspire, which is marketed through call centres, agents and online shopping.

### Strong trading results

Merchandise sales increased by 22.9% to R3.5 billion and benefited from the UFO acquisition which contributed sales of R478 million in its first full year in the group.

The group's traditional retail brands increased merchandise sales by 7.6% to R3.0 billion.

INspire, the start-up home shopping retailer, generated sales of R27.2 million in its first 10 months since launch in June 2018.

Product inflation across all brands averaged 1.2% for the year.

Stores outside South Africa, which comprise 15% of the total store base, contributed 18.3% (2018: 22.5%) of merchandise sales.

Credit sales increased by 8.1% for the year, with growth of 11.3% in the second half. This reflects the impact on the

group's traditional retail segment of the change in the affordability assessment regulations of the National Credit Act which enabled self-employed and informally employed individuals to again apply for credit.

Cash sales increased by 51.1%, with UFO accounting for one third of the group's cash sales.

The furniture category grew strongly and accounted for 60.8% of total sales (2018: 56.7%), highlighting the impact of UFO on the merchandise mix, with appliances at 25.2% (2018: 27.6%) and electronics 14.0% (2018: 15.7%).

After declining by 6.5% in the first half of the year, other revenue in the traditional retail segment recovered well and grew by 1.1% in the second six months.

The strong operational performance contributed to the group's operating profit increasing by 16.8% to R443 million. The performance of the traditional retail segment was particularly pleasing as the operating margin expanded by 60 basis points to 7.6% as profit grew by 12%.

The group's financial performance is covered in the chief financial officer's report on page 38.

### Improving credit performance

The credit health of the group's customer base continues to improve, with the average ratio of household debt to disposable income of Lewis customers declining steadily from 49% in 2016 to 46.6% in 2019. This trend is reflected in the improving metrics across the group's debtor book. Collection rates increased from 74.9% to 76.3% in the past year with contractual arrears reducing to 35% of gross debtors compared to 38% last year.

The level of satisfactory paid customers improved to 71.4% from 68.4% last year, one of the highest levels reported since the company's listing 15 years ago.

Debtor costs continued to decline and reduced by 11.9% (23.4% after adjustment for interest on credit impaired accounts). Debtor costs as a percentage of net debtors decreased from 17.2% to 13.3%, exceeding the target of 15% to 18%. Debtor costs are expected to be within the 13% to 16% range in 2020.

Refer to the credit report on page 24 for further analysis of the debtors' book.

## Expanding retail presence

The group's store base increased to 784 at year end. Trading space reduced by 1.5% as the group opened a net 11 new stores and converted 12 traditional Lewis outlets to the smaller store format. These smaller stores now account for 44% of the brand's outlets.

Management is committed to ensuring that stores remain relevant and modern in order to promote merchandise and 121 stores across the portfolio were refurbished during the year. Stores are refurbished on average every five years.

UFO opened 8 stores and closed 3, bringing the store footprint to 36. While the availability of retail space in upmarket shopping malls is proving to be a hurdle to expanding the chain, 5 to 10 new stores are planned for the 2020 financial year.

The store network outside South Africa increased to 120 with the opening of 10 stores in Namibia, including the first 7 Best Home and Electric stores in the country.

The expansion into omni-channel retailing with the launch of INspire is aimed at attracting customers in the LSM 4 - 8 categories to increase the group's penetration in urban areas. Customers are offered six months interest-free shopping, nationwide delivery within five days and a 15 day return policy. INspire has an extensive product offering across linen, bedding, tableware, cookware and small electrical appliances, with new exclusive merchandise ranges being introduced quarterly.

## Outlook

While trading conditions remain challenging, the strong sales growth trend experienced in the second half of the financial year is expected to continue into the new year. The changes in the affordability assessment regulations will continue to benefit sales into the new year.

Other revenue is expected to recover in line with the turnaround in the performance of the traditional business. We expect the growth rate in other revenue to move closer to the growth in credit sales over the next two to three years.

The diversification strategy is expected to continue to support sales growth and the group is well positioned to gain market share across all income groups. UFO has the potential to expand across South Africa and into the neighbouring countries. INspire is building momentum as the brand becomes established and is anticipated to reach break-even point in the forthcoming financial year.

## Appreciation

Thank you to our chairman Hilton Saven for his decisive leadership of the board and to my fellow directors for their ongoing support and guidance.

The past year has seen a marked turnaround in the group's fortunes, and I thank my executive colleagues and all our staff at the stores and at head office for their hard work, loyalty and commitment.



**Johan Enslin**  
Chief executive officer

# Board of directors



## Hilton Saven (66)

BCom, CA(SA)

### Independent non-executive chairman

Chairman of the Board and Nomination Committee. Member of the Audit, Risk, Remuneration and Social, Ethics and Transformation Committees

Appointed June 2004

*Other directorships include:* Truworths International (chairman), Balwin Properties (chairman) and Monarch Insurance Company Limited.

Hilton is the former Chairman of Mazars South Africa, an international auditing firm, and Praxity, an international Alliance of auditing firms, having retired from practice during 2018.

## Fatima Abrahams (56)

BEcon (Hons), MCom, DCom

### Independent non-executive director

Chairperson of the Remuneration and Social, Ethics and Transformation Committees

Member of the Audit, Risk, and Nomination Committees

Appointed September 2005

*Other directorships include:* Clicks Group and The Foschini Group. Prof Abrahams is a senior professor (part time) in Industrial Psychology at the University of the Western Cape (UWC) and a registered industrial psychologist. She was previously Dean of the Faculty of Economic and Management Sciences at UWC.

## Jacques Bestbier (46)

CA(SA)

### Chief financial officer

Member of the Risk Committee and attends the Audit Committee by invitation

Appointed as executive director on 1 April 2018

*Other directorships include:* Lewis Stores Proprietary Limited and United Furniture Outlets Proprietary Limited.

Jacques is the chief financial officer and an executive director of the group. He was CFO-designate of the group from June 2017 until his appointment. Jacques joined the group in 2012 and served as general manager: administration prior to his appointment as CFO-designate.

Jacques is an experienced chartered accountant with a background in short-term insurance, banking and retail.

## Adheera Bodasing (45)

BA, LLB, Intellectual Property Law

### Non-executive director

Member of the Audit, Risk, Remuneration and Nomination Committees

Appointed 1 June 2017

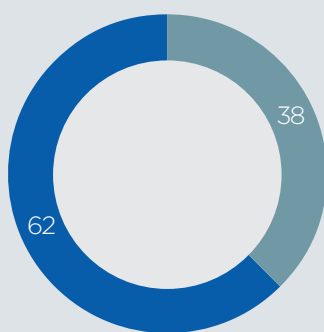
*Other directorships include:* Polarity Consulting.

Adheera practiced as an attorney at both Spoor & Fisher and Edward Nathan Friedland (now ENS). She has a background in litigation, corporate and intellectual property law. She was previously chief director of legal services at the National Treasury.

Adheera is the managing director of Polarity Consulting, a business which she founded in 2007 that provides legal guidance and advocacy services to businesses in regulated industries such as the financial sector, gaming industry and energy sector.

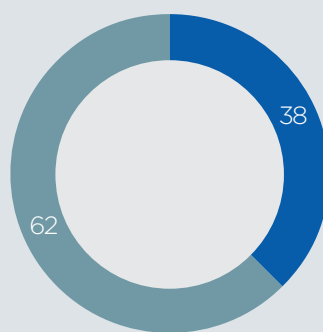
## BOARD DIVERSITY

Gender (%)



Female  
Male

Race (%)



Black  
White

## NON-EXECUTIVE DIRECTOR TENURE

Less than 5 years



5 to 10 years



11 to 15 years



Average tenure 6.9 years



### Johan Enslin (45)

#### **Chief executive officer**

Member of the Risk, Social Ethics and Transformation Committees and attends the Audit Committee by invitation

Appointed as chief executive officer and director in October 2009

*Other directorships include:* Lewis Stores Proprietary Limited and United Furniture Outlets Proprietary Limited.

Johan is the chief executive officer of Lewis Group. Prior to this appointment he was chief operating officer with responsibility for the retail operations of the group.

### Daphne Motsepe (62)

BCompt, MBA

#### **Independent non-executive director**

Member of the Risk, Remuneration, Nominations, and Social, Ethics and Transformation Committees  
Appointed 1 June 2017

*Other directorships include:* Mercantile Bank, Edcon and Kapela Investment Holdings.

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 also serves as a trustee of Alexander Forbes Community Trust, SaveAct and CGAP. Daphne has previously served on the boards of Investec Bank, Thebe Investment Corporation and Woolworths.

### Alan Smart (74)

#### **Independent non-executive director**

Member of the Risk, Remuneration, Nomination and Social, Ethics and Transformation Committees  
Appointed as a non-executive director in 2009

*Other directorships include:* Monarch Insurance Company Limited.

Alan served as the chief executive officer of the Lewis Group from 1991 until his retirement in 2009 when he was appointed as a non-executive director. Alan started his career with Lewis in 1969. From 1995, in addition to his Lewis responsibilities he was chairman of GUS Canada Inc, a retail furniture group of 65 stores in eastern Canada and oversaw a turnaround programme. Alan served on the board of GUS plc from 1996 to 2004.

### Duncan Westcott (68)

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

#### **Independent non-executive director**

Chairman of the Audit and Risk Committees. Member of the Remuneration and Nomination Committees

Appointed 1 December 2017

*Other directorships include:* Monarch Insurance Company Limited, Standard Bank Mauritius.

Duncan is a retired partner of PricewaterhouseCoopers in South Africa and serves as chairman of the board of Standard Bank Mauritius.

## Company secretary



### Ntokozo Makomba (33)

LLB, LLM

#### **Company Secretary**

Appointed 1 June 2018

Ntokozo 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 an attorney at Van Der Spuy and Partners in Paarl for one year. Ntokozo was admitted as an attorney in 2012.

## Executive team



### Johan Enslin (45)

#### **Chief executive officer**

25 years' service

Johan is the chief executive officer of Lewis Group. Prior to this appointment he was chief operating officer with responsibility for the retail operations of the group.

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 Proprietary Limited where he was responsible for management of the operations of the group.

### Waleed Achmat (56)

BA Hons (Industrial Psychology)

#### **Human resources director**

2 years' service

Waleed is the human resources director of Lewis Stores Proprietary Limited with responsibility to drive and manage the implementation of both strategic and operational human resources throughout the business and embracing all employees.

Waleed is an experienced human resources practitioner and registered psychometrist with significant experience in union negotiations and largely worked in the mining and manufacturing industry. Prior to joining Lewis, he was the HR Director of Eqstra Holdings MCC contract mining division.

### Jacques Bestbier (46)

CA(SA)

#### **Chief financial officer**

7 years' service

Jacques is the chief financial officer and an executive director of the group. He was CFO-designate of the group from June 2017 until his appointment. Jacques joined the group in 2012 and served as general manager: administration prior to his appointment as CFO-designate.

Jacques is an experienced chartered accountant with a background in short-term insurance, banking and retail.



### **Les Davies (63)**

CA(SA)

***IT and insurance director; chief executive officer Monarch Insurance***

32 years' service

Les has over 30 years' experience in financial management within the retail industry and has been the financial director of Lewis Stores since 1989. Prior to joining the group Les spent five years as the financial director of AMC Classic. His experience covers a wide range of financial, administrative, legal, contractual, insurance and statutory compliance matters.

### **Derek Loudon (56)**

***Merchandise director***

18 years' service

Derek is responsible for the group's merchandising functions which includes the sourcing of merchandise, logistics and product quality. He was appointed to the board of Lewis Stores Proprietary Limited on 8 October 2008.

Derek has extensive experience in merchandising and supply chain, having spent 10 years with Pick n Pay, Airflex Furniture Industries and eight years with Morkels.

### **Rinus Oliphant (45)**

***Operations director***

21 years' service

Rinus was appointed as operations director in April 2017 and is responsible for the retail operations of the group. Rinus joined the group as a salesman in 1996 and progressed to branch manager, regional controller and divisional general manager. In 2012, he was promoted to general manager operations of the Lewis brand and thereafter appointed credit director responsible for all aspects of credit granting and collections for the traditional brands in 2015.

# Creating value for stakeholders





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# Business model

The group's retail brands are positioned to create sustainable stakeholder value by offering affordable, exclusive and quality household goods to all customers.



The business model's cash to credit sales mix will increase over the medium term with the UFO business model which is focused on the cash retailing of luxury household furniture to the higher income market.

The group's core brands, namely Lewis, Beares and Best Home and Electric will continue to focus on selling furniture to customers who are reliant on credit to buy products.



The traditional business model was enhanced in 2016 with the launch of a specialist call centre for South African stores to further improve compliance, transparency and oversight of the in-store sales and credit application process and limit any potential misunderstandings of the cost of credit, services and fees to be paid by customers.

The call centre is housed at the company's head office and employs 60 consultants who are able to engage with customers in eight languages.



## HEAD OFFICE

Centralised credit assessment and approval  
*(traditional retail and omni-channel)*

Credit is granted centrally to ensure credit risk policies are consistently applied, removing any subjectivity in the credit granting process

- ### CREDIT APPLICATION AND GRANTING PROCESS
- Credit applications are submitted electronically to head-office
  - Industry-leading technology is used to determine the creditworthiness of a customer
  - Advanced application and behavioural risk scorecards are applied
  - Credit policies determine the credit worthiness, term and deposit required from customer
  - Decisions on credit applications are relayed to stores and customers timeously

- ### STORE AND CALL CENTRE COMPLIANCE *(traditional retail)*
- After credit has been granted, the store manager explains the terms and conditions of the sale to the customer and highlights the optional items and ensures the correct insurance options are selected
  - The manager then ensures that the customer speaks to the compliance call centre where agents can assist customers in eight languages
  - Call centre agents ensure that all critical elements of the contract have been explained to the customer
  - All calls are recorded and stored electronically
  - The sale is only approved once these compliance processes have been completed



## STORES

Customer relationships managed by stores  
*(traditional and cash retail)*

The personal and relationship-based interaction with customers in the stores creates trust and confidence while also generating high levels of loyalty and repeat sales.

- Stores are accountable for all aspects of the customer relationship
- Strong relationships are developed with customers over the lifetime of a contract
- Stores are located close to where customers work, shop, live and commute
- Customers are serviced by staff from their own communities in their own language
- Store managers interview every customer and explain the terms and conditions of the sale

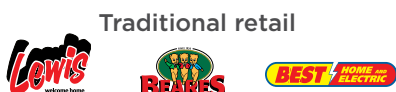
- ### OMNI-CHANNEL
- Products are marketed and sold through inbound and outbound call centres, agents and online shopping at [www.inspire.co.za](http://www.inspire.co.za)
  - Customers are able to purchase goods for cash, on a 6-month interest-free account or on a 12-month interest-bearing account
  - Credit applications are submitted and assessed centrally at the head-office
  - A 5-day national delivery service is offered with a 15-day return service for exchange or refund

THIS PROCESS IS SUPPORTED BY LEADING TECHNOLOGY WHICH REMOVES THE ADMINISTRATIVE BURDEN AT STORE LEVEL AND ENABLES REAL-TIME MANAGEMENT REPORTING



## DIVERSIFICATION STRATEGY

The group recently adopted a diversification strategy to offer exclusive merchandise to customers across all market segments and income groups through store-based and omni-channel retailing.



### Traditional retail

The traditional retail stores are generally located in main streets and town centres and focus on credit sales of household furniture and electrical appliances. Lewis is the country's largest furniture chain with 419 stores in South Africa. Best Home and Electric was established in 2008 and trades through 138 stores. Beares was acquired in 2014 and has 121 stores.

### Cash retail



The group's cash retailer, UFO sells exclusive luxury household furniture to higher income customers. UFO does not offer any credit facilities to customers in-store. UFO stores are located in malls and shopping centres where stores average 720m<sup>2</sup> with most product displayed on the shop floor.

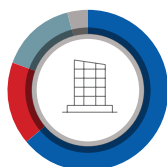
### Omni-channel retail



INspire sells an extensive range of household products ranging from bedroom linen, curtains, blankets, bathroom towels, small electrical appliances, television sets, kitchen cookware, crockery, cutlery, accessories and luggage. Products are marketed and sold through outbound and inbound call centres, agents and digital platforms, including online shopping at [www.inspire.co.za](http://www.inspire.co.za).

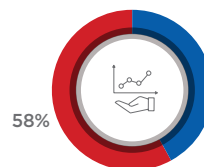
## SALIENT FEATURES

### TOTAL STORES



489	LEWIS
138	BEST HOME AND ELECTRIC
121	BEARES
36	UFO
<b>784</b>	<b>TOTAL</b>

### MERCHANDISE SALES



58%	CASH
42%	CREDIT

### MERCHANDISE SALES

- The group sells furniture, home appliances, electronic goods and homewares to customers across the LSM groups and includes a credit offering
- Sales consultants are trained on product knowledge and selling skills
- The focus is on providing customers with quality, exclusive and differentiated product ranges
- New ranges are introduced twice a year

### CREDIT APPLICATIONS

- Furniture, homeware and appliances are sold mainly on credit in the traditional and omni-channel businesses
- Credit applications are completed electronically by stores, or online and submitted to head office for approval
- Insurance is one of the optional offers available on credit purchases

### COLLECTIONS

- Stores are responsible for cash collection and follow-up of defaulting customers for repeat sales
- Store locations make it convenient for customers to pay at stores
- Collection staff make house calls on defaulting accounts
- Interaction with customers visiting stores monthly to pay accounts creates sales opportunities in the traditional business

### CUSTOMER RE-SERVE PROGRAMME

- High level of sales to existing customers through the re-serve programme
- In the traditional and omni-channel businesses, the re-serve programme identifies existing customers for potential further credit, based on payment history
- Targeted mailings and promotional offers are aimed at these customers
- Promotions are a key marketing tool

### SUPPLY CHAIN AND DELIVERY TO CUSTOMERS

- Merchandise is delivered directly by suppliers to stores
- For the traditional business, the group does not operate distribution centres or centralised warehouses
- The group offers an optional delivery service and operates its own delivery fleet
- Stores are responsible for all deliveries to customers
- In the traditional business, 90% of deliveries are completed within 24 hours of sale
- The omni-channel business offers a 5-day delivery service in South Africa

## Segmental report

### Traditional retail

The traditional retail brands of the group comprise Lewis, Best Home and Electric, and Beares. These stores are generally located in main streets and town centres and focus on credit sales of household furniture and electrical appliances. Credit is granted centrally to ensure that credit risk policies are consistently applied, removing subjectivity in the credit granting process. Insurance is one of the optional offers available on credit purchases and is provided by Monarch Insurance.

Stores are responsible for cash collection and the follow-up of defaulting customers. The store locations make it convenient for customers to pay at stores and this interaction with customers on a regular basis creates further sales opportunities.

Stores are also responsible for all deliveries of goods to customers and on average 90% of deliveries are completed within 24 hours of the sale.

LEWIS	BEST HOME AND ELECTRIC	BEARES
<ul style="list-style-type: none"> <li>• 419 stores in SA</li> <li>• 70 stores outside SA</li> <li>• 163 976m<sup>2</sup> trading space</li> <li>• Average store size 335m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>• 126 stores in SA</li> <li>• 12 stores outside SA</li> <li>• 19 007m<sup>2</sup> trading space</li> <li>• Average store size 138m<sup>2</sup></li> </ul>	<ul style="list-style-type: none"> <li>• 83 stores in SA</li> <li>• 38 stores outside SA</li> <li>• 45 690m<sup>2</sup> trading space</li> <li>• Average store size 378m<sup>2</sup></li> </ul>



### Cash retail

United Furniture Outlets (UFO) is the group's cash furniture retailer. UFO sells exclusive luxury household furniture to higher income customers. UFO stores are located in malls and shopping centres with the chain's flagship Marlboro store regarded as a destination shopping location.

UFO stores are on average 720m<sup>2</sup> with products displayed on the shop floor for customers to view and inspect. UFO does not offer any credit facilities, all purchases are paid in cash, or with debit or credit cards.

- 36 stores in SA
- 25 917m<sup>2</sup> trading space
- Average store size 720m<sup>2</sup>



### Omni-channel retail

INspire, the group's omni-channel retailer, was launched in June 2018. INspire sells an extensive range of household products ranging from bedroom linen, curtains, blankets, bathroom towels, small electrical appliances, television sets, kitchen cookware, crockery, cutlery, accessories and luggage.

Products are marketed and sold through outbound and inbound call centres, agents and digital platforms including online shopping at [www.inspire.co.za](http://www.inspire.co.za).

INspire's value offering to customers includes the following:

- a 5-day national delivery service for customers in South Africa
- a 15-day hassle free money back guarantee with a free return service
- a choice of payments options from cash, to a six-month interest free account or a 12-month credit account.

Deliveries and returns are provided through a reputable national distribution partner. Delivery fees are based on distance and the volumetric data or weight of the product.

A key focus for the merchandise team will be on ongoing product development and configuration.



## Change in segments

During the year, the group changed its operating segments to reflect the new strategic direction of the group, especially with regard to the acquired businesses and the development of new business ventures. The operating segments are as follows:

- Traditional business which consists of credit-focused brands of Lewis, Best Home and Electric and Beares.
- Cash business, UFO.
- Omni-channel business, being the newly launched INspire.

In accordance with IFRS 8, the comparatives have been prepared as if these reportable segments were in place in the prior periods.

	Traditional Rm	Cash <sup>1</sup> Rm	Omni- channel Rm	Group Rm
<b>Reportable segments</b>				
<b>Primary</b>				
<b>2019</b>				
Revenue	5 619.5	487.0	30.7	6 137.2
Operating profit before investment income	429.4	40.5	(26.9)	443.0
Operating margin (%)	7.6	8.3	(87.6)	7.2
Segment assets	3 696.3	136.1	38.1	3 870.5
<b>2018 (Restated)</b>				
Revenue	5 490.8	66.0	–	5 556.8
Operating profit before investment income	383.5	(4.2)	–	379.3
Operating margin (%)	7.0	(6.4)	–	6.8
Segment assets	4 458.9	110.0	–	4 568.9

<sup>1</sup> In 2018, reflects only two months trading since its acquisition by the group.

	South Africa Rm	Namibia Rm	BLE* Rm	Group Rm
<b>Geographical</b>				
<b>2019</b>				
Revenue	5 131.2	491.6	514.4	6 137.2
<b>2018</b>				
Revenue	4 551.2	497.6	508.0	5 556.8

\* Botswana, Lesotho and eSwatini.

## Merchandise and supply chain

Lewis Group is focused on the retailing of furniture, home appliances, electronic goods and homewares through multiple channels to all income groups.

The group is committed to developing distinctive merchandise ranges through its strategic supplier relationships both locally and internationally.

In the group's traditional retail stores it became evident that customers are under increasing financial pressure and seeking discounted value. The group continued with successful campaigns like the R2 999 price campaign in Lewis and Best Home and Electric. The group also introduced a focused product offering for all brands on Black Friday in November 2018.

Traditional retail brands will continue to develop new and exclusive ranges focused on quality and value for money offerings.

The cash retail business of UFO has performed well in offering luxury exclusive furniture to the higher income market.

Merchandise sales by retail segment	Merchandise sales (Rm) 2019	% change	Merchandise sales (Rm) 2018	Gross profit margin % 2019	Gross profit margin % 2018
Traditional retail	3 014	7.6	2 800	41.2	41.9
Cash retail	478	>100	65	42.9	31.8
Omni-channel	27		-	49.7	
<b>Total</b>	<b>3 519</b>	<b>22.9</b>	<b>2 865</b>	<b>41.2</b>	<b>41.4</b>



Traditional retail Black Friday specials

The group's omni-channel business, INspire was launched in May 2018 and offers bedroom linen, bathroom products, electrical appliances and TV sets, kitchen crockery, cookware and luggage. Exclusivity of product and value for money will drive sales growth in this business.

## Furniture category

This category comprises of bedroom suites, dining room suites, wall units, kitchen schemes, beds, base sets, mattresses and lounge suites. Approximately 60% of sales in this category is from lounge and base sets and the group continues to develop new products in collaboration with key suppliers.

## Appliance category

Appliances include refrigerators, freezers, stoves, laundry and small electrical appliances. The group stocks quality branded products from Defy, Russell Hobbs, KIC, Whirlpool and Kelvinator.

## Audiovisual category

This category comprises mainly television sets, audio equipment and laptop computers with brands like Samsung, Hisense, Sinotec and Blaupunkt.

The group will continue to offer quality, innovation, style and exclusivity and focus on a sell-up strategy of "good", "better", "best" or "more for less".

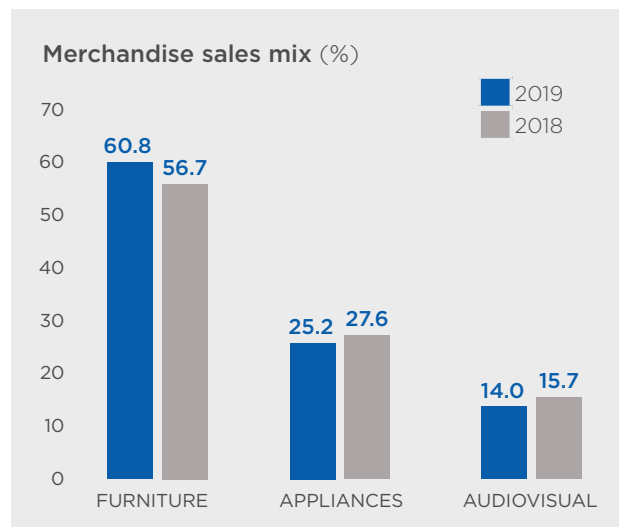
## Merchandise strategy

The group's merchandise strategy is based on the philosophy that customers are attracted into stores by the product offering.

The focus is therefore on providing customers with quality, exclusive and differentiated ranges. This is achieved through the following:

- Innovative product sourcing both locally and offshore enables the group to offer customers exclusive and distinctive furniture ranges at affordable prices.
- Added value features and components on products ensure differentiation and enhance the perceived value of the merchandise.
- New ranges are launched twice each year to offer ongoing newness to customers.
- An electronic merchandise catalogue is displayed in all stores as the complete merchandise range cannot be stocked in stores owing to space constraints. Sales staff assist customers to navigate their way through the full product range on a large touch screen, as well as view all the available colour and fabric options.

It is an active strategy to focus on increasing sales of the higher margin furniture and appliance product categories.



## Merchandise sourcing

Products are sourced from a wide range of local and international suppliers to ensure that customers are offered exclusive product ranges.

Products are sourced to meet the specific needs of the group's customer base. The offering includes branded merchandise which is appealing to the target market, selling more contemporary lines in each furniture category to also attract younger customers.

Products are supported by local and overseas after-sales service to ensure quality standards are maintained. Before consignments are despatched from suppliers a sample of all imported products are assembled and tested for quality purposes.

## Supply chain and distribution

### Traditional retail

The group's supply chain model is based on merchandise being delivered directly by suppliers to stores. The group does not operate distribution centres or centralised warehouses. Each store has a storage facility which is located close to the store, generally in an area with lower rentals than retail space. Stores have their own delivery vehicles and can effect all deliveries to customers. This strategy has many benefits as it limits the build-up of obsolete stock and reduces markdowns. It also significantly improves service levels as stores are able to make an average of 90% of deliveries within 24 hours of the sale.

### Cash and omni-channel retail

This supply chain and distribution strategy is supported by world-class shipping and logistics suppliers with whom the group has developed strategic partnerships that enables high levels of customer service.

## Credit

The group's centralised credit granting and decentralised collection processes are a core strength in managing credit risk and debtor costs in the current tight consumer environment.

The group's debtors' book improved in a challenging credit collection environment. Credit customers have remained under pressure from rising food inflation, high levels of indebtedness, the constrained employment market and the affordability assessment regulations of the National Credit Regulator.

Improved collection rates throughout the year resulted in debtor costs reducing by 11.9%, with total collections of R4 041 million (2018: R3 960 million).

The level of satisfactory paid customers improved to 71.4% (2018: 68.4%) and non-performing customers improved to 13.4% (2018: 15.1%). The group's active credit customer base totalled 585 750 (2018: 586 864) at year-end.

Debtor costs as a percentage of net debtors reduced from 17.5% to 13.3%. The group remains adequately provided with a 42% impairment provision.

The credit application decline rate for new customers remained high at 37.4% (2018: 37.1%).

Credit sales as a percentage of total sales decreased from 65.7% to 57.8% in 2019. Credit sales for traditional retail account for 66.5% of sales while INspire sales are 98% on credit.

The ratio of household debt to disposable income of Lewis customers has averaged 46.6% for the year. This, however, compares favourably with the national average of 75%.

### Credit risk management

Credit risk management strategies have been consistently applied and it remains company policy never to re-schedule contracts. As a responsible provider of credit, an important factor in granting credit is the level of indebtedness of an applicant as this impacts directly on the ability to service debt. A comprehensive affordability assessment of the customer is made which includes Lewis data, bureau information as well as the customer's priority living expenses.

### Credit ratios and statistics

		2019	2018
Credit sales as percentage of total sales	%	<b>57.9</b>	65.8
Net debtors	Rm	<b>5 528</b>	5 608.6
Increase/(decrease) in net debtors	%	<b>0.9</b>	(1.9)
Debtor impairment provision	Rm	<b>2 323</b>	1 619
Debtor impairment provision as percentage of net debtors	%	<b>42.0</b>	43.5
Debtor costs	Rm	<b>733</b>	957
Debtor costs as a percentage of net debtors	%	<b>13.3</b>	17.2
Bad debts as a percentage of net debtors	%	<b>15.1</b>	16.1
Satisfactory paid accounts	%	<b>71.4</b>	68.4
Arrear instalments on satisfactory paid accounts as a percentage of net debtors	%	<b>8.8</b>	9.2
Arrear instalments on slow-paying and non-performing accounts as a percentage of net debtors	%	<b>26.2</b>	28.8
Credit application decline rate	%	<b>37.4</b>	37.1

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

- Credit scoring; this involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. Lewis deals with its new customers and existing customers differently when credit scoring takes place. The process differs as follows:
  - For new customers, application risk scorecards predict the risk with the emphasis for such an evaluation on information from credit bureaus and third-party information.
  - For existing customers, behavioural scorecards have been developed to assess the risk through predictive behaviour with the emphasis firstly on the customer's payment record with Lewis, before taking into account the credit bureau and third party information.
- Assessing client affordability: this process involves collecting information regarding the customer's income levels, expenses and current debt obligations. Lewis has its own priority expense model based on surveys conducted with customers in addition to the National Credit Regulator's expense table.
- Determining the credit limit for the customer: the customer's risk score determined by the scorecard together with the expense assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

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

When entering into credit agreements customers are interviewed by the store manager and the cost of credit, terms and conditions of the credit sale and the benefits of the optional insurance product selected by the customer are explained. Upon completion of the process, but before finalisation of the transaction, the manager ensures that the customer speaks to a call centre agent in the language of their choice, out of the eight languages offered by the call centre. The call centre agent must first establish that the store manager conducted the interview to explain the contract to the customer. The purpose of the interview is to ensure that the customer understands all critical elements of the contract i.e. which services are optional, the actual amounts charged for initiation fees, service fees, delivery fees, maintenance contract and insurance. In addition, the total cost of credit, monthly instalment, interest amount, interest rate and credit multiple is highlighted and reconfirmed and the customer is asked again to confirm that they can afford the monthly instalment. The employment status of the customer is confirmed as well as the insurance options selected.

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

The customer will be invited to ask questions at any time during the call and again specifically asked if they have any questions at the end of the call. If at any point during the call it is evident that the customer does not understand any element of the contract, the call will be ended and the branch manager will have to explain to the customer again.

All calls are recorded and stored to protect the interest 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 invoiced or delivered.

## Credit collection

Lewis operates a decentralised credit collection process, with store-based follow-up and cash collection. A fully integrated IT system supports administration of the store collection process. This decentralised model has proven to be highly effective as stores are located close to where customers work, shop, commute and live. Customers pay their accounts in the store and the convenient locations make it easy to visit the stores.

Store collection staff are often from the same community and can communicate in the language of the customer which benefits the collection rate. The focus on credit collections remained a high priority in 2019 resulting in an improved satisfactory paid level.

## Debtor costs

Accounts in default are written off where the customer's payment behaviour cannot be rehabilitated after all reasonable commercially and economically appropriate collection methods have been utilised and exhausted. Bad debts result where the customer's account balance has been written off or the goods repossessed. The decision to write off takes into account, where applicable, the payment rating, recent payment behaviour, the number of arrear instalments, whether the customer has exceeded the contractual term and the age on book of the account.

Debtor costs are set out in note 2.2 of the summary consolidated financial statements on page 61.

## Impairment provision

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

## Credit continued

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

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

The key indicators that are reviewed include, the following:

- **Number of satisfactorily paid customers**

The key operational objective is to have as many satisfactory paid customers as possible as it is the group's expectation that these customers will settle their accounts, albeit that certain categories of satisfactory paid customers may settle past their contractual term. Satisfactory paid customers are the source of repeat business which is one of the core strengths of the business model.

- **Level of impairment provision**

The impairment provision applicable to the payment rating and the trend thereof, is correlated with collection statistics and customer payment data produced by the credit risk systems.

### Contractual arrears

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

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

### Combined impairment and contractual arrears table

The table reflects the following:

- A summary of the main groupings of payment ratings describing payment behaviour. The payment ratings categorise individual customers into 13 payment categories. For purposes of this table, the payment ratings have been summarised into three main groupings.
- For each of the three main groupings of payment ratings, the following is disclosed:
  - Number of customers
  - Impairment provision allocated to each grouping
  - Contractual arrears for each grouping have been categorised by number of instalments in arrears

## Debtor analysis 31 March 2019

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
<b>Satisfactory paid</b> Customers who have paid 70% or more of amounts due over the contract period.	418 355	3 282 938	593 578	18.1	534 435	156 625	105 396	76 314	196 100
(%)	71.4	59.4	25.6						
<b>Slow payers</b> Customers who have paid 55% to 70% of amounts due over the contract period.	88 969	959 418	612 172	63.8	606 735	68 541	65 290	60 511	412 393
(%)	15.2	17.4	26.4						
<b>Non-performing accounts</b> Customers who have paid less than 55% of amounts due over the contract period.	78 426	1 285 439	1 117 328	86.9	987 580	63 762	62 451	60 902	800 465
(%)	13.4	23.3	48.1						
<b>Gross debtor analysis</b>	<b>585 750</b>	<b>5 527 795</b>	<b>2 323 078</b>	<b>42.0</b>	<b>2 128 750</b>	<b>288 928</b>	<b>233 137</b>	<b>197 727</b>	<b>1 408 958</b>

## Credit impaired debtors as at 31 March 2019

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in 3 consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
Gross carrying value as at 31 March 2019	1 285 439	13 182	43 748	35 277	70 006	45 259	70 650	1 563 561
Impairment provision	(1 117 328)	(5 578)	(30 605)	(7 661)	(39 764)	(9 842)	(39 900)	(1 250 678)
Amortised cost	168 111	7 604	13 143	27 616	30 242	35 417	30 750	312 883

## 1 April 2018 (transition to IFRS 9)

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
<b>Satisfactory paid</b> Customers who have paid 70% or more of amounts due over the contract period.	401 183	3 063 886	675 971	22.1	549 506	155 673	105 593	77 633	210 607
(%)	68.4	55.0	27.9						
<b>Slow payers</b> Customers who have paid 55% to 70% of amounts due over the contract period.	97 251	1 049 782	608 716	58.0	665 893	72 167	69 010	64 474	460 242
(%)	16.5	18.9	25.1						
<b>Non-performing accounts</b> Customers who have paid less than 55% of amounts due over the contract period.	88 430	1 455 670	1 137 347	78.1	1 062 130	67 452	66 131	64 513	864 034
(%)	15.1	26.1	47.0						
<b>Gross debtor analysis</b>	<b>586 864</b>	<b>5 569 338</b>	<b>2 422 034</b>	<b>43.5</b>	<b>2 277 529</b>	<b>295 292</b>	<b>240 734</b>	<b>206 620</b>	<b>1 534 883</b>

## Credit impaired debtors as at 1 April 2018

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in 3 consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
Gross carrying value as at 1 April 2018	1 455 670	5 378	26 244	32 567	75 005	52 448	83 327	1 730 639
Impairment provision	(1 137 347)	(3 184)	(16 341)	(10 364)	(43 978)	(14 204)	(45 155)	(1 270 573)
Amortised cost	318 323	2 194	9 903	22 203	31 027	38 244	38 172	460 066

## Strategy and targets

The group's retail brands are positioned to create sustainable shareholder value by offering exclusive merchandise to customers across all market segments and income groups through store-based and omni-channel retailing.

### Diversification strategy

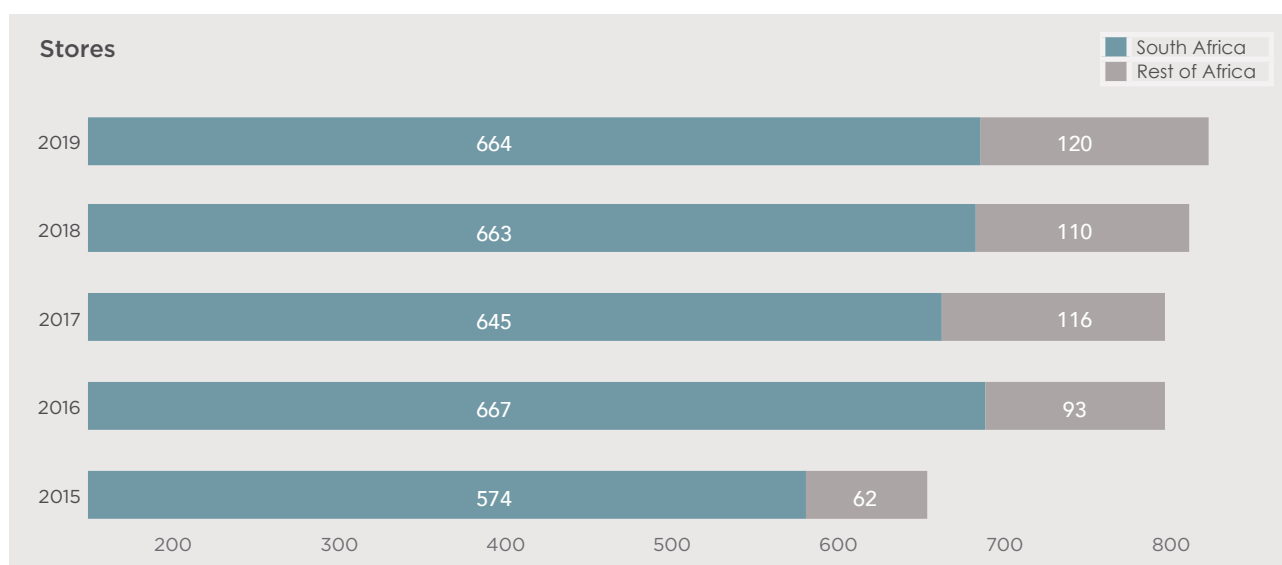
The group embarked on its strategy to diversify the business and reduce the reliance on credit sales. In 2014, the group acquired the Beares brand with a focus on a higher LSM group of 7 - 8 with a higher proportion of cash sales.

In 2017, the group doubled its store base outside of South Africa to 116 stores with the acquisition of Ellerines and Beares stores in Botswana, Lesotho, eSwatini and Namibia. Stores outside South Africa now account for 18.2% of the group's merchandise sales.

The acquisition of cash retailer United Furniture Outlets (UFO) in 2018 enabled the group to access a higher income customer markets.

The diversification across retail channels was realised in May 2018 when the group launched INspire, an omni-channel retail offering marketed through outbound and inbound call centres, agents and digital platforms including online shopping at [www.inspire.co.za](http://www.inspire.co.za).

Medium-term growth strategies are developed by executive management and reviewed and approved by the board. These growth strategies are developed by taking into account internal and external factors, risks and opportunities, resources and relationships, and key interdependencies.



The strategy is further supported by detailed budgets and forecasts, information technology solutions, human capital requirements and operational policies and procedures.

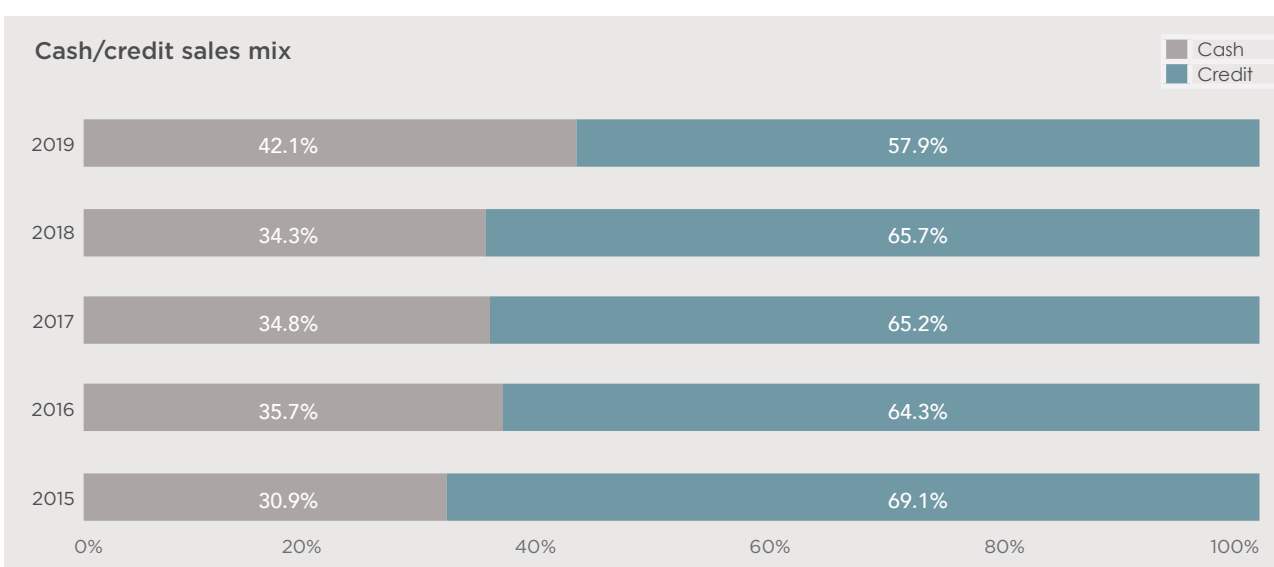
Material issues and risks that could impact on the group's strategy, its stakeholders and its ability to sustain growth

are reviewed on a continuous basis as part of the strategic planning process.

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

## Strategic focus areas, performance indicators and targets

Strategic focus area	Performance indicators		Achieved	2019	Targets	Medium-term
			2019	2019	2020	
Merchandising and supply chain	Gross profit margin	(%)	41.2	38 – 42	38 – 42	40 – 43
Credit management	Debtor costs as a percentage of net debtors		13.3	15 – 18	13 – 17	13 – 16
	Satisfactory paid customers	(%)	71.4	67 – 70	70 – 72	70 – 72
Execution of business model	Operating profit margin	(%)	7.2	5 – 10	7 – 10	10 – 15
	Credit sales as a percentage of total sales		57.9	56 – 60	56 – 60	56 – 60
	Increase in operating costs (excluding debtor costs)					
	- Traditional retail		7.2	3 – 5		
	- Group		13.7	13 – 15	6 – 8	5 – 7
Capital management	Gearing	(%)	Ungeared	Ungeared	Ungeared	Less than 25



Creating value for stakeholders

## Material issues, key risks and opportunities

**The board and management have identified material issues which could significantly impact the group's ability to achieve its strategic objectives and create sustainable value for all stakeholders in the short, medium and long term.**

The board considers these material issues when the strategy is reviewed annually and monitors the key risks on a quarterly basis through the Risk Committee.

The macro-economic environment in South Africa has a significant impact on the group's operations, and trading conditions have been challenging over the past year and are not expected to improve in the short term. This impacts both sales and collections across all trading brands and management are committed to responding proactively to address these challenges.

The group's material issues are:

- regulatory environment;
- execution of the traditional, cash and omni-channel business models;
- credit management;
- merchandising and supply chain;
- capital management;
- human capital management; and
- information technology.



## Regulatory environment

Material issue	Key risks	Risk mitigation and opportunities
Ensure compliance with relevant legislation and regulation, and limit impact of legislative changes on margins and profitability	<ul style="list-style-type: none"> <li>Sanctions for regulatory non-compliance</li> <li>Changes in legislation and regulations could adversely affect margins and profitability</li> <li>Reputational damage</li> <li>Inability to respond effectively to the ongoing regulatory changes</li> <li>Dependence on traditional business</li> </ul>	<ul style="list-style-type: none"> <li>Monitor existing compliance and proposed legislation, and identify potential impacts on the business</li> <li>Engage with regulators on draft legislation and regulations</li> <li>Ensure formal submissions are made to regulators in response to proposed legislative changes</li> <li>Ensure business is operating efficiently to maintain margins and profitability</li> <li>Identify alternate sources of revenue should legislative changes impact sales and profitability</li> <li>Execute the diversification strategy</li> <li>Focus on implementing new insurance legislation and licensing requirements</li> </ul>

## Execution of business model: Traditional retail

Material issue	Key risks	Risk mitigation and opportunities
Effective execution of the traditional retail business model	<ul style="list-style-type: none"> <li>Poor execution of the strategies and procedures of the business model by management</li> <li>Lack of experienced credit retail operational staff</li> <li>Non-adherence to the group's code of ethics</li> <li>Fraud risk</li> </ul>	<ul style="list-style-type: none"> <li>Focus on re-serve programme and local promotions</li> <li>Continue to offer quality, exclusive value for money merchandise</li> <li>Provide quality customer service</li> <li>Focus on stable store management through training, recruitment and selection strategies</li> <li>Expand store footprint, focusing on smaller stores with electronic catalogue</li> <li>Implement new customer acquisition initiatives</li> <li>Monitor competitor activity</li> <li>Engage with various regulators</li> <li>Conduct regular ethics awareness training with staff</li> </ul>

## Execution of business model: Cash retail

Material issue	Key risks	Risk mitigation and opportunities
Effective execution of the cash retail business model	<ul style="list-style-type: none"> <li>Poor execution of the strategies and procedures of the business model by management</li> <li>Inefficient stock management</li> <li>Merchandise offering not aligned to market trends</li> <li>Fraud risk</li> </ul>	<ul style="list-style-type: none"> <li>Focus strategically on the quality and exclusivity of merchandise</li> <li>Provide quality customer service</li> <li>Focus on stock management, gross profit and stock obsolescence</li> <li>Offer continuous staff training</li> <li>Expand the store footprint in South Africa</li> </ul>

## Material issues, key risks and opportunities continued

### Execution of business model: Omni-channel

Material issue	Key risks	Risk mitigation and opportunities
Effective execution of the omni-channel retail business model	<ul style="list-style-type: none"> <li>Poor execution of the strategies and procedures of the business model by management</li> <li>Inefficient stock management</li> <li>Cyber risk</li> <li>Ineffective social media monitoring and response</li> <li>Failure of logistics partners</li> <li>Fraud risk</li> </ul>	<ul style="list-style-type: none"> <li>Focus strategically on the quality and exclusivity of merchandise</li> <li>Drive growth through innovation, marketing and channels</li> <li>Ensure continuous improvement in customer activation</li> <li>Provide quality customer service on all digital platforms</li> <li>Focus on stock management, gross profit and stock obsolescence</li> <li>Ensure further development of digital platforms</li> </ul>

### Credit management

Material issue	Key risks	Risk mitigation and opportunities
Optimise the quality of the debtors' book by reducing debtor costs through improved collections and regular updating of scorecards	Inability to maintain optimal quality of debtors' book owing to high levels of unemployment, the impact of unsecured lending in the market and the overall challenging economic environment	<ul style="list-style-type: none"> <li>Ensure ongoing focus on collections productivity and efficiency</li> <li>Implement customer segmentation and credit limit strategies</li> <li>Improve and develop new credit scorecards for specific brands and countries</li> <li>Develop and enhance the credit granting platform and digital innovation</li> <li>Reward best rated credit customers</li> <li>Focus on increasing satisfactory paying customers</li> </ul>

### Merchandising and supply chain

Material issue	Key risks	Risk mitigation and opportunities
Maintain competitive advantage and targeted margin by sourcing exclusive, quality merchandise both locally and offshore	<ul style="list-style-type: none"> <li>Suppliers and distribution partners performing below standard</li> <li>Lack of depth in local supplier base</li> <li>Volatility of exchange rate impacting on margin, pricing and planning</li> </ul>	<ul style="list-style-type: none"> <li>Develop new products and offers for regular launches</li> <li>Ensure reliable back-up supplier channel</li> <li>Focus on increasing exclusive appliance brands</li> <li>Continue to invest in enterprise development with local suppliers</li> <li>Manage inventory levels against budget</li> <li>Hedge against risk of foreign currency fluctuations</li> <li>Optimise and manage supply chain for traditional, cash and omni-channel business units</li> </ul>

## Capital management

Material issue	Key risks	Risk mitigation and opportunities
Efficient management of financial risks and the liquidity requirements of the business	Inefficient capital management could impact on profitability and returns to shareholders	<ul style="list-style-type: none"> <li>• Ensure access to capital at all times</li> <li>• Ensure efficient allocation of capital</li> <li>• Invest in the organic growth of the business</li> <li>• Return funds to shareholders through dividend payments</li> <li>• Continue the share buy-back programme within approved limits</li> <li>• Manage currency exposure and risk</li> <li>• Ensure group is ungeared with no fixed-term borrowings</li> </ul>

## Human capital management

Material issue	Key risks	Risk mitigation and opportunities
Ongoing development of staff for management positions; retention of current management and attract competent individuals as required	<ul style="list-style-type: none"> <li>• Inability to attract, develop and retain suitable staff for executive and operational management positions</li> <li>• Non-adherence to group's code of ethics</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on staff training programmes at all levels</li> <li>• Implement talent management</li> <li>• Focus on remuneration retention schemes</li> <li>• Improve recruitment and selection practices</li> <li>• Ensure transformation through black economic empowerment</li> <li>• Continue regular ethics awareness training with staff</li> </ul>

## Information technology

Material issue	Key risks	Risk mitigation and opportunities
Develop and maintain industry-leading information systems	<ul style="list-style-type: none"> <li>• Cyber risk</li> <li>• Unavailability of main operating systems</li> <li>• Outdated software solutions</li> <li>• Loss of data as a result of the exposure of systems to mobile devices and various interfacing systems</li> <li>• Unauthorised access to sensitive corporate data and customers' personal information</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor IT governance processes across the business through the IT Steering Committee</li> <li>• Conduct regular review and implementation of hardware and software solutions to improve productivity and assist management in achieving strategic objectives</li> <li>• Maintain and enhance the group's Information Security Management System (ISMS)</li> <li>• Monitor real time network</li> <li>• Enhance the group's business continuity and disaster recovery capability</li> <li>• Maintain and enhance cybersecurity solutions</li> <li>• Ensure ongoing system implementation audits</li> </ul>

## Investment case

Lewis Group offers equity investors exposure to the full spectrum of South Africa's furniture retail customer market through its well established traditional brands operating in the low to middle income credit market, upper income cash customers through UFO and more recent entry into omni-channel retailing with INspire.

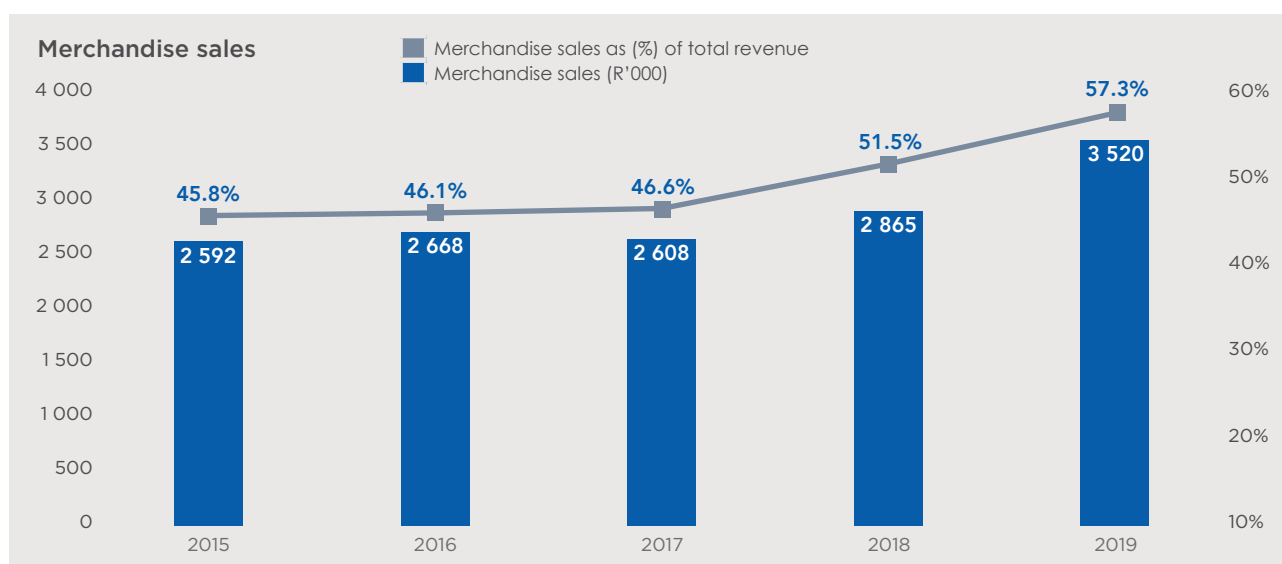
The following factors motivate an investment case for Lewis Group and should support long-term returns for shareholders.

### Resilient business model in challenging environment

- Focused on core business of retailing of furniture, home appliances, electronic goods and homewares
- Decentralised customer-focused business model
- Positioned to gain market share in the changing competitive landscape
- Traditional retail brands and our omni-channel business operate in a growth segment of the South African population

### Diversified target market and sales channels

- Exposure to customers across all income segments in South Africa
- Lewis and Best Home and Electric target low to middle income credit customers
- INspire offers bedroom linen and small electrical appliances through different retail channels to lower and middle market segments
- Beares targets middle income credit and cash customers
- Cash retailer UFO targets the higher income market segment
- Store base supported by INspire omni-channel offering



## Expanding retail presence

- National coverage with 664 stores across urban and rural areas in South Africa
- Exposure to other African markets with 120 stores in Namibia, Botswana, Lesotho and eSwatini
- Omni-channel offering through the INspire brand
- Expanded into the higher income market segment with the UFO chain (36 stores)

## Differentiated and exclusive merchandise

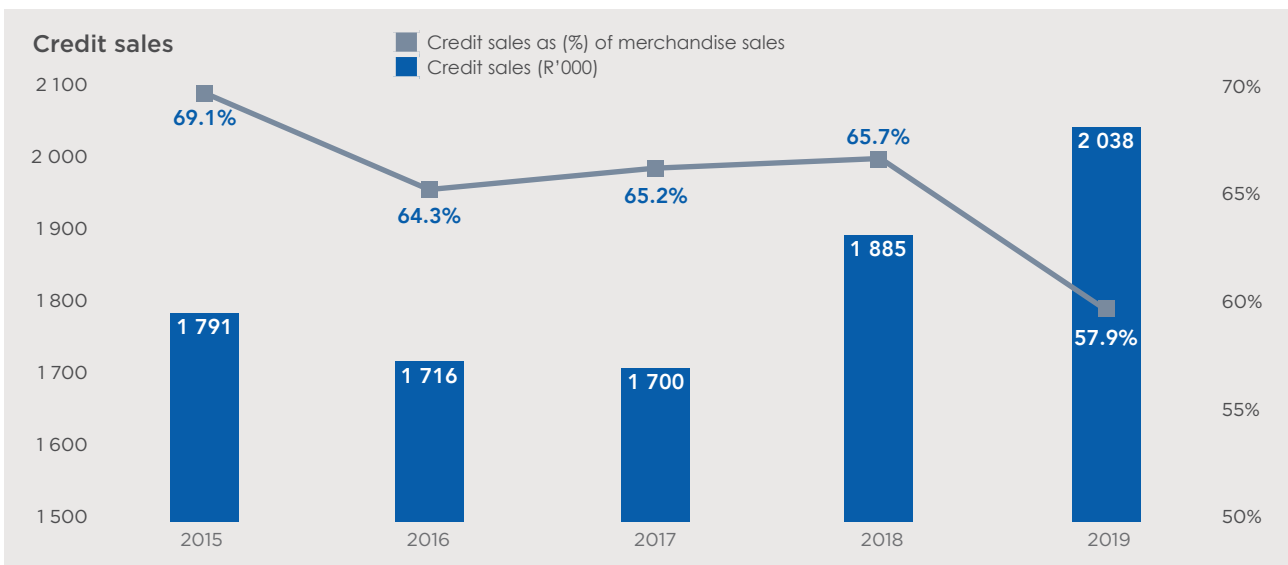
- Differentiated, exclusive and quality product ranges across all brands
- Focus on selling higher margin furniture and appliance product categories
- Products sourced locally and offshore that appeal to the needs of specific income target markets serviced by the group's brands

## Proven credit risk management

- Credit offered across traditional retail brands and INspire to facilitate sales growth
- Group has 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

## Customer loyalty and engagement

- Loyal customer base with over 50% of credit sales 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 high end customers shop





# Financial review



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## Chief financial officer's report



**The business continues to be highly cash generative, the balance sheet remains ungeared and the group has no borrowings.**

**Jacques Bestbier**  
*Chief financial officer*

The turnaround in the group's performance continued to gain momentum in 2019 as headline earnings increased by 18.4% to R308.4 million (2018: R260.5 million), with headline earnings per share benefiting from the share repurchase programme and increasing by 24.3% to 376.2 cents (2018: 302.6 cents).

The directors have shown their confidence in the group's longer-term prospects by increasing the total dividend by 17% to 234 cents per share (2018: 200 cents per share). The total dividend comprises an interim dividend of 105 cents per share and a final dividend of 129 cents per share.

### Financial performance

The following review of the group's financial performance for the year ended 31 March 2019 should be read together with the audited annual financial statements (AFS) available on the group's website.

Shareholders will note that IFRS 9 – Financial Instruments is effective for the group for the year ended 31 March 2019, replacing IAS 39 – Financial Instruments: Recognition and Measurements. The most significant impact on the group relates to the implementation of an expected credit loss model when assessing the impairment of debtors. IAS 39 applied the incurred loss model. Refer to note 1.1 on page 53 in the AFS for detail on the transition to IFRS 9. The adoption of IFRS 9 does not impact on the group's credit management practices and business model.

Segmental reporting has been aligned with the group's diversification strategy and performance is now being reported according to the following three segments: traditional retail (Lewis, Best Home and Electric, and Beares); cash retail (UFO) and omni-channel retail (INspire).

### Revenue

Merchandise sales for the period increased by 22.9% to R3 520 million (2018: R2 865 million). The acquisition of United Furniture Outlets (UFO) contributed sales of R478 million in its first full year in the group. INspire, the new omni-channel home shopping retailer, generated sales of R27 million in its first 10 months since launch. Comparable store sales grew by 6.9%.

Credit sales increased by 8.1% and cash sales by 51.1%, reflecting the contribution from UFO. Group credit sales accounted for 57.9% (2018: 65.8%) of total sales.

Other revenue, consisting of finance charges and initiation fees, insurance premiums and services rendered, increased by 1.3% (decline of 2.8% after adjustment for interest on credit impaired accounts), mainly due to the adverse impact of lower credit sales in prior years on annuity income as well as the regulatory capping of credit insurance. Other revenue posted positive growth in the second half and the strengthening trend is expected to continue.

The group's total revenue, comprising merchandise sales and other revenue, increased by 12.4% (10.4% after adjusting for interest on credit impaired accounts) to R6 137 million (2018: R5 557 million).

### Gross profit

The group's gross profit margin was stable at 41.2% (2018: 41.4%) and remains at the upper end of management's target range of 38% to 42%.

Analysis of operating costs	2019 Rm	2018 Rm	% change
Employment costs	1 150	1 059	8.5
Administration and IT	348	329	6.0
Marketing	298	247	20.6
Occupancy costs	445	373	19.3
Transport and travel	242	205	18.0
Depreciation	79	86	(8.5)
Other operating costs	331	244	35.7
Total	2 892	2 543	13.7

## Operating costs

The growth in operating costs, excluding debtor costs, was contained well below the growth in sales and increased by 13.7%. Marketing and promotional costs were increased to support sales growth, including the launch of INspire.

Expenses in the traditional retail segment increased by 7.2%. Adjusting for the cessation of reinsurance, comparable expenses in traditional retail increased by only 4.7%.

## Debtor costs

Collection rates improved from 74.9% to 76.3% and resulted in an encouraging improvement in the group's debtor book despite the weak consumer credit environment. Debtor costs continued to decline and reduced by 11.9% (23.4% after adjustment for interest on credit impaired accounts).

Debtor costs as a percentage of net debtors decreased from 17.2% to 13.3%. The level of satisfactory paid customers improved to 71.4% from 68.4% last year.

Analysis of debtor costs	2019 Rm	2018 Rm	% change
Debtor costs before credit impaired adjustment	843	957	(11.9)
– Bad debts written off	942	898	
– Debtors' impairment provision	(99)	59	
Adjustment for interest on credit impaired accounts	(110)	–	
Total debtor costs	733	957	(23.4)
Debtor costs as a percentage of net debtors (%)	13.3	17.5	

## Impairment provision

The table below highlights the relationship between the provision for impairment and debtor costs. Debtor costs have never exceeded the impairment provision at the end of the preceding year, evidence that the group is adequately provided for in terms of future bad debts.

## Operating profit

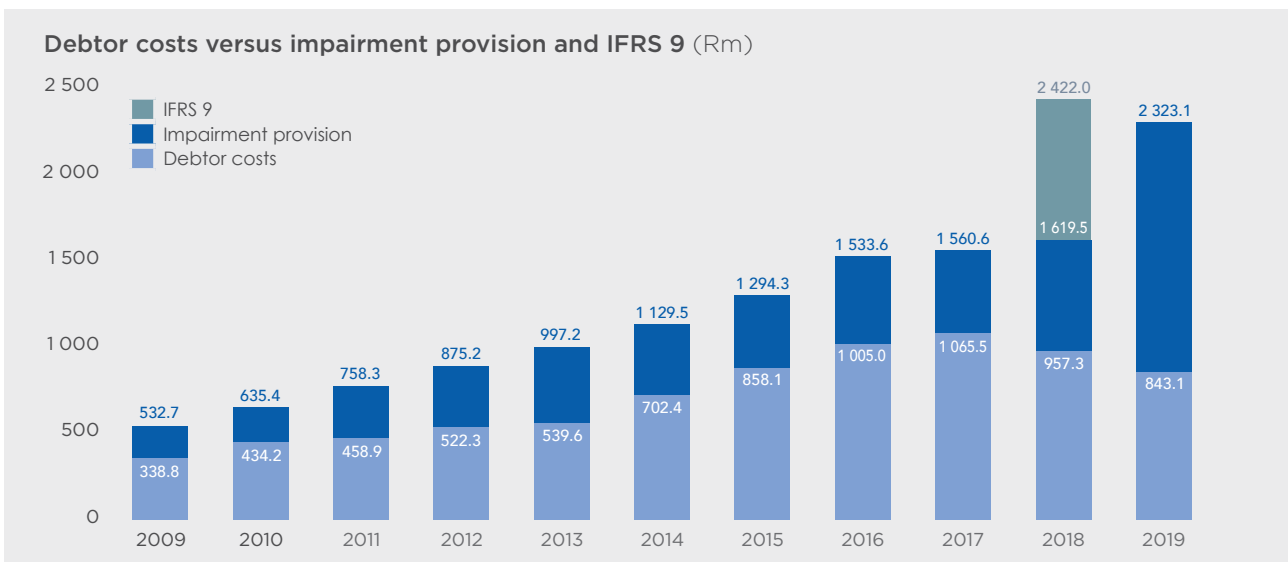
Operating profit increased by 16.8% to R443.0 million (2018: R379.3 million) and the group's operating margin expanded by 40 basis points to 7.2%. The traditional retail segment increased operating profit by 12% to R429.4 million and UFO contributed R40.5 million. INspire posted a start-up loss of R26.9 million.

## Finance costs

Finance costs were R19.7 million lower owing to gains on forward exchange contracts covering merchandise imports.

## Segmental performance

The detailed financial and operational performance of the group's brands is covered in the segmental report on pages 20 to 21.



## Chief financial officer's report continued

### Segmental performance

			Group	Traditional retail	Cash retail	Omni-channel retail
Revenue	2019	Rm	6 137	5 619	487	31
	2018	Rm	5 557	5 491	66	–
<b>Revenue growth</b>		<b>%</b>	<b>10.4</b>	<b>2.3</b>		
Operating profit	2019	Rm	443	429	41	(27)
	2018	Rm	379	384	(4.2)	–
<b>Operating profit growth</b>		<b>%</b>	<b>16.8</b>	<b>12.0</b>		
Operating margin	2019	%	7.2	7.6	8.3	(88)
	2018	%	6.8	7.0	(6.4)	–

### 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 totalled R653 million. The balance sheet remained ungeared and cash and cash equivalents totalled R205 million at year-end.

The group repurchased 3.2 million shares during the financial year, at an average market price of R30.30 per share, for a total cost of R98.2 million.

Dividends totalling R168 million were paid to shareholders during the year.

Capital ratios benefited from the improved financial performance as well as the share repurchase programme.

Capital ratios		2019	2018
Return on equity	(%)	6.4	5.1
Return on capital employed	(%)	6.5	5.1
Return on assets	(%)	8.5	6.6

### Outlook for 2020

In the year ahead, other revenue is expected to recover in line with the turnaround in the performance of the traditional business. Management expects the growth rate in other revenue to move closer to the growth in credit sales over the next two to three years.

Management is committed to the share repurchase programme. At the annual general meeting in October 2018, shareholders granted the company a mandate to repurchase a further 10% of the issue share capital. At the end of the 2019 financial year, 8.2% of this mandate was still available for share repurchases.

IFRS 16 Leases becomes effective in the 2020 financial year and the group will report according to the new standard in its 2020 interim results in November 2019. IFRS 16 will result in most leases being recognised in the balance sheet. Under the new standard, an asset representing the right to use the leased premises, with a related lease liability for the obligation to pay rentals, will be recognised. The only exceptions are short-term and low-value leases.

The financial targets for 2020 and the medium-term are as follows:

Performance indicators	2020 targets %	Medium-term targets %
Gross profit margin	38 – 42	40 – 43
Debtor costs as a percentage of net debtors	13 – 17	13 – 16
Satisfactory paid customers	70 – 72	70 – 72
Operating profit margin	7 – 10	10 – 15
Credit sales as a percentage of total sales	56 – 60	56 – 60
Increase in operating costs	6 – 8	5 – 7
Gearing	ungeared	Less than 25%

### Appreciation

Thank you to our local and international shareholders for your continued support and we welcome those who invested in Lewis Group for the first time this year. I also thank the broader investment community for their interest and active engagement. In closing I thank my colleagues in the group finance team for their support and commitment over the past year.



**Jacques Bestbier**  
Chief financial officer

# Five-year review

## Five year review

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
<b>Group income statements</b>					
Revenue	6 137.2	5 556.8	5 592.1	5 785.0	5 660.8
Merchandise sales	3 519.9	2 865.0	2 607.9	2 667.7	2 591.5
Other revenue	2 617.3	2 691.8	2 984.2	3 117.3	3 069.3
Cost of sales	(2 069.3)	(1 677.8)	(1 501.0)	(1 652.8)	(1 644.3)
Operating costs	(3 624.9)	(3 499.7)	(3 527.0)	(3 317.2)	(2 918.8)
Operating profit	443.0	379.3	564.1	815.0	1 097.7
Investment income	50.3	62.4	104.9	600.6	148.0
Profit before interest and taxes (EBITA)	493.3	441.7	669.0	1 415.6	1 245.7
Finance costs	(29.5)	(49.2)	(148.4)	(136.1)	(123.3)
Net profit before tax	463.8	392.5	520.6	1 279.5	1 122.4
Taxation	(154.3)	(128.4)	(163.1)	(318.0)	(316.2)
<b>Attributable profit</b>	<b>309.5</b>	<b>264.1</b>	<b>357.5</b>	<b>961.5</b>	<b>806.2</b>
<b>Headline earnings</b>	<b>308.4</b>	<b>260.5</b>	<b>354.5</b>	<b>552.1</b>	<b>751.0</b>
<b>Group balance sheets</b>					
<b>Assets</b>					
Non-current	1 159.3	1 180.2	975.0	1 012.5	2 206.5
Property, plant and equipment	298.9	301.8	343.5	370.4	352.9
Intangible assets	122.3	117.8	66.2	61.4	60.1
Goodwill	187.6	187.6	5.5	–	–
Deferred tax asset	195.4	10.9	48.9	85.7	0.5
Retirement benefit asset	79.0	91.1	55.0	63.0	77.4
Financial assets – insurance investments	276.1	471.0	455.9	432.0	1 715.6
Current	4 629.7	5 735.6	6 630.5	8 387.4	7 185.0
Inventories	665.8	579.7	447.7	438.4	420.3
Trade and other receivables	3 315.6	4 200.0	4 362.8	4 514.3	4 413.3
Reinsurance assets	–	–	152.2	397.3	481.8
Insurance premiums in advance	–	75.6	403.2	1 185.4	1 485.5
Financial assets – insurance investments	340.7	135.4	294.9	1 236.5	127.0
Taxation	102.9	136.5	181.1	28.3	34.8
Cash-on-hand and deposits	204.7	608.4	788.6	587.2	222.3
<b>Total assets</b>	<b>5 789.0</b>	<b>6 915.8</b>	<b>7 605.5</b>	<b>9 399.9</b>	<b>9 391.5</b>

	2019 Rm	2018 Rm	2017 Rm	2016 Rm	2015 Rm
<b>Equity and liabilities</b>					
Capital and reserves	4 876.1	5 448.5	5 440.4	5 445.0	5 448.6
Non-current liabilities	130.4	210.8	890.7	1 534.3	1 034.1
Long term interest-bearing borrowings	–	–	700.0	1 375.0	825.0
Deferred taxation	43.2	121.0	89.0	59.1	102.4
Retirement benefit liability	87.2	89.8	101.7	100.2	106.7
Current liabilities	782.5	1 256.5	1 274.4	2 420.6	2 908.8
Trade and other payables	521.8	379.2	271.3	270.2	283.8
Reinsurance and insurance liabilities	102.7	176.8	618.8	1 550.4	1 876.0
Payments in advance	158.0	168.9	137.0	–	–
Short-term interest-bearing borrowings	–	531.6	247.3	600.0	749.0
<b>Total equity and liabilities</b>	<b>5 789.0</b>	<b>6 915.8</b>	<b>7 605.5</b>	<b>9 399.9</b>	<b>9 391.5</b>
<b>Group cash flow statements</b>					
<b>Cash generated from operations</b>	<b>652.5</b>	708.2	1 114.9	950.4	865.7
Dividends and interest received	73.0	99.5	144.0	119.0	113.1
Interest paid	(69.8)	(88.1)	(187.8)	(150.1)	(135.5)
Tax paid	(128.1)	(58.5)	(254.8)	(330.3)	(337.9)
<b>Net cash retained from operations</b>	<b>527.6</b>	661.1	816.3	589.0	505.4
<b>Cash utilised in investing activities</b>	<b>(126.6)</b>	(90.6)	769.8	(113.1)	(93.4)
<b>Net effect of financing activities</b>	<b>(775.9)</b>	(757.2)	(1 406.9)	(62.0)	(710.8)
<b>Net cash increase/(decrease) in cash and cash equivalents</b>	<b>(374.9)</b>	(186.7)	179.2	413.9	(298.8)

## Five year review continued

		2019	2018	2017	2016	2015
<b>Ratios and statistics</b>						
<b>Returns</b>						
Return on average shareholders funds (after-tax)*	(%)	<b>6.4</b>	5.1	6.6	17.7	15.4
Return on average capital employed (after-tax)*	(%)	<b>6.5</b>	5.1	6.7	14.7	13.0
Return on average assets managed (pre-tax)*	(%)	<b>8.5</b>	6.6	8.2	15.9	14.2
<b>Margins</b>						
Gross profit margin	(%)	<b>41.2</b>	41.4	42.4	38.0	36.6
Operating profit margin	(%)	<b>7.2</b>	6.8	10.1	14.1	19.4
<b>Productivity</b>						
Number of stores		<b>784</b>	773	761	760	716
Revenue per store (refer note 6)	(R'000)	<b>7 828</b>	7 189	7 348	7 871	8 499
Operating profit per store (refer note 6)	(R'000)	<b>565</b>	491	741	1 109	1 699
Average number of permanent employees		<b>8 101</b>	8 093	8 619	8 409	7 835
Revenue per employee	(R'000)	<b>758</b>	687	649	688	723
Operating profit per employee	(R'000)	<b>55</b>	47	65	97	140
Trading space	(sqm)	<b>254 590</b>	258 463	248 271	254 566	248 137
Revenue per square metre (refer note 7)	(R)	<b>24 106</b>	21 499	22 524	23 799	25 504
Operating profit per square metre (refer note 7)	(R)	<b>1 740</b>	1 468	2 272	3 353	5 098
Inventory turn*	(times)	<b>3.1</b>	2.8	3.4	3.8	3.9
<b>Credit ratios</b>						
Credit sales	(%)	<b>57.9</b>	65.8	65.2	64.3	69.1
Bad debts as a percentage of net debtors	(%)	<b>15.1</b>	16.1	18.6	13.0	12.4
Debtors costs as a percentage of net debtors*	(%)	<b>13.3</b>	17.2	19.1	17.1	15.3
Debtors impairment provision as a percentage of net debtors*	(%)	<b>42.0</b>	43.5	28.0	26.1	23.1
Satisfactory paid accounts as a percentage of net debtors	(%)	<b>71.4</b>	68.4	68.5	68.8	68.7
Arrear instalments on satisfactory paid accounts as a percentage of gross debtors	(%)	<b>8.8</b>	9.2	9.8	9.9	9.1
Arrear instalments on slow paying and non-performing accounts as a percentage of gross debtors	(%)	<b>26.2</b>	28.8	28.6	26.8	23.8
Credit applications decline rate	(%)	<b>37.4</b>	37.1	38.7	39.3	40.2

### Explanatory notes:

1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The changes in the accounting policies implemented in the 2016 financial year have only been reflected from 2015 onwards.
3. Total assets for ratio purposes exclude the deferred tax asset and reinsurance asset.
4. Revenue and operating profit per store and square metres for 2016 and 2017 is calculated on an average to cater for the acquisitions.
5. Ratios marked with an asterisk calculated assuming that IFRS 9, IFRS 15 and reclassifications were implemented as at 31 March 2018.

		2019	2018	2017	2016	2015
<b>Solvency and liquidity</b>						
Financing cover	(times)	<b>16.7</b>	9	4.5	10.4	10.1
Gearing ratio*	(%)	<b>(4.2)</b>	(1.6)	2.9	25.5	24.8
Current ratio*	(times)	<b>5.9</b>	3.8	5.2	3.5	2.5
<b>Share performance</b>						
Earnings per share	(cents)	<b>377.5</b>	306.8	402.9	1 082.6	907.5
Headline earnings per share	(cents)	<b>376.2</b>	302.7	399.5	621.7	845.3
Cash flow per share*	(cents)	<b>795.8</b>	822.8	1 256.5	1 070.1	974.4
Net asset value per share*	(cents)	<b>6 080.4</b>	5 777.8	6 127.3	6 152.6	6 128.4
Share price:						
Closing price		<b>31.10</b>	42.20	41.50	47.00	77.40
High		<b>48.00</b>	44.40	54.11	101.62	93.43
Low		<b>26.20</b>	23.67	27.95	39.00	54.05
Price-earnings ratio		<b>8.2</b>	13.8	10.3	4.3	8.5
Dividends per share for the financial year	(cents)	<b>234</b>	200	200	517	517
Dividend payout ratio	(%)	<b>61.1</b>	71.1	54.8	52.7	62.9
Number of shares in issue	(million)	<b>80.2</b>	92.7	98.1	98.1	98.1
Volume of shares traded	(million)	<b>34.6</b>	58.3	59.3	128.6	116.9
Value of shares traded	(million)	<b>1 137.4</b>	1 844.2	2 764.6	8 278.5	8 030.7
Market capitalisation	(million)	<b>2 494</b>	3 521	3 685	4 159	6 876
Number of shareholders		<b>1 773</b>	1 732	1 695	2 410	3 060

**Explanatory notes:**

1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The changes in the accounting policies implemented in the 2016 financial year have only been reflected from 2015 onwards.
3. Total assets for ratio purposes exclude the deferred tax asset and reinsurance asset.
4. Revenue and operating profit per store and square metres for 2016 and 2017 is calculated on an average to cater for the acquisitions
5. Ratios marked with an asterisk calculated assuming that IFRS 9, IFRS 15 and reclassifications were implemented as at 31 March 2018.

# Summary financial statements

# Independent auditor's report

## Opinion

The summary consolidated financial statements of Lewis Group Limited, set out on pages 48 to 69 of the Audited Summary Consolidated Financial Statements for the year ended 31 March 2019, which comprise the summary consolidated balance sheet as at 31 March 2019, the summary consolidated income statement, the summary consolidated statements of comprehensive income, changes in equity and cash flows 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 2019.

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 audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 22 May 2019. 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.



**PricewaterhouseCoopers Inc.**

**Director: MC Hamman**

*Registered Auditor*

Cape Town  
22 May 2019

## Income statement

for the year ended 31 March 2019

	Notes	2019 Audited Rm	2018 Audited Rm
<b>Revenue</b>		<b>6 137.2</b>	5 556.8
Retail revenue	4.2	4 242.3	3 524.2
Merchandise sales		3 519.9	2 865.0
Ancillary services		722.4	659.2
Insurance revenue		647.2	671.0
Effective interest income		1 247.7	1 361.6
<b>Cost of merchandise sales</b>	7	<b>(2 069.3)</b>	(1 677.8)
<b>Operating costs</b>		<b>(3 624.9)</b>	(3 499.7)
Debtor costs	2.2	(733.1)	(957.3)
Employment costs		(1 149.5)	(1 059.1)
Occupancy costs		(444.8)	(373.2)
Administration and IT		(348.3)	(328.8)
Transport and travel		(241.7)	(205.0)
Marketing		(298.3)	(246.6)
Depreciation and amortisation		(78.6)	(85.9)
Other operating costs		(330.6)	(243.8)
<b>Operating profit before investment income</b>		<b>443.0</b>	379.3
Investment income	3.2	50.3	62.4
<b>Profit before finance costs</b>		<b>493.3</b>	441.7
<b>Net finance costs</b>		<b>(29.5)</b>	(49.2)
Interest paid		(69.8)	(87.6)
Interest received		23.0	38.9
Forward exchange contracts		17.3	(0.5)
<b>Profit before taxation</b>		<b>463.8</b>	392.5
Taxation	10	(154.3)	(128.4)
<b>Net profit attributable to ordinary shareholders</b>		<b>309.5</b>	264.1
Earnings per share		(cents) <b>377.5</b>	306.8
Diluted earnings per share		(cents) <b>368.7</b>	301.3

## Statement of comprehensive income

for the year ended 31 March 2019

	2019 Audited Rm	2018 Audited Rm
Net profit for the year	309.5	264.1
Items that may be subsequently reclassified to income statement:		
Movement in other reserves	(10.1)	9.9
Fair value adjustments	(15.3)	22.8
Changes in the fair value of debt instruments at fair value through other comprehensive income FVOCI debt**/available-for-sale* investments	(21.3)	31.6
Tax effect	6.0	(8.8)
Disposals	0.2	(1.3)
Disposal of FVOCI debt/available-for-sale investments	0.3	(1.7)
Tax effect	(0.1)	0.4
Foreign currency translation reserve	5.0	(11.6)
Items that may not be subsequently reclassified to income statement:	(4.1)	42.6
Retirement benefit remeasurements	(5.7)	59.1
Tax effect	1.6	(16.5)
Other comprehensive income	(14.2)	52.5
<b>Total comprehensive income for the year attributable to equity shareholders</b>	<b>295.3</b>	<b>316.6</b>

\* IAS 39 classification for the previous reporting period.

\*\* Fair value through other comprehensive income ("FVOCI") – IFRS 9 Classification for the current reporting period.

## Earnings and dividends per share

for the year ended 31 March 2019

		2019 Audited	2018 Audited
<b>Weighted average number of shares</b>			
Weighted average	('000)	<b>81 990</b>	86 073
Diluted weighted average	('000)	<b>83 950</b>	87 670
<b>Headline earnings</b>			
Attributable earnings	(Rm)	<b>309.5</b>	264.1
Profit on disposal of fixed assets	(Rm)	<b>(1.1)</b>	(2.4)
Profit on disposal of available-for-sale investments	(Rm)	<b>–</b>	(1.2)
Headline earnings		<b>308.4</b>	260.5
<b>Earnings per share</b>			
Earnings per share	(cents)	<b>377.5</b>	306.8
Diluted earnings per share	(cents)	<b>368.7</b>	301.3
<b>Headline earnings per share</b>			
Headline earnings per share	(cents)	<b>376.2</b>	302.6
Diluted headline earnings per share	(cents)	<b>367.4</b>	297.1
<b>Dividends per share</b>			
Dividends paid per share			
Final dividend 2018 (2017)	(cents)	<b>100.0</b>	100.0
Interim dividend 2019 (2018)	(cents)	<b>105.0</b>	100.0
		<b>205.0</b>	200.0
Dividends declared per share			
Interim dividend 2019 (2018)	(cents)	<b>105.0</b>	100.0
Final dividend 2019 (2018)	(cents)	<b>129.0</b>	100.0
		<b>234.0</b>	200.0

## Balance sheet

for the year ended 31 March 2019

	Notes	2019 Audited Rm	2018 Audited Restated Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		298.9	301.8
Intangible assets		122.3	117.8
Goodwill		187.6	187.6
Deferred taxation		195.4	10.9
Retirement benefit asset		79.0	91.1
Financial assets – insurance investments	3.1	276.1	471.0
		<b>1 159.3</b>	<b>1 180.2</b>
<b>Current assets</b>			
Inventories		665.8	579.7
Trade and other receivables	2.1	3 315.6	4 200.0
Insurance premiums in advance		–	75.6
Taxation		102.9	136.5
Financial assets – insurance investments	3.1	340.7	135.4
Cash-on-hand and deposits		204.7	608.4
		<b>4 629.7</b>	<b>5 735.6</b>
<b>Total assets</b>		<b>5 789.0</b>	<b>6 915.8</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium		0.9	425.0
Treasury shares	9	(0.5)	(480.2)
Other reserves		48.4	42.6
Retained earnings		4 827.3	5 461.1
		<b>4 876.1</b>	<b>5 448.5</b>
<b>Non-current liabilities</b>			
Long-term interest-bearing borrowings	5	–	–
Deferred taxation		43.2	121.0
Retirement benefit liability		87.2	89.8
		<b>130.4</b>	<b>210.8</b>
<b>Current liabilities</b>			
Trade and other payables		521.8	379.2
Payments in advance		158.0	168.9
Reinsurance and insurance liabilities		102.7	176.8
Short-term interest-bearing borrowings	5	–	531.6
		<b>782.5</b>	<b>1 256.5</b>
<b>Total equity and liabilities</b>		<b>5 789.0</b>	<b>6 915.8</b>

## Statement of changes in equity

for the year ended 31 March 2019

	Notes	2019 Audited Rm	2018 Audited Rm
<b>Share capital and premium</b>			
Opening balance		425.0	588.5
Cost of own shares acquired		(99.0)	(163.5)
Treasury shares cancelled	9	(477.7)	–
Transfer of cost of cancelled shares	9	152.6	–
		0.9	425.0
<b>Treasury shares</b>			
Opening balance		(480.2)	(480.2)
Share awards to employees		8.1	–
Cost of own shares acquired		(6.1)	–
Treasury shares cancelled	9	477.7	–
		(0.5)	(480.2)
<b>Other reserves</b>			
Opening balance		42.6	6.2
Other comprehensive income for the year			
Changes in fair value of FVOCI debt/available-for-sale investments		(15.3)	22.8
Disposal of FVOCI debt/available-for-sale investments		0.2	(1.3)
Foreign currency translation reserve		5.0	(11.6)
Share-based payment		36.2	26.5
Transfer of share-based payment reserve to retained earnings on vesting		(20.3)	–
		48.4	42.6
<b>Retained earnings</b>			
Opening balance as previously reported		5 461.1	5 325.9
IFRS 9 Transitional adjustments		(604.8)	–
IFRS 15 Transitional adjustments		(26.0)	–
Opening balance (Restated)		4 830.3	5 325.9
Net profit attributable to ordinary shareholders		309.5	264.1
Distribution to shareholders		(168.0)	(171.5)
Transfer of cost of cancelled shares	9	(152.6)	–
Transfer of share-based payment reserve to retained earnings on vesting		20.3	–
Retirement benefit remeasurements		(4.1)	42.6
Share awards to employees		(8.1)	–
		4 827.3	5 461.1
<b>Balance as at 31 March</b>		<b>4 876.1</b>	<b>5 448.5</b>

## Cash flow statement

for the year ended 31 March 2019

	Notes	2019 Audited Rm	2018 Audited Rm
<b>Cash flow from operating activities</b>			
Cash flow from trading	8.1	501.8	606.3
Changes in working capital	8.2	150.7	101.9
Cash flow from operations		652.5	708.2
Interest received other than from trade receivables		73.0	99.5
Interest paid		(69.8)	(88.1)
Taxation paid		(128.1)	(58.5)
		527.6	661.1
<b>Cash utilised in investing activities</b>			
Net disposals of insurance business investments		(31.1)	176.0
Purchase of insurance investments		(293.3)	(81.5)
Disposals of insurance investments		262.2	257.5
Acquisition of property, plant and equipment		(88.6)	(44.4)
Purchase of businesses		(16.5)	(234.6)
Proceeds on disposal of property, plant and equipment		9.6	12.4
		(126.6)	(90.6)
<b>Cash flow from financing activities</b>			
Dividends paid		(168.0)	(171.5)
Repayments of borrowings		(502.8)	(422.2)
Purchase of own shares		(105.1)	(163.5)
		(775.9)	(757.2)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		579.6	766.3
<b>Cash and cash equivalents at the end of the year</b>		<b>204.7</b>	<b>579.6</b>

# Notes to the summary financial statements

for the year ended 31 March 2019

## 1. Basis of reporting

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts, 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 except as disclosed in note 1.2.

The group's trading cycle, consistent with prior financial periods, ends on the fifth day after the month being reported on, unless such day falls on a Sunday, in which case it ends on the fourth day. The financial results have been consistently prepared on this basis in prior years and each financial year reflects one year's trading performance, including the current and comparative year being reported on.

These financial statements are a summary of the group's audited annual financial statements for the year ended 31 March 2019. 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 for inspection at the company's registered office.

### 1.1 Changes in accounting policies and restatements

#### 1.2.1 Adoption of IFRS 9

The group has adopted IFRS 9 with effect from 1 April 2018. The group has elected not to restate its comparative information as permitted by IFRS 9. Accordingly, the impact of IFRS 9 has been applied retrospectively with an adjustment to the group's opening retained earnings on 1 April 2018. Therefore comparative information in the prior period annual financial statements has not been amended for the impact of IFRS 9.

The major changes in accounting policies arising from the adoption of IFRS 9 can be summarised as follows:

- The impairment of financial assets has been significantly amended by IFRS 9. The main impact being that IFRS 9 introduces an expected credit loss model when assessing the impairment of financial assets. The group has elected to use the simplified model for trade receivables while the general model applies to all other assets.
- The classification of financial instruments from IAS 39 to IFRS 9 categories. This has had no impact in the opening reserves of the group or the carrying values of the financial instruments.

The adjustment to opening retained earnings for the transition to the expected credit loss model (impairment of trade receivables) as at 1 April 2018 is as follows:

	Rm
Decrease in trade receivables	(841.9)
Attributable deferred tax	237.1
Decrease in retained earnings as at 1 April 2018	(604.8)

#### Interest income

The following change to the effective interest recognition policy was also required following the adoption of IFRS 9:

Interest income is calculated by applying the effective interest rate to the gross carrying value of financial assets, except for financial assets that have subsequently become credit-impaired (or "stage 3"), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. gross carrying value less impairment provision).

**Notes to the summary financial statements** continued

for the year ended 31 March 2019

**1.2.2 Adoption of IFRS 15**

The group has adopted IFRS 15 with effect 1 April 2018. In adopting IFRS 15, comparative financial information has not been restated and the impact of transitioning to IFRS 15 is reflected as an adjustment to opening retained earnings as at 1 April 2018.

The following change to the accounting policy was required as a consequence of transitioning to IFRS 15:

**Refund obligation**

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

The adjustment to opening retained earnings as at 1 April 2018 is as follows:

	Rm
Gross amount	(36.1)
Increase in trade and other payables	(62.6)
Increase in inventory	26.5
Attributable deferred tax	10.1
Decrease in retained earnings as at 1 April 2018	(26.0)

**1.2.3 Restatements**

The following restatements were made:

Where customers have settled their accounts or where customers have paid in advance of Lewis performing under the maintenance contract, there was a remaining period under the said maintenance contract for which Lewis still had to provide a service. Previously, the gross carrying value of trade receivables was incorrectly reduced to the extent of the remaining unearned maintenance income. This has been restated to payments in advance and disclosed under current liabilities.

Where customers have paid in advance for goods still to be delivered under the sales contract, this was previously included in trade and other payables. This has been restated as payments in advance and disclosed under current liabilities.

The restatements have the following impact on trade receivables, trade and other payables and payments in advance for the year ending 31 March 2018:

	Trade receivables	Trade payables	Payments in advance
March 2018 - previously reported	4 068.9	417.0	-
March 2018 - effect of change	131.1	(37.8)	168.9
March 2018 - restated	4 200.0	379.2	168.9

**Notes to the summary financial statements** continued

for the year ended 31 March 2019

	<b>2019</b> <b>Audited</b> <b>Rm</b>	2018 Audited Restated Rm
<b>2. Trade and other receivables</b>		
<b>2.1 Trade receivables</b>		
Trade receivables	<b>5 527.8</b>	5 608.7
Provision for impairment	<b>(2 323.1)</b>	(1 619.5)
Trade receivables (net)	<b>3 204.7</b>	3 989.2
Due within 12 months	<b>2 012.9</b>	2 571.8
Due after 12 months	<b>1 191.8</b>	1 417.4
Other receivables	<b>110.9</b>	210.8
<b>Total trade and other receivables</b>	<b>3 315.6</b>	4 200.0
Debtors' impairment provision as percentage of net debtors	(%) <b>42.0</b>	28.9

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.

**Credit risk of trade receivables**

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

**Credit granting**

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

- Credit scoring: this involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. Lewis deals with its new customers and existing customers differently when credit scoring takes place. The process is as follows:
  - for new customers, application risk scorecards predict the risk with the emphasis for such an evaluation on information from credit bureaus and third-party information.
  - for existing customers, behavioural scorecards have been developed to assess the risk through predictive behaviour with the emphasis on the customer's payment record with Lewis, bureau and other information being considered.
- Assessing client affordability: this process involves collecting information regarding the customer's income levels, expenses and current debt obligations. Lewis has its own priority expense model based on surveys conducted with customers in addition to the National Credit Regulator's expense table.
- Determining the credit limit for the customer: the customer's risk score determined by the scorecard together with the affordability assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

The credit granting systems enable the group to determine its appetite for risk.

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

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

## 2. Trade and other receivables continued

### 2.1 Trade receivables continued

#### Impairment provision

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

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

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

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

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

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

#### Contractual arrears

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

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

#### 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 receivables or gross carrying value;
  - Impairment provision allocated to each grouping; and
  - Contractual arrears for each grouping have been categorised by number of instalments in arrears.

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

**Notes to the summary financial statements** continued

for the year ended 31 March 2019

**2. Trade and other receivables** continued**2.1 Trade receivables** continued**Debtor analysis 31 March 2019**

	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears				
						1 R'000	2 R'000	3 R'000	>3 R'000	
<b>Customer grouping</b>										
<b>Satisfactory paid</b> Customers who have paid 70% or more of amounts due over the contract period. %	418 355	3 282 938	593 578	18.1	534 435	156 625	105 396	76 314	196 100	
<b>Slow payers</b> Customers who have paid 55% to 70% of amounts due over the contract period. %	71.4	59.4	25.6							
	88 969	959 418	612 172	63.8	606 735	68 541	65 290	60 511	412 393	
	15.2	17.4	26.4							
<b>Non-performing accounts</b> Customers who have paid less than 55% of amounts due over the contract period. %	78 426	1 285 439	1 117 328	86.9	987 580	63 762	62 451	60 902	800 465	
	13.4	23.3	48.1							
<b>Gross debtor analysis</b>	585 750	5 527 795	2 323 078	42.0	2 128 750	288 928	233 137	197 727	1 408 958	

**Credit impaired debtors as at 31 March 2019**

	Non-performing accounts R'000	In duplum		Debt counselling		No payment in 3 consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
<b>Credit impaired categories</b>								
Gross carrying value as at 31 March 2019	1 285 439	13 182	43 748	35 277	70 006	45 259	70 650	1 563 561
Impairment provision	(1 117 328)	(5 578)	(30 605)	(7 661)	(39 764)	(9 842)	(39 900)	(1 250 678)
Amortised cost	168 111	7 604	13 143	27 616	30 242	35 417	30 750	312 883

1 April 2018 (transition to IFRS 9)

Customer grouping	Number of customers	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
<b>Satisfactory paid</b> Customers who have paid 70% or more of amounts due over the contract period. %	401 183 68.4	3 063 886 55.0	675 971 27.9	22.1	549 506	155 673	105 593	77 633	210 607
<b>Slow payers</b> Customers who have paid 55% to 70% of amounts due over the contract period. %	97 251 16.5	1 049 782 18.9	608 716 25.1	58.0	665 893	72 167	69 010	64 474	460 242
<b>Non-performing accounts</b> Customers who have paid less than 55% of amounts due over the contract period. %	88 430 15.1	1 455 670 26.1	1 137 347 47.0	78.1	1 062 130	67 452	66 131	64 513	864 034
<b>Gross debtor analysis</b>	586 864	5 569 338	2 422 034	43.5	2 277 529	295 292	240 734	206 620	1 534 883

Credit impaired debtors as at 1 April 2018

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in 3 consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
Gross carrying value as at 1 April 2018	1 455 670	5 378	26 244	32 567	75 005	52 448	83 327	1 730 639
Impairment provision	(1 137 347)	(3 184)	(16 341)	(10 364)	(43 978)	(14 204)	(45 155)	(1 270 573)
Amortised cost	318 323	2 194	9 903	22 203	31 027	38 244	38 172	460 066

# Notes to the summary financial statements continued

for the year ended 31 March 2019

## 2. Trade and other receivables continued

### 2.1 Trade receivables continued

31 March 2018 (IAS 39) (Restated)

Customer grouping	Number of customers Total	Gross receivables R'000	Impairment provision R'000	Total arrears R'000	Instalments in arrears			
					1 R'000	2 R'000	3 R'000	>3 R'000
<b>Satisfactory paid</b> Customers who have paid 70% or more of amounts due over the contract period. %	401 183 68.4	3 521 017 57.9	18 039 1.1	549 506	105 593	77 633	210 607	
<b>Slow payers</b> Customers who have paid 65% to 70% of amounts due over the contract period. %	51 311 8.7	522 578 8.6	196 021 12.1	308 975	36 230	33 546	201 605	
<b>Non-performing accounts</b> Customers who have paid between 55% and 65% of amounts due over the contract period. %	45 940 7.8	563 339 9.3	262 519 16.2	356 918	32 780	30 928	258 637	
<b>Non-performing accounts</b> Customers who have paid 55% or less of amounts due over the contract period. %	88 430 15.1	1 471 294 24.2	1 142 920 70.6	1 062 130	66 131	64 513	864 034	
<b>Gross debtor analysis</b>	586 864	6 078 228	1 619 499	2 277 529	240 734	206 620	1 534 883	
Unearned provision		(469 549)						
Gross carrying value		5 608 679	28.9%					

## 2. Trade and other receivables continued

### 2.1 Trade receivables continued

#### Interest rate risk

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

The average effective interest rate on instalment sale and loan receivables is 22.8% (2018: 22.7%) and the average term of the sale is 32.8 months (2018: 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.

	2019 Audited Rm	2018 Audited Rm
<b>2.2 Debtor costs</b>		
Bad debts	894.9	958.7
Bad debts before credit impairment adjustment	1 005.3	958.7
Credit impairment adjustment	(110.4)	–
Bad debt recoveries	(62.8)	(60.3)
Movement in debtors' impairment provision	(99.0)	58.9
Closing balance	2 323.1	1 619.5
Transition to IFRS 9	(802.6)	–
Opening balance	(1 619.5)	(1 560.6)
	<b>733.1</b>	<b>957.3</b>
Debtor costs as a percentage of trade receivables (%)	<b>13.3</b>	17.5

Included in bad debts in the current year is a reduction relating to credit impaired accounts. Interest income is recognised by applying the effective interest rate to the amortised cost (gross carrying value less impairment provision), resulting in lower bad debts.

## Notes to the summary financial statements continued

for the year ended 31 March 2019

	2019 Audited Rm	2018 Audited Rm
<b>3. Insurance</b>		
<b>3.1 Insurance investments</b>		
<b>Financial assets - insurance investments</b>		
<i>Listed investments</i>		
Fixed income securities - FVOCI debt/available-for-sale investments	276.1	471.0
<i>Unlisted investments</i>		
Money market - FVOCI debt/available-for-sale investments	340.7	135.4
	<b>616.8</b>	606.4
 Analysed as follows:		
Non-current	276.1	471.0
Current	340.7	135.4
	<b>616.8</b>	606.4
 <b>Movement for the year</b>		
Beginning of the year	606.4	750.8
Additions to investments	293.3	81.5
Disposals of investments	(261.9)	(255.7)
Fair value adjustment	(21.0)	29.8
End of the year	<b>616.8</b>	606.4

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

### 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
<b>2019</b>		
Insurance investments:		
Fixed income securities – FVOCI debt	276.1	276.1
Money market – FVOCI debt	340.7	340.7
	<b>616.8</b>	<b>616.8</b>
<b>2018</b>		
Insurance investments:		
Fixed income securities – available-for-sale	471.0	471.0
Money market – available-for-sale	135.4	135.4
	<b>606.4</b>	<b>606.4</b>

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

	2019 Audited Rm	2018 Audited Rm
<b>3.2 Investment income</b>		
Interest – insurance business	50.0	60.7
Realised gain on disposal of insurance investments	0.3	1.7
	<b>50.3</b>	<b>62.4</b>

## Notes to the summary financial statements continued

for the year ended 31 March 2019

	2019 Audited Rm	2018 Audited Rm
<b>4. Revenue</b>		
<b>4.1 Revenue</b>	<b>6 137.2</b>	5 556.8
Retail revenue - revenue from contracts with customers	<b>4 242.3</b>	3 524.2
Merchandise sales	<b>3 519.9</b>	2 865.0
Ancillary services	<b>722.4</b>	659.2
Insurance revenue	<b>647.2</b>	671.0
Effective interest income	<b>1 247.7</b>	1 361.6
Finance charges and initiation fees earned	<b>1 358.1</b>	1 361.6
Credit impairment adjustment	<b>(110.4)</b>	-

	Traditional Rm	Cash Rm	Omni- Channel Rm	Total Rm
<b>4.2 Retail revenue</b>				
<b>2019</b>				
<b>Merchandise sales</b>				
- Cash	1 002.9	478.4	0.5	1 481.8
- Credit	2 011.4	-	26.7	2 038.1
<b>Ancillary services</b>				
- At a point in time	156.0	8.6	0.2	164.8
- Over time	556.8	-	0.8	557.6
	<b>3 727.1</b>	<b>487.0</b>	<b>28.2</b>	<b>4 242.3</b>
<b>2018</b>				
<b>Merchandise sales</b>				
- Cash	915.5	64.9	-	980.4
- Credit	1 884.6	-	-	1 884.6
<b>Ancillary services</b>				
- At a point in time	143.7	1.1	-	144.8
- Over time	514.4	-	-	514.4
	<b>3 458.2</b>	<b>66.0</b>	<b>-</b>	<b>3 524.2</b>

	2019 Audited Rm	2018 Audited Rm
<b>5. Borrowings, banking facilities and cash</b>		
<b>Interest-bearing borrowings</b>		
Long-term		
Banking facilities	–	–
Short-term		
Banking facilities	–	502.8
Bank overdrafts	–	28.8
	–	531.6
Cash-on-hand and deposits	(204.7)	(608.4)
<b>Net borrowings</b>	<b>(204.7)</b>	<b>(76.8)</b>
<b>Unutilised facilities</b>		
Banking facilities	1 500.0	1 618.4
Domestic medium term note programme	2 000.0	2 000.0
	<b>3 500.0</b>	<b>3 618.4</b>
<b>Available facilities</b>	<b>3 704.7</b>	<b>3 541.6</b>
<b>Interest rate profile</b>		
Interest rate profile of borrowings is as follows:		
– Bank borrowings at interest rates linked to three month JIBAR.		
The weighted average interest rate at the end of the reporting period is 9.1% (2018: 9.1%).	–	502.8
	–	502.8
<b>Cash and cash equivalents</b>		
Cash-on-hand and deposits	204.7	608.4
Bank overdrafts	–	(28.8)
	<b>204.7</b>	<b>579.6</b>
<b>Capital management</b>		
Net debt	(204.7)	(76.8)
Shareholder's equity	4 876.1	5 448.5
Gearing ratio	(4.2)	(1.4)
	(%)	

**Notes to the summary financial statements** continued

for the year ended 31 March 2019

	Traditional Rm	Cash retail <sup>1</sup> Rm	Omni- channel Rm	Group Rm
<b>6. Reportable segments</b>				
<b>Primary</b>				
<b>2019</b>				
Revenue	5 619.5	487.0	30.7	6 137.2
Operating profit before investment income	429.4	40.5	(26.9)	443.0
Operating margin (%)	7.6	8.3	(87.6)	7.2
Segment assets	3 696.3	136.1	38.1	3 870.5
2018 (Restated)				
Revenue	5 490.8	66.0	–	5 556.8
Operating profit before investment income	383.5	(4.2)	–	379.3
Operating margin (%)	7.0	(6.4)	–	6.8
Segment assets	4 458.9	110.0	–	4 568.9

<sup>1</sup> In 2018, reflects only two months trading since its acquisition by the group.

**Change in segments**

During the year, the group changed its operating segments to reflect the new strategic direction of the group, especially with regard to the acquired businesses and the development of new business ventures. The operating segments are as follows:

- Traditional business which consists of credit-focused brands of Lewis, Best Home and Electric and Beares.
- Cash business, UFO.
- Omni-channel business, being newly launched INspire.

In accordance with IFRS 8, the comparatives have been prepared as if these reportable segments were in place in the prior periods.

	South Africa Rm	Namibia Rm	BLE* Rm	Group Rm
<b>Geographical</b>				
<b>2019</b>				
Revenue	5 131.2	491.6	514.4	6 137.2
2018				
Revenue	4 551.2	497.6	508.0	5 556.8

\* Botswana, Lesotho and Eswatini.

	2019 Audited Rm	2018 Audited Rm
<b>7. Gross profit</b>		
Merchandise sales	3 519.9	2 865.0
Cost of merchandise sales	(2 069.3)	(1 677.8)
Merchandise gross profit	1 450.6	1 187.2
Gross profit percentage	(%) 41.2	41.4

	2019 Audited Rm	2018 Audited Restated Rm
<b>8. Cash flow from operations</b>		
<b>8.1 Cash flow from trading</b>	501.8	606.3
Operating profit before investment income	443.0	379.3
<i>Adjusted for:</i>		
Share-based payments	36.2	26.5
Depreciation and amortisation	78.6	85.9
Movement in debtors impairment provision	(99.0)	58.9
Movement in other provisions	23.3	47.8
Other movements	19.7	7.9
Included in cash flow from trading is interest received on trade receivables of R1 358.1 million.		
<b>8.2 Changes in working capital</b>	150.7	101.9
Increase in inventories	(63.6)	(27.3)
Decrease in trade and other receivables	146.5	82.9
Increase/(decrease) in trade payables	77.2	(23.4)
(Decrease)/increase in payment in advance	(10.9)	31.9
Decrease in insurance premiums in advance	75.6	327.6
Decrease in reinsurance asset	-	152.2
Decrease in reinsurance and insurance liabilities	(74.1)	(442.0)
The 2018 comparatives for changes in trade and other receivables, trade payables and payments in advance have been updated for the restatement set out in note 1.2.3.		

**Notes to the summary financial statements** continued

for the year ended 31 March 2019

**9. Cancellation of treasury shares**

Lewis Stores (Pty) Ltd ("Lewis Stores"), previously held 9 216 928 ordinary shares in Lewis Group Ltd ("the company"), which comprised approximately 9.95% of the issued ordinary shares of the company. On 4 June 2018, Lewis Stores made a distribution in specie of the treasury shares to the company, in its capacity as the holding company of Lewis Stores. On completion of the distribution, the treasury shares have reverted to the authorised, but unissued share capital of the company with effect from 4 June 2018. There are no longer any treasury shares in issue held by the company's subsidiaries, except for the Lewis Employee Incentive Share Trust ("Share Trust"), as defined by the Companies Act of 2008.

The dividend in specie in the statement of changes in equity relates to the distribution of the company's own shares as a dividend from its subsidiary entity. This is accounted for as a transaction in equity as gains or losses on own shares are not recognised in profit or loss.

The Share Trust effectively holds 15 842 shares, all of which will be utilised to cover share awards granted to executives.

	2019 Audited Rm	2018 Audited Rm
<b>10. Taxation</b>		
<b>Taxation charge</b>		
Normal taxation		
Current year	107.0	93.5
Prior year	36.7	(0.6)
Deferred taxation		
Current year	23.3	29.8
Prior year	(27.7)	(6.8)
Withholding tax	15.0	12.5
Taxation per income statement	<b>154.3</b>	128.4
<b>Tax rate reconciliation</b>		
Profit before taxation	463.8	392.5
Taxation calculated at a tax rate of 28% (2018: 28%)	129.9	109.9
Differing tax rates in foreign countries	3.5	4.5
Disallowances	7.9	22.8
Exemptions	(11.0)	(13.9)
Prior years	9.0	(7.4)
Withholding tax	15.0	12.5
Taxation per income statement	<b>154.3</b>	128.4
Effective tax rate	(%) <b>33.3</b>	32.7

## 11. New standards and interpretations not yet effective

### IFRS 16

IFRS 16 (Leases) replaces IAS 17 with effect from the year ending 31 March 2020. IFRS 16 will result in most leases being recognised in the balance sheet, as the distinction between operating and finance leases has been removed. Under the new standard, an asset representing the right to use the leased premises, with a related lease liability for the obligation to pay rentals, will be recognised. The only exceptions are short-term and low-value leases.

The group has set up a project team which has reviewed all of the group's leasing arrangements in light of the new lease accounting rules in IFRS 16 and is in the process of quantifying the effect. The new standard will primarily affect the accounting for operating leases relating to retail stores. As at the reporting date the group has non-cancellable operating lease commitments of R656.2 million.

### IFRS 17

IFRS 17 (Insurance Contracts) which replaces IFRS 4, applies to insurance contracts and reinsurance contracts. The standard will apply to the group for the year ending 31 March 2023. Management has not yet performed an assessment of the potential impact of the implementation of this new standard.

## 12. 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.



# Governance



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# Remuneration report

The group's remuneration disclosure and reporting has been aligned with the recently introduced King IV and is presented in three parts as recommended by the new governance code.

## 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.

The committee met three times during the past year and there were no changes in the composition of the committee during the year.

Director	Status
Prof. Fatima Abrahams	Independent non-executive director
Adheera Bodasing	Non-executive director
Daphne Motsepe	Independent non-executive director
Hilton Saven	Independent non-executive director
Alan Smart	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

The remuneration policy and implementation report received positive votes of 83.6% and 89.8% respectively from shareholders at the 2018 annual general meeting (AGM) held on 25 October 2018 (85.5% and 86.9% in 2017). The committee therefore was not required to engage with shareholders.

During the past year, the committee focused on the following:

- Reviewed the Lewis long-term and short-term executive performance scheme (LSPS).
- Reviewed the Lewis executive retention scheme (LERS).
- Engaged the services of 21st Century and PE Corporate Services to conduct remuneration benchmarking surveys of executive management and non-executive directors, and applied the outcomes in evaluating and approving remuneration packages.
- Considered and approved the total guaranteed pay for executive directors and the internal audit executive.
- Reviewed and approved the performance targets for the LERS.
- Approved the 2019 awards for both the LERS and LSPS.
- Reviewed and approved the remuneration policy and implementation report.
- Reviewed and approved a new cash-settled long-term and short-term executive performance plan which will be utilised in 2020 as the existing LSPS shares have all been issued.

In the 2020 financial year the committee will focus on:

- Proposing two new share schemes to shareholders for approval as the shares available under the current LSPS and LERS have been exhausted
- Reviewing and approving the group's performance targets
- Reviewing and approving the group's remuneration policy
- Benchmarking non-executive director fees and executive director remuneration

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.

Except for the new cash-settled long-term and short-term executive performance plan, no material amendments to the remuneration policy have been effected in the year ended 31 March 2019.

**Prof. Fatima Abrahams**

*Chair: Remuneration Committee*

## 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 and their commitment to the company's values. 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 trends, surveys, individual performance and contribution.
- Reviewing incentive schemes to ensure continued alignment to the enhancement of shareholder value.
- Approving the award of share incentives.
- 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.

# Remuneration report continued

## A. 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:

1. Annual guaranteed pay
2. Annual cash-based performance bonus
3. 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
- Stock management

- Debtor cost management and debtor performance.
- Net profit before taxation.
- Headline earnings per share.

The committee and CFO can also add any other relevant criteria to the above metrics.

The targets for gross profit margin, operating costs, debtor costs and operating profit margin are disclosed in the Integrated Report each year. Detail on performance relative to these targets is included on page 29. The targets for revenue growth, merchandise sales growth, net profit before taxation and 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 retrospectively for the past three years on page 79.

The sustainability of the group's business is critical in determining remuneration, and performance targets are designed to discourage increased 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.
- In the event of target results being exceeded by 10%, the committee has the discretion to increase the bonus of directors to a maximum of 150% of cash salary.

The achievement of 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 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.

## 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 team	0%	25% increasing <i>pro rata</i> to 50%	50% increasing <i>pro rata</i> to 100%	100% increasing <i>pro rata</i> to 150%
Senior management	0%	12.5% - 17.5% increasing <i>pro rata</i> to 25% - 35%	25% - 35% increasing <i>pro rata</i> to 50% - 70%	-

The group's share schemes are equity-settled and operated through the Lewis Group Share Trust specifically for this purpose. The total number of shares and options under the schemes may not exceed 10% in the aggregate of the group's issued share capital. 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.

Participation in the 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 made annually in June. Special awards can be made when the committee deems it appropriate.

### **Lewis executive retention scheme (LERS) (previously the co-investment scheme)**

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, whereafter the registered ownership of the shares is transferred to the executive.

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. As this is a pure retention scheme that is only available to selected senior members of management, 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 and have invested their own after tax bonus in the scheme. 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 closed periods. The company will utilise a maximum of one million shares (approximately 1% of the company's issued share capital at 31 March 2015) 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 0.4 million shares over the lifetime of the LERS.

### **Lewis long term and short term executive performance share scheme (LSPS) (previously the executive performance scheme)**

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; and
  - 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.

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.

## Remuneration report continued

### Performance targets for long term awards

Performance targets will be set for the performance period as at the grant date. The performance criteria selected 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.
- Before tax return on average capital employed.
- Before 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 closed periods. The company will utilise a maximum of 3.5 million shares (approximately 3.6% of the company's issued share capital at 31 March 2015) 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.

The committee has approved a new cash-settled scheme which will operate on the same basis as the LSPS described above, except that the vesting will take place in cash. This scheme was utilised in June 2019. The scheme will operate as a phantom scheme and be subject to the same performance criteria over the next three financial years and share price as the LSPS. The scheme has been introduced as the LSPS approved in October 2014 provided for 3.5 million shares to be utilised and these have now been exhausted.

The board will seek approval from shareholders for a new LSPS at the 2019 AGM.

### B. 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.

### C. 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 once a commission level is exceeded. Operational management are incentivised on a balanced set of targets including sales, collections, write-offs, stock management and expense control.

### D. 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 practices, non-executive directors do not participate in the group's incentive schemes. None of the non-executive directors have service contracts with the group. Adheera Bodasing provides consulting services to Lewis Stores 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

## Remuneration report continued

### IMPLEMENTATION REPORT 2019

#### 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 2018, and was approved by the majority of shareholders.

Resolution	Votes for		Votes against		Abstentions	
	2018	2017	2018	2017	2018	2017
Approval of the company's remuneration policy (%)	83.6	85.5	16.4	13.2	–	1.3
Approval of the company's implementation report (%)	89.8	86.9	10.2	11.8	–	1.3

Shareholders also approved the fees payable to non-executive directors for the 2019 financial year by a vote of 98.7%.

#### Annual salary increase

The average staff increase, excluding unionised staff, was 4% to 6%. Increases to senior management and executives were merit-based and varied from 4% to 10%.

#### Annual cash-based performance bonus scheme

The committee approved a net profit before taxation target of R343 million for the 2018 financial year. The group achieved R441.7 million or 128% of target and executives and senior management qualified for cash bonuses of between 50% and 100% of annual cash salary.

In the 2017 financial year the group did not achieve the net profit before taxation target and as such no cash bonuses were earned by executives and senior management. No discretionary cash bonuses were paid.

#### 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 R	Total shares purchased for executives	Total matching share awards
2018 Awards	30/6/2021	29.99	242 195	439 308
2017 Awards	–	–	–	–
2016 Awards	–	–	–	–
2015 Original award	30/06/2018	98.88	77 781	131 839
2015 withdrawals (forfeitures)			(12 121)	(20 545)
2015 totals 31 March 2018*			65 660	111 294

\* The 2015 matching share awards vested on 30 June 2018 and the share trust purchased the shares for the LERS on the open market at an average price of R31.11 to avoid dilution to ordinary shareholders.

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.

## Lewis long-term and short-term executive performance scheme (LSPS)

### Short-term awards – Three year awards

The performance targets are set by the 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 80.

The committee discloses the annual performance targets set for the executive directors each year in arrears.

The committee approved the vesting of these awards based on the achievement of the following targets:

#### 2018 targets

		2018 Target	2018 Actual	2018 Award
Headline earnings per share	(cents)	264.4	302.6	Achieved
Quality of the debtors book				
- Level of satisfactory paid customers	(%)	>= 67	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	(cents)	608	399.5	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

#### 2016 targets

		2016 Target	2016 Actual	2016 Award
Headline earnings per share	(cents)	926.8	621.7	Not achieved
Quality of the debtors book				
- Level of satisfactory paid customers	(%)	>= 68.0	68.8	Achieved
- Debtor costs as percentage of net debtors	(%)	13.8	17.1	Not achieved
Gross margin	(%)	37.9	38.0	Achieved

The group will continue to disclose these performance targets in arrears.

## Remuneration report continued

### Summary of three year awards

	2015 Share award	2016 Share award	2017 Share award	2018 Share award	Total share awards
Share price at award date (R)	99.45	45.95	32.57	30.55	
	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	<b>3 808 287</b>
Total forfeitures staff leaving	(32 736)	(132 841)	(47 554)	(9 737)	<b>(222 869)</b>
Total forfeitures - non-performance	(91 771)	(223 729)	-	-	<b>(315 500)</b>
<b>Total shares utilised - 31 March 2019</b>					<b>3 269 918</b>
Shares vested	(79 154)				<b>(79 154)</b>
<b>Shares remaining - 31 March 2019</b>	-	543 488	1 523 434	1 123 844	<b>3 190 764</b>

### Long-term awards - four year awards

The remuneration committee selected the measurements and set the performance criteria for long-term awards (four year awards) under the LSPS scheme in June 2015. These performance targets have been set at the grant date in respect of the entire performance period. The weightings and performance criteria are as follows:

Performance measure	Weighting %	Criteria
Headline earnings per share (HEPS)	65	2015 HEPS compounded each year by greater of 5% or headline CPI
Gearing ratio	10	May not exceed 35%
Return on average shareholders' equity	25	ROE to average 15% over each vesting period

### Summary of four year awards

	Number of shares
June 2015	<b>1 070 000</b>
Forfeited - Staff leaving	<b>(170 000)</b>
Total shares utilised	<b>900 000</b>
Vesting - June 2018 (Only gearing ratio measure achieved)	<b>(45 000)</b>
Forfeitures - non-performance 2018	<b>(405 000)</b>
Forfeitures - non-performance 2019*	<b>(405 000)</b>
<b>Shares remaining - 31 March 2019</b>	<b>45 000</b>

\* It is highly unlikely that the group will attain the HEPS and ROE targets set in June 2015 and the trustees have approved the forfeiture of the shares on this scheme.

## Lewis Group

### Executive director's remuneration

	Share price/ movement	Number of shares	J Enslin (CEO)		J Bestbier (CFO)		2018 R'000
			2019 R'000	2018 R'000	Number of shares	2019 R'000	
<b>Cash remuneration</b>							
Total guaranteed pay (GP)			4 600	4 284		2 700	–
Cash performance bonus (CPB)			3 575	–		1 940	–
<b>Total GP and CPB</b>			<b>8 175</b>	<b>4 284</b>		<b>4 640</b>	<b>–</b>
<b>Share awards</b>							
<b>LERS - matching award 2015</b>							
– Face value of award: 2015	98.88	29 700	2 937	–	5 805	574	–
– Share price performance	(67.77)	29 700	(2 013)	–	5 805	(393)	–
<b>Add: LSPS - three-year award</b>			<b>448</b>	<b>–</b>		<b>69</b>	<b>–</b>
– Face value of award: 2015	99.45	33 695	3 351	–	6 601	656	–
– Performance criteria	99.45	(19 319)	(1 921)	–	(4 400)	(438)	–
– Share price performance	(68.34)	14 376	(982)	–	2 201	(150)	–
<b>Add: LSPS - four-year award</b>			<b>187</b>	<b>–</b>		<b>47</b>	<b>–</b>
– Face value of award: 2015	98.88	60 000	5 933	–	15 000	1 483	–
– Performance criteria	98.88	(54 000)	(5 339)	–	(13 500)	(1 335)	–
– Share price performance	(67.77)	6 000	(407)	–	1 500	(102)	–
<b>Total share awards</b>			<b>1 558</b>	<b>–</b>		<b>296</b>	<b>–</b>
<b>Total earned remuneration</b>			<b>9 733</b>	<b>4 284</b>		<b>4 936</b>	<b>–</b>

\* J Bestbier was the CFO designate for the 2018 financial year; was appointed as an executive director and CFO of the group on 1 April 2018.

### Outstanding share awards

2019 Date of share awards	Share price at award date	Long-term and short-term Executive Performance Scheme <sup>1</sup> number of shares			Executive Retention Scheme <sup>2</sup> number of shares			
		J Enslin	J Bestbier	Total	J Enslin	J Bestbier	Total	
June 2016	3 year award <sup>1</sup>	45.95	149 980	32 325	182 305	–	–	–
	Forfeiture - non-performance	–	44 994	9 698	54 692	–	–	–
June 2017	3 year award <sup>2</sup>	32.57	219 498	119 107	338 605	–	–	–
June 2018	3 year award <sup>3</sup>	30.55	188 397	114 284	302 681	119 154	48 493	167 647
<b>Total</b>			<b>512 881</b>	<b>256 018</b>	<b>768 899</b>	<b>119 154</b>	<b>48 493</b>	<b>167 647</b>

<sup>1</sup> The 2016 award was issued under the long-term and short-term executive performance scheme and subject to performance criteria in years 2017, 2018 and 2019.

<sup>2</sup> The 2017 award was issued under the long-term and short-term executive performance scheme and subject to performance criteria in years 2018, 2019 and 2020.

<sup>3</sup> The 2018 award was issued under the long-term and short-term executive performance scheme and subject to performance criteria in years 2019, 2020 and 2021.

In terms of the Lewis Executive Retention Scheme, the trust holds 92 215 shares (2018: 31 221 shares) on behalf of the above directors by virtue of the investment of their bonuses into the scheme.

The potential dilutionary effect of the outstanding awards amount to 2.4% of the shares in issue.

## Remuneration report continued

### Non-executive directors' fees

R'000	Directors' fees	Audit Committee member	Risk Committee member	Remuneration Committee member	Nomination Committee member	Social, Ethics and Transformation Committee member	Monarch directors' fees	Monarch Audit and Risk Committee member	Total non-executive directors' remuneration
<b>2019</b>									
Hilton Saven	585	122	86	68	94	68	162	69	1 254
Prof. Fatima Abrahams	280	122	86	138	40	138	162	69	1 035
Adheera Bodasing	280	122	86	68	40	–	–	–	596
Daphne Motsepe	280	122	86	68	40	68	–	–	664
Alan Smart	280	122	86	68	40	68	231	69	964
Duncan Westcott	280	286	138	68	40	–	162	140	1 114
<b>Total</b>	<b>1 985</b>	<b>896</b>	<b>568</b>	<b>478</b>	<b>294</b>	<b>342</b>	<b>717</b>	<b>347</b>	<b>5 627</b>
<b>2018</b>									
Hilton Saven	360	217	113	65	58	22	155	111	1 100
Prof. Fatima Abrahams	263	115	81	87	38	130	116	49	878
Adheera Bodasing (appointed 1 June 2017)	200	87	62	49	29	–	–	–	425
Daphne Motsepe (appointed 1 June 2017)	200	87	62	49	29	49	–	–	474
Alan Smart	263	115	81	65	38	65	220	66	912
Duncan Westcott (appointed 1 Dec 2017)	89	91	44	22	13	–	52	44	353
David Nurek (resigned 30 November 2017)	366	76	54	43	58	43	103	44	787
Ben van der Ross (resigned 17 October 2017)	152	67	47	75	22	–	–	–	363
<b>Total</b>	<b>1 893</b>	<b>855</b>	<b>544</b>	<b>453</b>	<b>283</b>	<b>308</b>	<b>645</b>	<b>313</b>	<b>5 292</b>

### Summary non-executive directors' fees

Director	2019 R'000	2018 R'000
Hilton Saven	1 254	1 100
Prof. Fatima Abrahams	1 035	878
Adheera Bodasing (appointed 1 June 2017)	596	425
Daphne Motsepe (appointed 1 June 2017)	664	474
Alan Smart	964	912
Duncan Westcott (appointed 1 December 2017)	1 114	353
David Nurek (resigned effective 30 November 2017)	–	787
Ben van der Ross (resigned effective 30 October 2017)	–	363
<b>Total</b>	<b>5 627</b>	<b>5 292</b>

## Proposed non-executive director fees for 2020

Board/committee position	% increase	Proposed fees for 2020 R'000	Fees earned for 2019 R'000
Non-executive chairman	6.0	620	585
Non-executive director	6.1	297	280
Audit Committee chairman	5.9	303	286
Audit Committee member/invitee	6.1	129.5	122
Risk Committee chairman	5.8	146	138
Risk Committee member	6.4	91.5	86
Remuneration Committee chairman	5.8	146	138
Remuneration Committee member	5.9	72	68
Nomination Committee chairman	6.4	100	94
Nomination Committee member	5.0	42	40
Social, Ethics and Transformation Committee chairman	5.8	146	138
Social, Ethics and Transformation Committee member	5.9	72	68

## Directors' shareholding

At 31 March 2019, the directors' beneficial direct and indirect interest in the company's issued shares was as follows:

Director	2019 Direct	2019 Indirect	2018 Direct	2018 Indirect
Hilton Saven	–	6 440	–	6 440
Alan Smart	319 070	–	319 070	–
Johan Enslin	176 038	65 541	176 038	17 522
Jacques Bestbier	1 148	26 674	–	–
Les Davies	–	–	320 192	13 699
<b>Total</b>	<b>496 256</b>	<b>98 655</b>	<b>815 300</b>	<b>37 661</b>

# Corporate governance report

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

## Introduction

Lewis Group is committed to good governance through the application of the King IV governance principles to achieve the following governance outcomes:

- ethical culture;
- good performance;
- effective control; and
- legitimacy.

The board confirms that the group, has in all material respects, 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/](http://www.lewisgroup.co.za/governance-sustainability/king4/)

## Composition of the board

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.

## 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 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 appointments

There were no changes to the board during the reporting period. 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.

## Board of directors

Name	Status	Appointment
<b>Non-executive directors</b>		
Hilton Saven	Independent non-executive director (chairman)	22 June 2004
Prof. Fatima Abrahams	Independent non-executive director	1 Sep 2005
Adheera Bodasing	Non-executive director	1 June 2017
Daphne Motsepe	Independent non-executive director	1 June 2017
Alan Smart	Independent non-executive director	1 Oct 2009
Duncan Wescott	Independent non-executive director	1 Dec 2017
<b>Executive directors</b>		
Johan Enslin	Chief executive officer	1 Oct 2009
Jacques Bestbier	Chief financial officer	1 April 2018

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. 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 Proprietary Limited through Polarity Consulting. Even though these services are not insignificant to Lewis and to Polarity Consulting, the Nominations Committee has classified her as a non-executive director. The board is satisfied that all directors exercise independent judgement and act in an independent manner.

### Board diversity

The board's gender and race policy is aimed at enhancing diversity, with voluntary targets of 25% representation set for gender and racial diversity. Currently 38% of the directors are female and 38% are black.

### 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 meets to discuss the outcome of the evaluation with each director.

The evaluation concluded that the board's overall functioning and governance met the required standards and areas for improvement are being addressed.

### Chief financial officer and finance function evaluation

The Audit Committee conducted a formal written 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

Ntokozi Makomba was appointed as the company secretary with effect from 11 June 2018.

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.

The board is comfortable 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.

### Board committees

The board of directors has delegated specific responsibilities to five board committees. The committees are all chaired by independent non-executive directors.

Each committee has a charter and the directors confirm that the committees have functioned in accordance with their written terms of reference during the financial year. The committee charters are available on the group website: [www.lewisgroup.co.za](http://www.lewisgroup.co.za)

### Meeting attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
<b>Number of meetings</b>	4	4	4	2	2	2
<b>Non-executive directors</b>						
H Saven	4 <sup>+</sup>	4	4	2	2 <sup>+</sup>	2
F Abrahams	4	4 <sup>*</sup>	4	2 <sup>+</sup>	2	2 <sup>+</sup>
A Bodasing	4	4 <sup>*</sup>	4	2	2	-
D Motsepe	4	4 <sup>*</sup>	4	2	2	2
A Smart	3 <sup>#</sup>	3 <sup>#</sup>	3 <sup>#</sup>	2	1 <sup>#</sup>	1 <sup>#</sup>
D Westcott	4	4 <sup>+</sup>	4 <sup>+</sup>	2	2	-
<b>Executive directors</b>						
J Enslin	4	4 <sup>*</sup>	4	2 <sup>*</sup>	2 <sup>*</sup>	2
J Bestbier	4	4 <sup>*</sup>	4	-	-	-

<sup>+</sup> Chair.

<sup>\*</sup> Attends by invitation.

<sup>#</sup> Apologies received.

# Corporate governance report continued

## Lewis Group Audit Committee

### Members

Duncan Westcott (chairman)  
Hilton Saven  
Alan Smart

All the members of the committee are independent non-executive directors. The group's independent non-executive chairman Hilton Saven also serves as a member of the Audit Committee. King IV recommends that the chair should not be a member of the Audit Committee. The board determined that his experience, expertise and skills are required for continuity and the efficient functioning of the Audit Committee. The Audit Committee meets four times a year.

The members are financially literate and suitably qualified to perform their role. The remaining non-executive directors attend by invitation. Meetings are also attended by the chief executive officer, chief financial officer, company secretary, internal audit executive, chief risk officer and the external auditors.

### Key responsibilities

The Audit Committee is a statutory committee which carries out its statutory duties in accordance with the Companies Act. In addition to its statutory duties, the committee provides independent oversight over external audit, internal audit, and the finance function. It further assists the board in overseeing the integrity of the annual financial statements.

### Key focus areas

The key focus areas during the period under review were in line with the committee's terms of reference and included:

- Overseeing the implementation of IFRS 9 and IFRS 15.
- Approval of the internal audit plan and overseeing the work of internal audit.
- Reviewing the audit plan of the external auditors and approving non-audit services.
- Assessing the independence and objectivity of the external auditors.
- Reviewing the adequacy of internal controls and internal financial controls.
- Overseeing regulatory compliance.
- Overseeing the integrated reporting process.
- Reviewing the expertise, resources and experience of the company's financial function and financial director.
- Assessing the effectiveness of internal financial controls based on assurance gained from management and written assessment from Internal Audit.
- Review of the decision-making framework.

### Focus areas for the year ahead

In addition to the standard focus areas, the committee will be overseeing the implementation of IFRS 16 which comes into effect in 2020.

Refer to the audit committee report in the audited annual financial statements for more detail.

## Lewis Group Risk Committee

### Members

Duncan Westcott (chairman)	Johan Enslin (CEO)
Prof. Fatima Abrahams	Daphne Motsepe
Jacques Bestbier (CFO)	Hilton Saven
Adheera Bodasing	Alan Smart

The committee consists of five independent non-executive directors, one non-executive director and two executive directors. The Risk Committee meets four times a year. Meetings are also attended by the company secretary, internal audit executive, the chief risk officer, the IT director and the information technology general manager.

### Key responsibilities

Risk governance is overseen by the Risk Committee. The committee reviews the risk profile of the group on a quarterly basis to ensure that the relevant risks are reflected on the risk profile. The material issues, key risks and opportunities are disclosed on page 30 to 33 of this report.

### Key focus areas

The key focus areas during the period under review were in line with the terms of reference and included:

- Reviewing the company risk profile which includes a review of the following:
  - Risk registers;
  - Emerging risk register;
  - Compliance risk; and
  - Risk appetite and tolerance levels.
- Monitoring the implementation of the risk management policy and plan.
- Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.
- Evaluating the combined assurance model.
- Reviewing and advising on the adequacy of insurance cover for recommendation to the board.
- Overseeing IT governance and the function of the IT steering committee by:
  - Ensuring that an IT charter and policies are established and implemented;
  - Ensuring that an IT internal control framework is adopted and implemented; and
  - Receiving independent assurance on the effectiveness of the IT internal controls.
- Overseeing the implementation of the compliance policy and plan and the effective execution of effective compliance management.
- The implementation of a business continuity plan.

### Focus areas for the year ahead

- Continued review of the risk profile.
- Effective implementation of business continuity plan.
- Enhancement of the disaster recovery plan.
- IT systems which enable the business to continue to function effectively.

## Lewis Group Remuneration Committee

### Members

Prof. Fatima Abrahams (chairperson)  
Adheera Bodasing  
Daphne Motsepe  
Hilton Saven  
Alan Smart  
Duncan Westcott

The committee consists of six non-executive directors. The chief executive officer attends meetings at the invitation of the committee. The Remuneration Committee meets three times a year.

### Key responsibilities

The committee is tasked with ensuring that a policy is in place which is in line with the company's performance-orientated culture and which fairly rewards staff for their contribution in achieving the group's strategic, financial and operational objectives.

### Key focus areas

The key focus areas during the period under review were in line with the charter and terms of reference and included:

- Reviewing the remuneration policy and implementation report.
- Reviewing and approving compensation of executive directors, and senior executives.
- Recommending non-executive directors' fees for shareholder approval.
- Ensuring executive directors are fairly rewarded based on market trends, surveys, individual performance and contribution.
- Reviewing incentive schemes to ensure continued alignment to the enhancement of shareholder value.
- Approving the award of share incentives.
- Ensuring employee benefits are suitably disclosed.
- Ensuring practices are compliant with relevant legislation and regulation.

Refer to page 72 of the Remuneration Report for the focus areas for the year ahead.

## Lewis Group Nomination Committee

### Members

Hilton Saven (chairman)  
Prof. Fatima Abrahams  
Adheera Bodasing  
Daphne Motsepe  
Alan Smart  
Duncan Westcott

The committee consists of six non-executive directors. The chief executive officer attends meetings at the invitation of the committee. The committee meets twice a year.

### Key responsibilities

The committee responsibilities include:

- Maintaining a formal process for the appointment of directors, including:
  - Identification of suitable members of the board;
  - Performance of reference and background checks of candidates prior to nomination;
  - Formalising the appointment of directors through an agreement between the company and the directors;
- Overseeing induction programme for new directors.
- Overseeing the development and implementation of continuing professional development programmes for directors.
- Ensuring that directors receive regular briefings on changes in risks, laws and the environment in which the Company operates.
- Find and recommending to the board a replacement for the chief executive officer when that becomes necessary.
- Ensuring that formal succession plans for the chief executive officer and senior management appointments are developed and implemented.
- Annually reviewing the gender diversity policy.

The committee charter is available on [www.lewisgroup.co.za](http://www.lewisgroup.co.za).

# Corporate governance report continued

## Lewis Group Social, Ethics and Transformation Committee

### Members

Prof. Fatima Abrahams (chairperson)  
Johan Enslin  
Daphne Motsepe  
Hilton Saven  
Alan Smart

The committee consists of four independent non-executive directors and one executive director. Meetings are also attended by the company secretary, directors' of human resources and merchandise, and senior managers responsible for socio-economic development and sustainability. The Social, Ethics and Transformation Committee meets twice a year.

### Key responsibilities

The committee, in addition to its statutory duties, oversees that the company's values, strategy and conduct are those of a responsible corporate citizen.

### Key focus areas

The key focus areas during the period under review were in line with the terms of reference and included:

- Monitoring the implementation of values and ethics awareness.
- Evaluation of the B-BBEE strategy and implementation thereof.
- Evaluating skills development.
- Evaluating progress in employment equity.
- Overseeing health and safety policies and reviewing incidents.
- Reviewing the environmental management report.
- Monitoring consumer relationships and compliance with consumer laws.

### Focus areas for the year ahead

- Implementation of environmental performance indicators.
- Ongoing ethics awareness.
- Continue to build partnerships between the company in developing early childhood centres.

## Lewis Stores (Proprietary) Limited

Lewis Stores (Proprietary) Limited is the main trading subsidiary of the group and operational responsibility has been delegated to the Lewis Stores board for the ongoing management of the business.

### Board members

Johan Enslin (chairman)  
Waleed Achmat (Human resources)  
Jacques Bestbier (Finance)  
Les Davies (IT and Insurance)  
Derek Loudon (Merchandise)  
Rinus Oliphant (Operations)

The board consists of six executive directors. Meetings are also attended by the 18 executive committee members. The board meets three times a year.

### Key responsibilities

- Adoption of strategic plans.
- Providing strategic direction to senior management.
- Monitoring operational performance and management.
- Preparation and integrity of financial statements and all related information.
- Maintaining adequate accounting records.
- Adequately safeguarding, verifying and maintaining accountability of assets.
- Monitoring key performance indicators of the business.
- Ensuring regulatory and legislative compliance.
- Risk management.
- Overseeing the corporate code of conduct.

## Governance committees of Lewis Stores

### Risk working group

The risk working group consists of the CEO, CFO, the chief risk officer and all relevant executives and senior management of the group.

The group meets quarterly and reports to the Lewis Stores board as well as to the Lewis Group Risk Committee and Monarch Audit and Risk Committee. Refer to page 89 for their responsibilities, which are supervised by the Lewis Group Risk Committee.

### Information Technology Steering Committee

The steering committee meets quarterly and comprises the CEO, CFO, IT director and IT general managers, as well as business systems and IT operations managers. The committee reports into the Risk Committee.

The committee is responsible for:

- Ensuring that the implementation of the IT policy and plan conforms to the objectives of the IT charter
- Aligning IT with the business needs of the group;
- Prioritising investment decisions relating to IT resources;
- Sourcing decisions relating to IT services;
- Identifying and exploiting IT opportunities;

- Administrative and contractual decisions which have a significant impact;
- Monitoring IT costs and capital expenditure;
- A process to monitor, prioritise and co-ordinate the IT project portfolio;
- Reporting to the Risk Committee on the performance of its duties;
- Business continuity planning;
- Implementing COBIT as its principle IT internal control framework; and
- Implementing ISO 27000 as the Information Security Management System (ISMS) standard.

## Monarch Insurance Company Limited (Monarch)

### Monarch board members

#### Independent non-executive

Alan Smart (chairman)  
 Prof. Fatima Abrahams  
 Ray Sanger  
 Hilton Saven  
 Duncan Westcott

#### Non-executive

Robert Shaw

#### Executive

Les Davies

The Lewis Group chief executive officer and chief financial officer attend meetings at the invitation of the committee. The Monarch board meets four times a year.

Monarch is the group's short-term insurer. Knowledge and experience of short-term insurance is considered in appointing directors to the board. Robert Shaw, a non-executive director, provides insurance advisory services to Monarch.

A formal report on the investment portfolio by Sanlam Investment Management, which manages the portfolio on Monarch's behalf, is presented at each board meeting, covering market conditions and expectations, asset allocation, investment returns, review of the investment portfolios and recommendations on the investment strategy.

### Key responsibilities

- Approval and oversight of strategic plans for the insurer within the parameters of the overall strategic direction of the group.
- Approval of budgets.
- Providing oversight of performance against targets and objectives.
- Providing effective leadership on an ethical foundation.
- Overseeing relationships with stakeholders.
- Regular review of underwriting criteria.
- Adoption of asset allocation strategies for the investment portfolio, based on recommendations from Sanlam Investment Management.

- Review of the performance of the investment portfolio against benchmarks.
- Ensuring regulatory compliance.
- Overseeing key performance and risk areas.
- Ensuring effective risk management and internal control.
- Assessing director selection, orientation and evaluation.
- Approving significant accounting policies.
- Approving the annual financial statements.

## Monarch Audit and Risk Committee Members

Duncan Westcott (chairman)  
 Ray Sanger  
 Hilton Saven

The committee consists of three independent non-executive directors. The members are financially literate and suitably qualified to perform their role. The remaining non-executive directors, Monarch chief executive officer and Lewis Group chief executive officer and chief financial officer attend by invitation. Meetings are also attended by the company secretary, internal audit executive, the chief risk officer and the external auditors.

The Monarch Audit and Risk Committee meets four times a year.

In terms of the Companies Act, non-executive director Robert Shaw is deemed to be a material supplier to Monarch and is therefore precluded from being a member of the Audit and Risk Committee.

### Key responsibilities

- Reviewing the internal and external audit plans relative to the group's audit plan.
- Providing guidance on non-audit services.
- Considering significant differences of opinion between management and internal or external auditors.
- Ensuring regulatory compliance. The committee is also responsible for the group's compliance with the Financial Advisory and Intermediary Services Act.
- Reviewing the financial reporting system, evaluating and approving accounting policies and approving the financial statements.
- Reviewing the adequacy of internal controls and internal financial controls.
- Annually reviewing the risk register of strategic and key operational risks. Monitoring implementation of the risk management policy and plan.
- Addressing risks specific to the company that have been identified in the group risk management process.
- Assessing the effectiveness of the system and process of risk management based on assurance gained from management and written assessment from Internal Audit on the effectiveness of internal controls and risk management.

# Corporate governance report continued

## Internal accountability

### 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 the group has implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant.

A dedicated 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. Senior executives and line management within each business unit 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. A top-down approach is applied by the business units in the group in assessing 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 and opportunities are documented on pages 30 to 33.

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.

The directors are not aware of any current or anticipated key risks that may threaten the sustainability of the business.

### 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 2020, as well as the current financial position. The financial statements have therefore been prepared on the going concern basis. The board is apprised of 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.

Refer to the Audit Committee report in the annual financial statements.

### 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.

### 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.

## Compliance

The board is responsible for the governance of 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 or breach of measures which have been implemented to ensure compliance.

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 risk working group. 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, amongst others, as core legislation for the group:

- Banks Act, Act 94 of 1990;
- 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.

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

As a responsible credit provider, the group treats 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.

The compliance call centre, which was implemented in 2016, has been effective in further enhancing compliance, transparency and oversight of the company's in-store sales and credit application process and limiting any potential misunderstandings of the costs, services and fees to be paid by the customer.

The standard in-store credit sale application process remains in place. This includes a comprehensive affordability assessment and an interview with the store manager during which the components of the contract are explained, including what services and fees are optional, and the total cost of credit. Upon completion of the process, but before finalisation of the transaction, the manager will ensure that the customer speaks to a call centre agent. The customer has a choice to engage with a call centre agent in a language of their choice. 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 the customer understands 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 by the call centre. 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, the Credit Forum Industry and the South African Insurance Industry Association which ensures that the group is up to date with the latest industry developments.

### Behavioural and ethical compliance

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.

During the year under review, initiatives were undertaken to create ethics awareness through training for branch staff throughout the business as well as the rollout of the company's values.

To the board's knowledge the group was not involved in and/or associated with any material transgressions or associated penalties.

No matters have been brought to the board's attention where the group has been involved in or associated with any material compliance transgressions. No material/significant fines or penalties have been levied on the group.

## Social, ethics and transformation committee report

**The Social, Ethics and Transformation Committee (the committee) is a committee of the board operating in compliance with the Companies Act. The committee assists the board in monitoring the group's activities relating to ethics, employment equity, training, talent and skills development, preferential procurement, enterprise development, diversity, socio-economic development, environmental sustainability and engaging with our stakeholders.**

The chairperson of the committee presents the following report to shareholders for the 2019 financial year, in accordance with the requirements of the Companies Act of South Africa.

### Responsibilities of the committee

#### Social and ethics

- Monitor activities relating to social and economic development, including the principles of the United Nations Global Compact, the Organisation for Economic Co-operation and Development recommendations regarding corruption, the Employment Equity Act and the Broad-based Black Economic Empowerment Act
- Good corporate citizenship, including the promotion of equality, prevention of unfair discrimination, elimination of corruption, contribution to the development of communities, and record of sponsorship, donations and charitable giving
- The environment, health and public safety, including the impact of the group's activities and of its products and services
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the group's employment relationships and its contribution toward the educational development of its employees.

#### Transformation

- Developing and maintaining a transformation strategy
- Approving the transformation programme
- Determining targets in terms of the Codes of Good Practice of the Department of Trade and Industry (DTI)
- Reviewing reports from verification agencies
- Annual evaluation of the group's performance against the DTI scorecard.
- Legislative compliance.

## Composition and functioning

The committee comprises four independent non-executive directors, namely Professor Fatima Abrahams (chairperson), Daphne Motsepe, Hilton Saven and Alan Smart, and executive director Johan Enslin. Senior management in the human resources, merchandise, socio-economic development and risk departments attend by invitation. Biographical details of the committee members appear on pages 12 and 13. The effectiveness of the committee is assessed as part of the annual board and committee evaluation process.

The members of the committee believe that the group is substantively addressing the issues required to be monitored by the committee in terms of the Companies Act.

## Transformation

The group supports the principles and objectives of broad-based BEE contained in the 2015 amended DTI Codes of Good Practice on B-BBEE. The board acknowledges its oversight role in driving transformation and empowerment across all elements of the DTI scorecard.

Following the introduction of the amended codes in the 2016 financial year, the group only achieved a total score of 41.54 points and was assigned a non-compliant status as it did not meet the required 40% minimum in the priority elements of equity ownership and enterprise and supplier development.

The group made a concerted effort to achieve the minimum requirements in the priority elements and achieved a total score of 71.89 points and a level seven contributor status for the 2018 financial year.

Lewis Group was unable to maintain its level 7 B-BBEE rating achieved in 2018 owing to a timing delay in integrating unemployed learners into the business. A decision was made in 2018 to recruit and select unemployed disabled learners as part of the group's social responsibility programme. The recruitment process took longer than anticipated as the workplace had to be adapted to accommodate the disabled learners.

The learners were absorbed into the business based on the organisation's needs and this fell outside the timeframe of the B-BBEE audit. The B-BBEE points for providing learnerships to the unemployed disabled learners will be included in the 2019 B-BBEE audit.

This rating was verified by AQRate, an accredited empowerment rating agency.

BEE element	Weighting	2019	2018	2017
Equity ownership	25	<b>6.93</b>	8.50	7.46
Management control	19	<b>8.63</b>	8.39	7.89
Skills development	20	<b>14.96</b>	19.68	17.21
Enterprise and supplier development	40	<b>30.60</b>	30.30	18.73
Socio-economic development	5	<b>5.00</b>	5.0	5.0
<b>Total score</b>		<b>66.12</b>	71.87	56.29
B-BBEE status		<b>Level 8</b>	Level 7	Level 8

## 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 94.5% of the staff complement, with females comprising 57.8%.

The employment equity profile of the workforce in South Africa (excluding neighbouring countries) at 31 March 2019 is contained in the following table:

Occupational levels	Female				Total	Male				Total	Grand total
	Asian	Black	Coloured	White		Asian	Black	Coloured	White		
Top management								2	4	6	6
Senior management		3	2	9	14		2	4	24	30	44
Middle management	9	33	28	32	102	4	42	26	58	130	232
Junior management	15	336	112	66	529	8	224	67	35	334	863
Semi-skilled	24	2 225	652	93	2 994	5	1 708	400	14	2 127	5 121
Unskilled		4	2		6		13	5		18	24
Non-permanent	1	71	28	6	106		27	25	7	59	165
<b>Grand total</b>	<b>49</b>	<b>2 672</b>	<b>824</b>	<b>206</b>	<b>3 751</b>	<b>17</b>	<b>2 016</b>	<b>529</b>	<b>142</b>	<b>2 704</b>	<b>6 455</b>

# Social, ethics and transformation committee report continued

## 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 centre was opened in Bloemfontein. The centre is being utilised 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 efforts in 2019 include:

- 10 864 training interventions
- Black staff accounted for 93% of total employees trained (2018: 94%)
- 222 employees enrolled on an adult basic education and training course with a view to assisting these employees to obtain a grade 12 certificate
- 194 students enrolled in the Lewis internship programme (2018: 209)
- Six learnerships offered to young people and four offered full-time positions

## Preferential procurement and enterprise development

The group's merchandise strategy is to offer exclusive, differentiated and value-for-money products to customers. 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 raw material sourcing, product development and design, quality control, and administrative business support.

## Race and gender diversity

In November 2016, the board approved a gender diversity policy in support of the principles and objectives of B-BBEE. In 2018, this policy was extended and the board adopted a combined gender and race policy to further improve diversity within the group. The board approved a combined gender and race policy target of 25% for the composition of the board. These targets have been exceeded as 38% of the directors are black and 38% female.

## Socio-economic development

The committee reviews the socio-economic development strategy of the group on an annual basis and monitors progress against stated objectives. The group is committed to contributing to the communities where customers live. Many of these communities are affected by a lack of education, poverty and poor health services.

Community investment is focused on educational infrastructure, educational bursaries, nutrition, upliftment of disadvantaged communities and long-term sustainable community upliftment programmes. The group has also committed to map the distribution of socio-economic development spend to be more reflective of the group's footprint in South Africa, Namibia, Botswana, Lesotho and eSwatini.

The group has invested R7.5 million to socio-economic development in 2019.



## Primary projects

### Rotary Club/Early Childhood Development Centres

In partnership with the Rotary Club of Claremont in Cape Town, the group continues to upgrade and refurbish early childhood development (ECD) centres in the Brown's farm and Samora Machel area of Phillippi, a hugely underprivileged area with multiple ECD centres.

### Peninsula School Feeding Association

The Peninsula School Feeding Association (PSFA) provides daily meals to children in primary, secondary and special-needs schools across the Western Cape. Lewis continues to support 11 adopted schools in the Western Cape where meals are provided for 1 200 children each school day. In many cases, this is the only meal these children have each day. PSFA regularly reviews optimal nutritional meals for the children.

### Children of the Dawn

Children of the Dawn support and reinforce rural community initiatives which focus on caring for HIV/AIDS orphans and vulnerable children. Lewis supports children located in Bushbuckridge, Mangweni and Ermelo in Mpumalanga, QwaQwa in the Free State, Mpumaze in KwaZulu-Natal, Matatiele in the Eastern Cape, Mathabatha and Lenyenye in Limpopo.

The sponsorship provides the children with essential basic requirements: educational, nutritional, clothing, hygiene, transport, and integration into the community (aftercare centres, school trips) emotional and moral support, health matters including management of HIV/AIDS symptoms and other *ad hoc* projects. The organisation also sends monthly food parcels to families who assist in taking care of the children.

Lewis sponsors approximately 150 children each month. We also contribute additional funding to a fortified nutrition programme for these children and assist with various other requests, including a year-end excursion for these children. The overall health and well-being of these children has vastly improved by the holistic care and nutrition managed by the organisation's programme.

### Lesedi La Batho

The Lesedi la Batho centre in Mabopane, Gauteng, was specifically created to address unemployment in the area and now provides basic skills training in sewing and beadwork, baking and computer studies. One of their divisions manufactured Amogelang Diphetogo teddy bears which helps sustain approximately 20 women and their families in the Mabopane community.

Lewis supports this project by ordering bears which are donated to children in hospitals, hospices, children's homes and places of safety. To date, the group has donated 2 750 bears.

## Employee community engagement

Employees are encouraged to propose and forward details of deserving local community projects. This initiative ensures that staff are involved in assisting communities that support the company and helps create staff awareness of social investment endeavours. Projects included the following:

- Worthy ventures which assist and uplift the communities in which our customers and employees live
- AIDS orphan's home
- Shelters for abused and vulnerable children
- Homes for disabled children
- Educational support for the underprivileged
- Feeding schemes/soup kitchens for the underprivileged
- Homes for the aged/hospices/home-based care programmes
- Informal organisations which support communities in term of shelter, medical assistance, education, training and development
- Youth and sports development

The group's socio-economic development programmes also extend to Namibia, Botswana, Lesotho and eSwatini.

### Namibia

Lewis increased its annual donation to R100 000 to the Cancer Association of Namibia which supports less privileged Namibian cancer fighters by funding towards cancer wards at hospitals, pap smear and breast examination clinics, and caregivers.

### Botswana

Funding was provided to Francistown Centre for the Deaf, Khagisano Women's shelter and Botswana Football.

### Lesotho

Lewis assisted the Ministry of Hope, SOS Children's Village and Mantsase Children's Home in Lesotho.

### eSwatini

Lewis provided support to the eSwatini Epilepsy Organisation, eSwatini Breast and Cervical Cancer Association and Cheshire Homes of eSwatini.

# Social, ethics and transformation committee report

## continued

### Bursaries

#### Internal bursaries

Internal bursaries are split into school education assistance and university or college assistance. School going children of employees receive R500 each on approved application. Tertiary student applications for bursaries are assessed and the students selected qualify for bursaries based on results. The approved bursaries are paid directly to the relevant institutions for tuition, books and residence.

#### TSiBA

TSiBA Education is a private provider of higher education in business. TSiBA targets scholars and potential students who would otherwise not have access to tertiary level education, by offering full tuition scholarships. TSiBA offers a unique Foundation Year Certificate in Business Administration followed by an enriched Bachelor's Administration focused on Entrepreneurial Leadership.

TSiBA partners with corporate and individual funders who sponsor the operations and management of the institution. The TSiBA degree is registered and accredited by the Department of Education and the Council of Higher Education. In 2019, Lewis continued to fund bursaries for 10 students. The scholarship agreement requires students to work for Lewis for one year after completing their degree.

Lewis sponsored 50 cycling shirts for the 2019 TSiBA Charity Cape Town Cycle Tour team to assist in raising funds for the organisation.



Prof Fatima Abrahams and Les Davies presenting a TSiBA Scholarship award

### Environmental sustainability

The group recognises the need to introduce and maintain environmentally sustainable business practices to ensure that it meets its responsibilities in maintaining the environment in which it operates.

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

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

#### Energy and carbon

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.

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 supplier or customer operations and other activities including business travel and employee commuting. Only selected scope 3 emissions were quantified in this assessment.

Fuel and electricity consumption totals are given in the table below for the 2019 financial year.

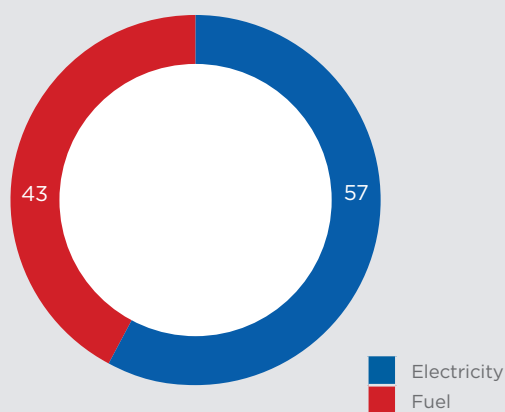
	Petrol consumption (kl)	Electricity (MWh)
South Africa	7 113	27 387
International	1 035	4 584
<b>Total</b>	<b>8 148</b>	<b>31 971</b>

#### Scope 1 and 2 carbon footprint results

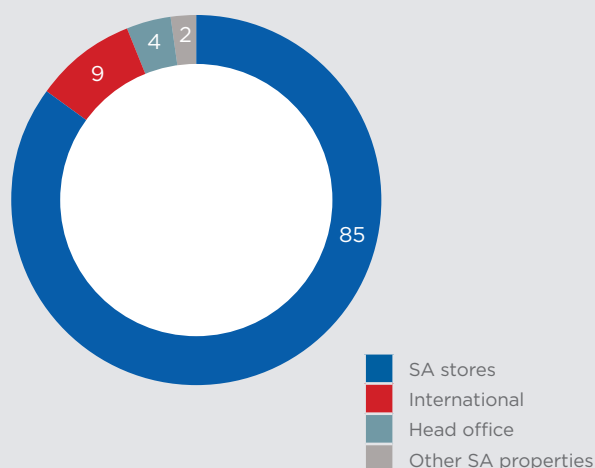
The Lewis Group's total scope 1 and 2 carbon footprint is estimated as 45 459 tonnes CO<sub>2</sub>e for the 2019 financial year, with South African operations contributing 90% to this total. The breakdown of these emissions is provided in the table below along with a comparison of the previous year's assessment.

Scope	Source	2018 CO <sub>2</sub> e	2019 CO <sub>2</sub> e
Scope 1	South Africa fuel	16 917	16 730
	International fuel	2 559	2 434
	<b>Total scope 1</b>	<b>19 476</b>	<b>19 164</b>
Scope 2	South Africa electricity	23 354	24 036
	International electricity	2 510	2 259
	<b>Total scope 2</b>	<b>25 864</b>	<b>26 295</b>
<b>Total scope 1 and 2</b>		<b>45 340</b>	<b>45 459</b>
Total South Africa		40 271	40 766
Total international		5 069	4 693

Emmissions breakdown by emissions type (%)



Scope 2 (electricity) emissions breakdown by property type (%)



The results show a slight increase in emissions of less than 0.5% with a 2% decrease in scope 1 emissions and a 2% increase in scope 2 (electricity) emissions compared to 2018 levels. It is assumed that the reduction in scope 1 emissions is due to a reduction in fuel purchased. The increase in scope 2 emissions is attributed to an increase in electricity consumption due to the addition of 10 foreign stores.

### Scope 3 carbon footprint results

A summary of the assessed scope 3 emissions is presented in the table below. Emissions were only assessed in selected scope 3 categories, and the assessment of upstream distribution was limited to South

African road logistics, omitting international shipping. Partial assessment of scope 3 emissions is accepted practice and is compliant with the GHG protocol, as conducting a comprehensive scope 3 assessment is often prohibitively data- and resource-intensive.

The implication, however, is that the total of these figures should not be interpreted as the complete “scope 3 carbon footprint” for the assessment year.

The group is committed to improving the direct impact of its business activities in the areas of fuel consumption, electricity and water consumption, material usage reduction, and recycling paper and packaging materials.

Scope 3 category	Emission source	Comment	2018 CO <sub>2</sub> e	2019 CO <sub>2</sub> e
Fuel- and energy-related activities	Oil, gas and coal extraction, transport and conversion to liquid fuels; transmission and distribution losses on the electricity grid	Complete assessment	17 182	15 701
Upstream transportation and distribution	Outsourced road distribution in South Africa	Partial assessment: Outsourced transport within South Africa; does not include shipping or other transport	2 679	4 652
Business travel	Domestic and international flights	Complete assessment	223	427
	Car hire	Complete assessment	59	52
Employee commuting	Staff transport emissions travelling to and from work	Complete, but indicative value due to method used	4 822	4 239

## Social, ethics and transformation committee report continued



### Values and ethics

The group's values are core to its business philosophy and guides the way the group conducts its business practices. A formalised policy details the group's code of ethical and acceptable conduct in line with the Principles of the United Nations Global Compact. This policy, together with the group's behavioural code and code of conduct, is made available to all employees.

In addition, the group has a formal policy regarding the acceptance of gifts from current or prospective suppliers and participation in recreational events sponsored by these suppliers.

Lewis enhanced its ethical awareness campaign which includes anti-corruption awareness focusing on ethical conduct, behaviour and reporting.

Employees and suppliers have the responsibility to report observed or suspected unethical behaviour via a toll free number, an ethics email address, by post and telephone.

### Freedom of association

The group allows staff to belong to trade unions of their choice in the respective countries. The group maintains a proactive relationship with the unions and has not experienced any labour disruption due to strike action in the year under review.

### Suppliers and supplier contracts

The supplier code of conduct includes the principles of the United Nations Global Compact. This code of conduct is implemented with suppliers as the agreements are renewed.

### Political party support and lobbying activities

The group supports the multi-party democratic process but does not make donations to any political parties in South Africa or elsewhere. The group does not provide corporate resources to political candidates or parties.

## Stakeholder engagement

GROUP	RATIONALE FOR ENGAGEMENT	MEANS OF ENGAGEMENT	ISSUES OF ENGAGEMENT
Customers	<ul style="list-style-type: none"> <li>Customers purchase household goods for cash or on credit</li> <li>Customer loyalty and retention</li> <li>Brand and product awareness</li> <li>Sustainable revenue stream to generate returns to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>Customer contact in stores</li> <li>Media advertising</li> <li>In-store promotions</li> <li>Market research</li> <li>Mystery shopper programme</li> </ul>	<ul style="list-style-type: none"> <li>High levels of customer retention</li> <li>Improved credit offerings</li> <li>Improved service levels</li> </ul>
Shareholders and investment community	<ul style="list-style-type: none"> <li>Ensure access to capital by attracting investors</li> <li>Provide relevant and timeous information</li> <li>Balanced analysis of the company</li> </ul>	<ul style="list-style-type: none"> <li>Annual and interim results presentations</li> <li>Integrated annual report</li> <li>Investor website</li> <li>Shareholder meetings, including annual general meeting</li> <li>SENS announcements</li> <li>Brokers conferences</li> <li>Meetings with local and international investors and analysts</li> </ul>	<ul style="list-style-type: none"> <li>Trading environment</li> <li>Performance</li> <li>Credit management</li> <li>Store expansion</li> <li>Capital management</li> <li>Strategy</li> <li>Regulation</li> <li>Prospects</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Attract and retain talent</li> <li>Employee motivation</li> <li>Increased productivity</li> <li>Loyalty</li> <li>Rewards</li> </ul>	<ul style="list-style-type: none"> <li>Electronic staff communications</li> <li>Intranet</li> <li>In-store review meetings</li> <li>Regular meetings with unions</li> <li>Teamtalk magazine</li> <li>Induction and training courses</li> </ul>	<ul style="list-style-type: none"> <li>Highly trained and skilled staff</li> <li>Performance-linked incentives and awards</li> <li>Reduced staff turnover</li> <li>Employment equity</li> </ul>
Product suppliers	<ul style="list-style-type: none"> <li>Securing reliable and sustainable supply of goods and services</li> <li>Consistent quality of exclusive merchandise</li> </ul>	<ul style="list-style-type: none"> <li>Regular supplier meetings</li> <li>Factory visits</li> <li>Supplier audits</li> <li>Service level agreements</li> </ul>	<ul style="list-style-type: none"> <li>Quality standards</li> <li>Product availability</li> <li>Product exclusivity</li> <li>Pricing</li> <li>Delivery lead times</li> </ul>
Regulatory bodies	<ul style="list-style-type: none"> <li>Legislative and regulatory compliance</li> <li>Sound governance</li> </ul>	<ul style="list-style-type: none"> <li>Statutory reporting</li> <li>Regulatory submissions</li> <li>Liaison with regulators</li> <li>Membership of industry bodies and forums</li> </ul>	<ul style="list-style-type: none"> <li>Insight into regulatory changes</li> <li>Submissions to draft regulation</li> <li>Compliance</li> <li>Statutory reporting and returns</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Responsible corporate citizen</li> </ul>	<ul style="list-style-type: none"> <li>Community investment and upliftment through CSI programmes and local support through stores</li> </ul>	<ul style="list-style-type: none"> <li>Continued investment in CSI programme</li> <li>Store and staff involvement in CSI projects</li> </ul>

**Prof Fatima Abrahams**

*Chairperson*

Social, ethics and transformation committee



# Shareholder information



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## Shareholder analysis

as at 31 March 2019

	Number of shareholders total	%	Number of shares total	%
<b>Shareholders spread</b>				
1 - 1 000 shares	1 651	68.91	379 684	0.47
1 001 - 10 000 shares	515	21.49	1 691 680	2.11
10 001 - 100 000 shares	148	6.18	4 885 991	6.09
100 001 - 1 000 000 shares	70	2.92	24 166 656	30.13
1 000 001 shares and over	12	0.50	49 086 065	61.20
<b>Total</b>	<b>2 396</b>	<b>100.00</b>	<b>80 210 076</b>	<b>100.00</b>

	Number of shareholders total	%	Number of shares total	%
<b>Distribution of shareholders</b>				
<b>Public</b>	<b>2 388</b>	<b>99.67</b>	<b>79 094 934</b>	<b>98.61</b>
Unit Trusts/Mutual Funds			43 593 466	54.35
Pension funds			15 107 582	18.84
Other			20 393 886	25.42
<b>Non-public</b>	<b>8</b>	<b>0.33</b>	<b>1 115 142</b>	<b>1.39</b>
Lewis Employee Incentive Scheme Trust	1	0.04	15 842	0.02
Directors:				
Lewis Group Limited	4	0.17	594 911	0.74
Lewis Stores Proprietary Limited	3	0.13	504 389	0.63
<b>Total</b>	<b>2 396</b>	<b>100.00</b>	<b>80 210 076</b>	<b>100.00</b>

## Major shareholdings as at 31 March 2019

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 2019:

	Number of shares total	%
<b>Beneficial shareholders</b>		
Trimark Global Endeavour Fund	9 607 131	11.98
Government Employees Pension Fund	7 308 407	9.11
Trimark Global Balanced Fund	4 268 216	5.32
Trimark Global Endeavour Fund	4 030 513	5.02
<b>By fund manager</b>		
Invesco Limited (Canada)	20 556 924	25.63
Public Investment Corporation (SA)	7 678 598	9.57
Dimensional Fund Advisors (US)	4 791 889	5.97
LSV Asset management (US)	4 277 397	5.33
Stonehage Trust Holdings (Jersey) Ltd	4 235 711	5.28

	%
<b>Geographical distribution of shareholders</b>	
<b>Beneficial shareholders</b>	
South Africa	41.11
North America	43.86
Rest of the world	15.03
	100.00
<b>By fund manager</b>	
South Africa	40.61
North America	45.05
Rest of the world	14.34
	100.00

## Shareholders' diary

Financial year-end	31 March 2019
Final profit announcement	22 May 2019
Final dividend declared	22 May 2019
Integrated report	28 June 2019
Record date for voting at the annual general meeting	18 October 2019
Annual general meeting	25 October 2019
Interim profit announcement	20 November 2019
<b>Pending dividend</b>	
Dividend per share	129 cents
Net dividend receivable per share (If not exempt from dividend tax)	103.2 cents
Date dividend declared	22 May 2019
Last day to trade "cum" dividend	16 July 2019
Date trading commences "ex" dividend	17 July 2019
Record date	19 July 2019
Date of dividend payment	22 July 2019

## Corporate information

**Non-executive directors:** Hilton Saven (independent non-executive chairman), Prof. Fatima Abrahams, Adheera Bodasing, Daphne Motsepe, Alan Smart, 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; 7 Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 2196; PO Box 61051, Marshalltown, 2107.

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