AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

REVIEW OF 2023 FINANCIAL YEAR

MERCHANDISE SALES INCREASED BY
1.4%
to R4.4 billion

REVENUE INCREASED BY
3.1%
to R7.5 billion

GROSS PROFIT MARGIN AT
40.6%

SATISFACTORY PAID ACCOUNTS AT
80.4%

DEBTORS' BOOK GROWTH OF
7.5%

DEBTOR COST GROWTH CONTAINED TO
7.0%

EARNINGS PER SHARE DECREASED BY
5.7%
to 689 cents

HEADLINE EARNINGS PER SHARE INCREASED BY
1.0%
to 857 cents

TOTAL DIVIDEND MAINTAINED AT
413
cents per share

INTRODUCTION

The group's performance for the 2023 financial year reflects the state of consumers in South Africa's low growth, high inflationary environment where escalating fuel, energy, food and borrowing costs is placing significant pressure on spending, with load shedding weighing heavily on consumer sentiment and economic growth.

The highlight of the results is the quality and performance of the group's debtors' book. Despite the weak consumer economy, the debtors' book has shown good growth, collection rates have strengthened, and the percentage of satisfactory paid accounts increased to a record level, resulting in the reduction of the debtors impairment provision.

The group proved its resilience with credit sales continuing to grow strongly across the traditional retail brands of Lewis, Beares and Best Home & Electric. Cash sales slowed further which adversely impacted the performance of the cash retail brand, UFO.

The board has shown its confidence in the group's cash generating capability and maintained the total dividend for the year at 413 cents per share.

TRADING AND FINANCIAL PERFORMANCE

Merchandise sales increased by 1.4% to R4.4 billion. Sales in the traditional retail segment increased by 3.5% while the cash retailer UFO reported a decline of 12.5%. The group's comparable store sales were 0.3% lower.

Credit sales continued to be robust in the current environment and grew by 18.1% while cash sales declined by 16.3%. Credit sales accounted for 59.9% of total merchandise sales compared to 51.4% in the prior year. The group has maintained its strict credit granting criteria and through adjusted marketing initiatives, attracted more low-risk credit customers with the application decline rate settling at 34.7% (2022: 36.1%).

Sales in the stores outside South Africa, which represent 16.0% of the store base, increased by 3.4% and accounted for 18.3% of the group's sales.

The group has continued to invest in expanding its store base and opened a net 21 new stores across all brands, bringing the store footprint to 840. This is the highest number of net store openings since 2016. A further 150 stores were revamped as part of the ongoing store refurbishment programme.

Other revenue, consisting of effective interest income, insurance revenue and ancillary services income, benefited from the strong credit sales growth in the past two years and increased by 5.8%.

Total revenue, comprising merchandise sales and other revenue, increased by 3.1% to R7.5 billion.

Despite continued cost pressures the group's gross profit margin strengthened in the second half and closed at 40.6% (2022: 40.5%), within the group's target range of 40% – 42%. The group has been successful in securing better shipping rates which are approximately 70% lower than the inflated sea freight charges reported since the outbreak of the Covid-19 pandemic in 2020.

Operating costs, excluding debtor costs, impairments and capital items, were well managed and grew by 6.7%, despite significantly higher transport costs and the increased investment in marketing and training. Employment costs declined due to lower performance-related incentives.

The health of the group's debtors' portfolio continued to improve and the debtors' book grew by 7.5% over the prior year. The level of satisfactory paid customers increased to 80.4% (2022: 79.0%), having improved significantly from 68.4% five years ago.

Enhanced collection strategies continued to contribute to collection rates strengthening to 80.8% at year end (2022: 79.0%).

Debtor cost growth was contained to 7.0%, compared to the debtor book growth of 7.5% while debtor costs as a percentage of debtors at gross carrying value was maintained at 12.3%.

The quality of the debtors' book and the sustained collections performance over the past few years resulted in the impairment provision as a percentage of debtors at gross carrying value reducing from 40.4% to 36.2% for the current period.

Operating profit before impairments and capital items declined by 8.3% to R702.8 million. The slower trading in UFO resulted in an impairment of R91.1 million being recognised against its goodwill. An impairment of R22.9 million was recognised against the group's right-of-use assets. Operating profit for the year declined by 10.1% to R600.6 million.

Net finance costs increased by R44.0 million mainly due to higher bank interest paid, which was partially offset by foreign exchange gains of R21.9 million (2022: losses of R5.1 million).

Earnings declined by 15.7% to R407.1 million and earnings per share (EPS) decreased by 5.7% to 689 cents. Headline earnings were 9.8% lower at R506.3 million. Headline earnings per share (HEPS) increased by 1.0% to 857 cents, reflecting the positive leverage effect from the group's aggressive share repurchase programme.

Inventory levels reduced by 14.7% as the supply chain stabilised in recent months. Over the past two years the group has consciously carried higher inventory levels to ensure the business has adequate stock cover to counter the supply chain challenges and meet customer demand.

The group's balance sheet remains strong with the net asset value increasing by 7.3% to R80.76 per share.

In line with expectations, the gearing ratio, including lease liabilities, increased to 24.5% from 15.3% in the prior year mainly due to the ongoing investment in the debtors' book due to the higher level of credit sales.

SHARE REPURCHASE PROGRAMME

The group repurchased 5.5 million shares at a cost of R275.7 million during the year, at an average price of R49.96 per share. Since the commencement of the current share repurchase programme in 2017, the group has bought back 31.5 million shares at a cost of more than R1.1 billion and an average price of R34.99 per share. At the annual general meeting in October 2022, shareholders granted management the authority to repurchase a further 10% of the issued share capital and the group had utilised 2.6% of this mandate by year end.

OUTLOOK

The current tough retail conditions are likely to deteriorate further with increasing pressure on consumer disposable income due to rising interest rates, transport costs, energy and food prices. Additionally, the ongoing issue of electricity load shedding continues to impact trade, causing disruptions in sales patterns.

The group has proven its resilience through previous economic downturns and management is confident in the group's medium-term prospects.

The consumer appetite for credit is expected to continue into the new financial year and management believes that the overall health of the book can be maintained, supported by the enhanced collections practices.

New merchandise ranges are being introduced across all brands and the more favourable shipping rates on imported products should support sales growth. UFO in particular will benefit from the lower rates as approximately 65% of the chain's merchandise is imported. However, cost pressures will arise from the weakening Rand exchange rate, placing pressure on the group's import programme and pricing strategy, should the Rand not recover in the short-term.

The group is accelerating its store expansion programme in response to opportunities to acquire well located trading space and plans to open 25 stores across the traditional retail brands in the new financial year.

DIVIDEND DECLARATION

Notice is hereby given that a final gross cash dividend of 218 cents per share in respect of the year-ended 31 March 2023 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 57 259 052. The dividend has been declared out of income reserves and is subject to a dividend tax of 20%. The dividend for determining the dividend tax is 218 cents and the dividend tax payable is 43.6 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 174.4 cents. The dividend tax rate may be reduced where the shareholder is tax resident in a foreign jurisdiction which has a Double Tax Convention with South Africa and meets the requirements for a reduced tax rate. The company's tax reference number is 9551/419/15/4.

The following dates are applicable to this declaration:

Last date to trade "*cum*" dividend	Tuesday, 18 July 2023
Date trading commences "*ex*" dividend	Wednesday, 19 July 2023
Record date	Friday, 21 July 2023
Date of payment	Monday, 24 July 2023

Share certificates may not be dematerialised or rematerialised between Wednesday, 19 July 2023 and Friday, 21 July 2023, both days inclusive.

For and on behalf of the board

Hilton Saven
Independent non-executive chairman

Johan Enslin
Chief executive officer

Jacques Bestbier
Chief financial officer

Cape Town
25 May 2023

INDEPENDENT AUDITOR'S REPORT
ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Lewis Group Limited

OPINION

The summary consolidated financial statements of Lewis Group Limited, contained in the accompanying abridged report, which comprise the summary consolidated balance sheet as at 31 March 2023, the summary consolidated income statement, the summary consolidated statement of comprehensive income, the summary consolidated statement of changes in equity and summary consolidated cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of Lewis Group Limited for the year ended 31 March 2023.

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 requirements of the JSE Limited Listings Requirements for abridged reports, 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 25 May 2023. 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 requirements of the JSE Limited Listings Requirements for abridged reports, 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.

PricewaterhouseCoopers Inc.
Director: MR Fortune
Registered Auditor

Cape Town, South Africa
25 May 2023

Lewis Group Limited: Summary consolidated financial statements

INCOME STATEMENT

for the year ended 31 March 2023

	Notes	2023 Audited Rm	2022 Audited Rm
Revenue	4.1	**7 483.0**	7 256.1
Retail revenue	4.2	**5 268.1**	5 200.5
Merchandise sales		**4 443.1**	4 382.5
Ancillary services		**825.0**	818.0
Insurance revenue		**881.0**	776.0
Effective interest income		**1 333.9**	1 279.6
Cost of merchandise sales	5	**(2 637.0)**	(2 607.6)
Operating costs		**(4 143.2)**	(3 881.7)
Debtor costs	2.2	**(751.7)**	(702.4)
Bad debts net of recoveries		**(838.7)**	(825.7)
Movement in debtors impairment provision		**87.0**	123.3
Employment costs		**(1 376.6)**	(1 411.7)
Administration and IT		**(369.6)**	(345.1)
Transport and travel		**(348.3)**	(278.6)
Marketing		**(315.9)**	(279.9)
Depreciation and amortisation	8.1	**(350.9)**	(327.8)
Other operating costs		**(630.2)**	(536.2)
Operating profit before impairments and capital items		**702.8**	766.8
Impairments and capital items	8.2	**(102.2)**	(98.9)
Operating profit		**600.6**	667.9
Investment income	3.2	**33.5**	34.6
Interest paid	9.3	**(110.9)**	(48.9)
Interest received	9.3	**16.4**	25.4
Foreign exchange gains/(losses)	9.3	**21.9**	(5.1)
Profit before taxation		**561.5**	673.9
Taxation	10	**(154.4)**	(190.8)
Net profit attributable to ordinary shareholders		**407.1**	483.1
Earnings per share (cents)		**689.0**	730.7
Diluted earnings per share (cents)		**666.2**	709.9

Lewis Group Limited: Summary consolidated financial statements

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	2023 Audited Rm	2022 Audited Rm
Net profit for the year	**407.1**	483.1
Items that may be subsequently reclassified to income statement:		
Movement in other reserves	**11.8**	(3.9)
Fair value adjustments	**(6.5)**	9.0
Changes in the fair value of debt instruments at fair value through other comprehensive income – FVOCI debt investments	**(8.9)**	12.5
Tax effect	**2.4**	(3.5)
Foreign currency translation reserve	**18.3**	(12.9)
Items that may not be subsequently reclassified to income statement:		
Retirement benefit remeasurements	**(0.7)**	6.5
Remeasurements of the retirement asset and liabilities	**(1.0)**	9.1
Tax effect	**0.3**	(2.6)
Other comprehensive income	**11.1**	2.6
Total comprehensive income for the year attributable to equity shareholders	**418.2**	485.7

Lewis Group Limited: Summary consolidated financial statements

EARNINGS AND DIVIDENDS PER SHARE

for the year ended 31 March 2023

		2023 Audited	2022 Audited
Weighted average number of shares			
Weighted average	('000)	**59 082**	66 112
Diluted weighted average	('000)	**61 112**	68 056
Headline earnings			
Attributable earnings	(Rm)	**407.1**	483.1
Profit on disposal of fixed assets	(Rm)	**(1.5)**	(14.0)
Impairment of right-of-use assets	(Rm)	**16.8**	70.6
Goodwill impairment	(Rm)	**91.1**	31.4
Profit on scrapping of fixed assets due to civil unrest	(Rm)	**(7.2)**	(10.0)
Scrapping of assets	(Rm)	**–**	7.1
Compensation from insurers	(Rm)	**(7.2)**	(17.1)
Headline earnings	(Rm)	**506.3**	561.1
Earnings per share			
Earnings per share	(cents)	**689.0**	730.7
Diluted earnings per share	(cents)	**666.2**	709.9
Headline earnings per share			
Headline earnings per share	(cents)	**856.9**	848.7
Diluted headline earnings per share	(cents)	**828.5**	824.5
Dividends per share			
Dividends paid per share			
Final dividend 2022 (2021)	(cents)	**218.0**	195.0
Interim dividend 2023 (2022)	(cents)	**195.0**	195.0
	(cents)	**413.0**	390.0
Dividends declared per share			
Interim dividend 2023 (2022)	(cents)	**195.0**	195.0
Final dividend 2023 (2022)	(cents)	**218.0**	218.0
	(cents)	**413.0**	413.0

Lewis Group Limited: Summary consolidated financial statements

BALANCE SHEET

as at 31 March 2023

	Notes	2023 Audited Rm	2022 Audited Rm
Assets			
Non-current assets			
Property, plant and equipment		**426.3**	396.4
Right-of-use assets	7.2	**760.0**	747.1
Intangible assets		**114.9**	107.3
Goodwill		**59.9**	151.0
Deferred taxation		**53.0**	82.7
Retirement benefit asset		**106.7**	109.8
Financial assets – insurance investments	3.1	**257.3**	266.1
		1 778.1	1 860.4
Current assets			
Inventories		**869.3**	1 018.8
Trade, insurance and other receivables	2.1	**4 071.5**	3 535.0
Taxation		**6.5**	28.1
Financial assets – insurance investments	3.1	**138.9**	156.7
Cash-on-hand and deposits	9.1	**183.0**	308.1
		5 269.2	5 046.7
Total assets		**7 047.3**	6 907.1
Equity and liabilities			
Capital and reserves			
Share capital and premium		**0.9**	0.9
Treasury shares		**(8.3)**	(3.7)
Other reserves		**35.5**	11.4
Retained earnings		**4 581.8**	4 708.4
		4 609.9	4 717.0
Non-current liabilities			
Lease liabilities	7.1	**680.3**	700.1
Deferred taxation		**39.7**	27.4
Retirement benefit liability		**73.3**	77.3
		793.3	804.8
Current liabilities			
Trade and other payables		**684.2**	685.0
Payments in advance		**189.6**	181.1
Insurance liabilities		**112.8**	102.2
Short-term interest-bearing borrowings	9.1	**367.5**	80.8
Lease liabilities	7.1	**264.7**	250.2
Taxation		**25.3**	86.0
		1 644.1	1 385.3
Total equity and liabilities		**7 047.3**	6 907.1

Lewis Group Limited: Summary consolidated financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	2023 Audited Rm	2022 Audited Rm
Share capital and premium		
Opening balance	**0.9**	0.9
Cost of own shares acquired	**(275.7)**	(353.2)
Transfer of cost of cancelled shares	**275.7**	353.2
	0.9	0.9
Treasury shares		
Opening balance	**(3.7)**	(0.4)
Share awards to employees	**29.4**	51.8
Cost of own shares acquired	**(34.0)**	(55.1)
	(8.3)	(3.7)
Other reserves		
Opening balance	**11.4**	33.6
Other comprehensive income for the year:		
Changes in fair value of FVOCI debt investments	**(6.5)**	9.0
Foreign currency translation reserve	**18.3**	(12.9)
Equity-settled share-based payments	**25.8**	21.1
Transfer of share-based payments reserve to retained earnings on vesting	**(13.5)**	(39.4)
	35.5	11.4
Retained earnings		
Opening balance	**4 708.4**	4 838.6
Net profit attributable to ordinary shareholders	**407.1**	483.1
Distribution to shareholders	**(241.4)**	(254.2)
Transfer of cost of cancelled shares	**(275.7)**	(353.2)
Transfer of share-based payments reserve to retained earnings on vesting	**13.5**	39.4
Retirement benefit remeasurements	**(0.7)**	6.5
Share awards to employees	**(29.4)**	(51.8)
	4 581.8	4 708.4
Balance as at 31 March	**4 609.9**	4 717.0

Lewis Group Limited: Summary consolidated financial statements

CASH FLOW STATEMENT

for the year ended 31 March 2023

	Notes	2023 Audited Rm	2022 Audited Rm
Cash flow from operating activities			
Cash flow from trading	11.1	**981.2**	1 019.5
Changes in working capital	11.2	**(239.3)**	(156.2)
Cash flow from operations		**741.9**	863.3
Interest received other than from trade receivables		**16.4**	25.4
Interest paid	11.3	**(105.7)**	(74.7)
Foreign exchange gains/(losses)		**14.2**	(4.8)
Taxation paid		**(149.3)**	(104.2)
		517.5	705.0
Cash utilised in investing activities			
Purchases of insurance investments	3.1	**(32.1)**	(51.2)
Disposals of insurance investments		**83.3**	152.8
Acquisition of property, plant and equipment and intangible assets		**(142.9)**	(119.5)
Proceeds on disposal and scrapping of property, plant and equipment		**18.1**	52.3
		(73.6)	34.4
Cash flow from financing activities			
Dividends paid		**(241.4)**	(254.2)
Payment of principal portion of lease liabilities	7.1	**(304.6)**	(296.6)
Purchase of own shares		**(309.7)**	(408.3)
		(855.7)	(959.1)
Net decrease in cash and cash equivalents		**(411.8)**	(219.7)
Cash and cash equivalents at the beginning of the year		**227.3**	447.0
Cash and cash equivalents at the end of the year	9.1	**(184.5)**	227.3

1. BASIS OF REPORTING

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

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

The group has a trading cycle of 1 April to 31 March aligned with its statutory year-end. This is consistent with the previous financial year.

These financial statements are a summary of the group's audited annual financial statements for the year-ended 31 March 2023. The audited annual financial statements were prepared by the group's Finance Department under the supervision of Mr J Bestbier CA(SA). A copy of the full set of the audited financial statements is available on the group website, www.lewisgroup.co.za.

These summary consolidated financial statements for the year-ended 31 March 2023 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. The audited financial statements and the auditor's report thereon are available for inspection at the company's registered office and on the group website, www.lewisgroup.co.za.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS

2.1 Trade, insurance and other receivables

		2023 Audited Rm	2022 Audited Rm
Trade and insurance receivables		**6 122.4**	5 696.7
Trade receivables		**6 013.2**	5 581.3
Insurance receivables		**109.2**	115.4
Provision for impairment		**(2 213.4)**	(2 300.4)
Trade receivables		**(2 162.5)**	(2 233.3)
Insurance receivables		**(50.9)**	(67.1)
Trade and insurance receivables (net)		**3 909.0**	3 396.3
Due within 12 months		**2 436.5**	2 162.4
Due after 12 months		**1 472.5**	1 233.9
Other receivables		**162.5**	138.7
Total trade, insurance and other receivables		**4 071.5**	3 535.0
Debtors impairment provision as a percentage of debtors at gross carrying value	(%)	**36.2**	40.4

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

Other receivables consist of prepayments, VAT, foreign reinsurance receivables, enterprise development loans and investment in insurance cell captive.

Payment ratings

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

There are 13 payment ratings with customers being allocated to one of these 13 payment ratings in accordance with their payment behaviour. For the purpose of managing the business, the 13 payment ratings are summarised into three main groupings, namely:

- **Satisfactory paid**

These represent customers with a payment rating of between 9 and 13, with the lowest rated customers having paid an average of approximately 70% over the contract period.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Payment ratings continued

- **Slow payers**

These represent customers with a payment rating of 7 and 8, with the lowest rated customers having paid an average of approximately 55% of amounts due over the contract period.

- **Non-performing accounts**

These represent customers not classified as Satisfactory paid or Slow payers with a payment rating of 6 and lower.

These payment ratings are used to categorise and report on customers, to re-sell to satisfactory paid customers and to follow up the slow paying and non-performing customers.

Impairment modelling

In accordance with paragraph 5.5.15(a)(ii) of IFRS 9, the group has elected to apply the simplified model and measures the impairment allowance at an amount equal to lifetime expected credit losses ("ECL"). This policy has been applied to all trade receivables. Lifetime ECL are assessed by determining cash flows on a probability-weighted basis and discounting these at the effective interest rate including initiation fees. The discount rate used was 27.0% (2022: 26.6%). Cash flows are forecast up to month 60 of the account.

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

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

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

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

For each term, lifetime payment rating and age, the transitional matrix predicts the probability of an account transitioning into future lifetime payment ratings for the remaining months on book.

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

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Forward-looking information

IFRS 9 requires that the ECL impairment provision considers potential future changes in the economic environment. To achieve this, an economic overlay model has been developed by performing a regression analysis between key economic variables and the percentage of performing accounts rolling into non-performing states in the following 12 months. This analysis is done on an annual basis to identify the relevant economic variables and assess the degree of correlation with the non-performing category. Recent observations in the analysis were upweighted to more accurately reflect the enhanced collection strategies as evidenced by the improvement in satisfactory paid customers from 74.4% in 2021 to 80.4% in the current year with the value of the satisfactory paid increasing by 26.9% over the corresponding period.

The assessment for 2023 has identified, consistent with the 2022 year-end, the following economic variables as those with the highest degree of statistical significance:

- Real durable consumption, adjusted to account for GDP growth.
- Year-on-year change in debt/disposable income.

Base, upside and downside scenarios using the economic variables above are determined and a weighted average scenario prepared. This is compared to the base position and an appropriate adjustment is made to the whole trade receivables book. The three scenarios project the future impact of the economic variables on the impairment provision.

Global and local macroeconomic factors are likely to put additional strain on consumer disposable income during the coming year and consequently management has assigned a probability of 70% to the downside scenario, 25% to the base scenario and 5% to the upside scenario for the 12-month forecast. The resultant impact of R168.9 million (2022: R270.4 million) was included in the group's ECL impairment provision.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Forward-looking information continued

Management's areas of judgement include the probabilities of these scenarios occurring, the severity of the scenarios and the potential impact it might have on payment performance. A sensitivity analysis has been performed and the impact is illustrated below:

Probability-weighted impact of all three scenarios	2023 Rm	2023 % change	2022 Rm	2022 % change
	168.9		270.4	
100% downside scenario	**193.4**	**14.5**	302.1	11.7
100% base scenario	**124.5**	**(26.3)**	211.6	(21.7)
100% upside scenario	**48.4**	**(71.3)**	120.3	(55.5)

Combined impairment and contractual arrears table

The table reflects the following:

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

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

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Debtor analysis – 31 March 2023

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears ≤3 months R'000	Instalments in arrears >3 months R'000
Satisfactory paid	478 396	4 488 557	1 005 591	22.4	623 336	406 214	217 122
(%)	80.4	73.3	45.4				
Slow payers	74 964	904 546	590 886	65.3	539 279	183 314	355 965
(%)	12.6	14.8	26.7				
Non-performing accounts	41 444	729 323	616 970	84.6	535 225	113 338	421 887
(%)	7.0	11.9	27.9				
Total	594 804	6 122 426	2 213 447	36.2	1 697 840	702 866	994 974

Credit impaired debtors as at 31 March 2023

Credit impaired categories	Non-performing accounts R'000	*In duplum* Satisfactory R'000	*In duplum* Slow pay R'000	Debt counselling Satisfactory R'000	Debt counselling Slow pay R'000	No payment in three consecutive months Satisfactory R'000	No payment in three consecutive months Slow pay R'000	Total R'000
Gross carrying value	729 323	1 020	761	67 148	75 722	49 618	73 685	997 277
Impairment provision	(616 970)	(410)	(551)	(19 086)	(49 468)	(14 918)	(48 085)	(749 488)
Amortised cost	112 353	610	210	48 062	26 254	34 700	25 600	247 789

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Debtor analysis – 31 March 2022

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears ≤3 months* R'000	Instalments in arrears >3 months R'000
Satisfactory paid	455 999	3 905 943	841 709	21.5	592 552	371 027	221 525
(%)	79.0	68.6	36.6				
Slow payers	69 098	819 412	599 732	73.2	530 575	166 922	363 653
(%)	12.0	14.4	26.1				
Non-performing accounts	51 796	971 311	858 977	88.4	759 918	139 792	620 126
(%)	9.0	17.0	37.3				
Total	576 893	5 696 666	2 300 418	40.4	1 883 045	677 741	1 205 304

** The table was condensed to enhance usability and present pertinent financial information more concisely to the users of the financial statements.*

Credit impaired debtors as at 31 March 2022

Credit impaired categories	Non-performing accounts R'000	*In duplum* Satisfactory R'000	*In duplum* Slow pay R'000	Debt counselling Satisfactory R'000	Debt counselling Slow pay R'000	No payment in three consecutive months Satisfactory R'000	No payment in three consecutive months Slow pay R'000	Total R'000
Gross carrying value	971 311	1 708	1 878	44 838	60 200	43 703	58 981	1 182 619
Impairment provision	(858 977)	(817)	(1 474)	(13 135)	(41 628)	(13 300)	(41 175)	(970 506)
Amortised cost	112 334	891	404	31 703	18 572	30 403	17 806	212 113

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Interest rate risk

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

The weighted average contractual interest rate on trade receivables is 21.6% (2022: 20.8%).

Fair value

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

2.2 Debtor costs

		2023 Audited Rm	2022 Audited Rm
Bad debts		**919.2**	902.0
Bad debts before adjustment for interest on credit impaired accounts		**1 011.0**	1 021.3
Adjustment for interest on credit impaired accounts		**(91.8)**	(119.3)
Bad debt recoveries		**(80.5)**	(76.3)
Movement in debtors impairment provision		**(87.0)**	(123.3)
Closing balance		**2 213.4**	2 300.4
Opening balance		**(2 300.4)**	(2 423.7)
Total debtor costs		**751.7**	702.4
Debtor costs as a percentage of debtors at gross carrying value	(%)	**12.3**	12.3

"Bad debts before adjustment for interest on credit impaired accounts" is the gross carrying amounts of the trade receivables written off. For 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.

3. INSURANCE

3.1 Insurance investments

	2023 Audited Rm	2022 Audited Rm
Financial assets – insurance investments		
Listed investments		
Fixed income securities – FVOCI	**257.3**	266.1
Unlisted investments		
Money market floating rate notes – FVTPL	**138.9**	156.7
	396.2	422.8
Analysed as follows:		
Non-current	**257.3**	266.1
Current	**138.9**	156.7
	396.2	422.8
Movement for the year		
Beginning of the year	**422.8**	477.3
Additions to investments	**32.1**	51.2
Disposals of investments	**(83.3)**	(152.8)
Interest	**33.5**	34.6
Fair value adjustment	**(8.9)**	12.5
End of the year	**396.2**	422.8

A register of 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
31 March 2023		
Insurance investments:		
Fixed income securities – FVOCI	**257.3**	**257.3**
Money market floating rate notes – FVTPL	**138.9**	**138.9**
	396.2	**396.2**
31 March 2022		
Insurance investments:		
Fixed income securities – FVOCI	266.1	266.1
Money market floating rate notes – FVTPL	156.7	156.7
	422.8	422.8

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

3.2 Investment income

	2023 Audited Rm	2022 Audited Rm
Interest – insurance business	**33.5**	34.6

4. REVENUE

4.1 Revenue

	2023 Audited Rm	2022 Audited Rm
Retail revenue – revenue from contracts with customers	**5 268.1**	5 200.5
Merchandise sales	**4 443.1**	4 382.5
Ancillary services	**825.0**	818.0
Insurance revenue	**881.0**	776.0
Effective interest income	**1 333.9**	1 279.6
Finance charges and initiation fees earned	**1 425.7**	1 398.9
Adjustment for interest on credit impaired accounts	**(91.8)**	(119.3)
	7 483.0	7 256.1

4.2 Retail revenue

	Traditional Rm	Cash Rm	Group Rm
31 March 2023			
Merchandise sales			
– Cash	**1 284.1**	**498.1**	**1 782.2**
– Credit	**2 660.9**	**–**	**2 660.9**
Ancillary services			
– At a point in time	**191.6**	**7.7**	**199.3**
– Over time	**625.7**	**–**	**625.7**
	4 762.3	**505.8**	**5 268.1**
31 March 2022			
Merchandise sales			
– Cash	1 560.3	569.1	2 129.4
– Credit	2 253.1	–	2 253.1
Ancillary services			
– At a point in time	166.4	9.0	175.4
– Over time	642.6	–	642.6
	4 622.4	578.1	5 200.5

5. GROSS PROFIT

		2023 Audited Rm	2022 Audited Rm
Merchandise sales		**4 443.1**	4 382.5
Cost of merchandise sales		**(2 637.0)**	(2 607.6)
Merchandise gross profit		**1 806.1**	1 774.9
Gross profit margin	(%)	**40.6**	40.5

6. REPORTABLE SEGMENTS

Primary		Note	Traditional Rm	Cash Rm	Group Rm
For the year ended 31 March 2023					
Revenue			**6 977.2**	**505.8**	**7 483.0**
Merchandise sales			**3 945.0**	**498.1**	**4 443.1**
Segment operating profit before impairments and capital items			**698.4**	**4.4**	**702.8**
Segment operating margin before impairments and capital items	(%)		**17.7**	**0.9**	**15.8**
Impairments and capital items		8.2	**(26.0)**	**128.2**	**102.2**
Segment operating profit/(loss)			**724.4**	**(123.8)**	**600.6**
Segment operating margin	(%)		**18.4**	**(24.9)**	**13.5**
Segment assets [(1)]			**4 603.0**	**175.3**	**4 778.3**
For the year ended 31 March 2022					
Revenue			6 678.0	578.1	7 256.1
Merchandise sales			3 813.4	569.1	4 382.5
Segment operating profit before impairments and capital items			728.2	38.6	766.8
Segment operating margin before impairments and capital items	(%)		19.1	6.8	17.5
Impairments and capital items		8.2	24.0	74.9	98.9
Segment operating profit/(loss)			704.2	(36.3)	667.9
Segment operating margin	(%)		18.5	(6.4)	15.2
Segment assets [(1)]			4 211.4	203.7	4 415.1

[(1)] *Segment assets include net trade and insurance receivables of R3 909.0 million (2022: R3 396.3 million) and inventory of R869.3 million (2022: R1 018.8 million).*

6. REPORTABLE SEGMENTS CONTINUED

Geographical	South Africa Rm	Namibia Rm	BLE [1] Rm	Group Rm
For the year ended 31 March 2023				
Revenue	**6 326.5**	**580.1**	**576.4**	**7 483.0**
For the year ended 31 March 2022				
Revenue	6 165.6	545.3	545.2	7 256.1

[1] *Botswana, Lesotho and Eswatini*

7. LEASES

	2023 Audited Rm	2022 Audited Rm
7.1 Lease liabilities		
Opening balance	**950.3**	805.8
Additions and renewed leases	**297.6**	444.9
Expired, renegotiated and modified leases	**1.7**	(4.1)
Rent concessions	**–**	0.3
Principal portion of lease liabilities	**(304.6)**	(296.6)
Interest on lease liabilities	**69.6**	62.1
Lease liability payments	**(374.2)**	(358.7)
Closing balance	**945.0**	950.3
Analysed as follows:	**945.0**	950.3
Non-current	**680.3**	700.1
Current	**264.7**	250.2
7.2 Right-of-use assets		
Retail premises		
Opening balance	**747.1**	635.0
Additions and renewed leases	**297.6**	444.9
Expired, renegotiated and modified leases	**2.7**	(2.6)
Remeasurement of restoration provision	**(12.7)**	1.1
Rent concessions	**–**	0.3
Depreciation	**(251.8)**	(232.4)
Net impairment	**(22.9)**	(99.2)
Closing balance	**760.0**	747.1

8. DEPRECIATION, AMORTISATION, IMPAIRMENT AND CAPITAL ITEMS

		Note	2023 Audited Rm	2022 Audited Rm
8.1	**Depreciation and amortisation**			
	Depreciation			
	Right-of-use assets		**251.8**	232.4
	Property, plant and equipment		**83.1**	81.1
	Buildings		**1.2**	1.2
	Vehicles		**28.0**	32.1
	Furniture, fixtures and equipment		**53.9**	47.8
	Amortisation			
	Intangible assets		**16.0**	14.3
			350.9	327.8
8.2	**Impairments and capital items[1]**			
	Impairment of right-of-use assets		**22.9**	99.2
	Impairment of goodwill		**91.1**	31.4
	Total impairments		**114.0**	130.6
	Profit on disposal of fixed assets		**(1.9)**	(17.7)
	Profit on scrapping of fixed assets due to civil unrest	13	**(9.9)**	(14.0)
	Losses due to scrapping of assets		**–**	9.8
	Insurance recoveries due to damaged assets		**(9.9)**	(23.8)
			102.2	98.9

[1] *This includes the before tax effect of all re-measurements and capital items excluded from headline earnings per share in accordance with the guidance contained in SAICA Circular 1/2021: Headline Earnings.*

9. BORROWINGS, CASH AND NET FINANCE COSTS

			2023 Audited Rm	2022 Audited Rm
9.1	**Borrowings, banking facilities and cash**			
	Short-term interest-bearing borrowings		**(367.5)**	(80.8)
	Cash-on-hand and deposits		**183.0**	308.1
	Cash and cash equivalents		**(184.5)**	227.3
	Available facilities			
	Banking facilities		**950.0**	950.0
	Domestic Medium-Term Note programme		**2 000.0**	2 000.0
			2 950.0	2 950.0

Available facilities

Available facilities include revolving credit and overnight facilities (short-term interest-bearing borrowings). Revolving credit facilities are at interest rates linked to three-month JIBAR. The interest rates on the overnight facilities are based on rates as determined by each of the banks based on market conditions.

Interest rate profile

The weighted average interest rate at the end of the reporting period for overnight facilities was 9.4% (2022: 6.0%).

			2023 Audited Rm	2022 Audited Rm
9.2	**Capital management**			
	Net debt		**1 129.5**	723.0
	Shareholders' equity		**4 609.9**	4 717.0
	Gearing ratio	(%)	**24.5**	15.3
9.3	**Net finance costs**			
	Interest paid		**(110.9)**	(48.9)
	Borrowings		**(34.4)**	(12.6)
	Lease liabilities		**(69.6)**	(62.1)
	Other		**(6.9)**	25.8*
	Interest received – bank		**16.1**	14.4
	Interest received – other		**0.3**	11.0
	Foreign exchange gains/(losses)		**21.9**	(5.1)
			(72.6)	(28.6)

* *Included in this amount is a reversal of interest accrued in prior periods.*

10. TAXATION

		2023 Audited Rm	2022 Audited Rm
Taxation charge			
Normal taxation		**94.7**	160.6
Current year		**101.3**	150.9
Prior year		**(6.6)**	9.7
Deferred taxation		**44.7**	30.2
Current year		**56.5**	19.3
Tax rate change		**–**	2.2
Prior year		**(11.8)**	8.7
Withholding tax		**15.0**	–
Taxation per income statement		**154.4**	190.8
Tax rate reconciliation			
Profit before taxation		**561.5**	673.9
Taxation calculated at a tax rate of 27% (2022: 28%)		**151.6**	188.7
Differing tax rates in foreign countries		**3.1**	4.1
Disallowances		**49.2**	36.0
Exemptions		**(46.1)**	(58.6)
Foreign withholding tax		**15.0**	–
Prior years		**(18.4)**	18.4
Tax rate change		**–**	2.2
Taxation per income statement		**154.4**	190.8
Effective tax rate	(%)	**27.5**	28.3

11. CASH FLOW FROM OPERATIONS

		Notes	2023 Audited Rm	2022 Audited Rm
11.1	**Cash flow from trading**		**981.2**	1 019.5
	Operating profit		**600.6**	667.9
	Adjusted for:			
	Share-based payments		**55.2**	68.4
	Depreciation and amortisation	8.1	**350.9**	327.8
	Impairment	8.2	**114.0**	130.6
	Profit on disposal of fixed assets		**(1.9)**	(17.7)
	Profit on scrapping of fixed assets due to civil unrest	13	**(9.9)**	(14.0)
	Movement in debtors impairment provision	2.2	**(87.0)**	(123.3)
	Movement in other provisions		**(37.7)**	(9.2)
	Other non-cash flow movements		**(3.0)**	(11.0)
	Included in cash flow from trading is interest earned on trade receivables of R1 425.7 million (2022: R1 398.9 million).			
11.2	**Changes in working capital**		**(239.3)**	(156.2)
	Decrease/(Increase) in inventories		**154.1**	(49.8)
	Increase in trade and other receivables		**(432.7)**	(58.1)
	Increase/(Decrease) in trade and other payables		**20.2**	(45.7)
	Increase in payments in advance		**8.5**	18.3
	Increase/(Decrease) in insurance liabilities		**10.6**	(20.9)
11.3	**Interest paid per cash flow statement**		**(105.7)**	(74.7)
	Interest paid per the income statement		**(110.9)**	(48.9)
	Non-cash flow movement		**5.2**	(25.8)

12. SHARE REPURCHASES

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

	Number of shares repurchased 000's	Average price R	Total value repurchased Rm
Share repurchases made during the 2023 financial year	**5 521**	**49.96**	**275.7**
Share repurchases made during the 2022 financial year	8 756	40.34	353.2

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

13. IMPACT OF CIVIL UNREST IN SOUTH AFRICA

The widespread violence and looting experienced in KwaZulu-Natal and parts of Gauteng during July 2021 impacted 57 of the group's stores during the previous reporting period.

The final payment of R9.9 million in respect of the material damage claim was received in the current period, resulting in a total insurance receipt of R78.8 million. The 2022 financial year results includes inventory write-offs, losses relating to scrapping of assets and the related insurance recoveries.

The group has separate cover for business interruption losses and has submitted a claim for the losses incurred, however this is still being finalised.

14. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 17 *Insurance Contracts*

The group offers customer protection insurance, under its micro-insurance licence, to its customers through its subsidiary company, Monarch Insurance Company Limited ("Monarch"). Customer protection insurance provides cover to customers purchasing goods on an instalment sale basis in the event of death, disability, material damage, or loss of income.

The IASB issued IFRS 17, *Insurance Contracts*, as a replacement to the current standard, IFRS 4. IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements between insurers.

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

Under IFRS 17, the standard prescribes a general measurement model (GMM) and provides for a simplified model under the premium allocation approach (PAA). This simplified model is applicable to certain types of contracts, including those with a coverage period of one year or less and where the eligibility test results in there not being a material difference between the GMM and PAA. The coverage period provided by Monarch is the same as the instalment sale contract (i.e. longer than one year), therefore eligibility testing needs to be performed. The conclusion reached was that the insurance business is likely to be eligible to apply the PAA model.

IFRS 17 will not change the amount of profit that is earned over the lifetime of the insurance contract but does impact the trajectory of profit recognition.

Whilst the assessment of the profitability impact has not yet been completed, the known impacts on the profitability trajectory will result from the discounting of the insurance liabilities, the risk adjustment to the liability for incurred claims and the impact of amortising acquisition costs over the coverage period.

The adoption of IFRS 17 will have a material impact on the presentation of the group income statement and supporting disclosures. The main impact being that the attributable costs of providing insurance services will be reallocated from operating costs and separately disclosed as insurance service expenses.

Implementation project update

A project team which comprises of a third-party implementation partner and the senior Lewis finance management team is responsible for the implementation of IFRS 17. The project team is chaired by the group CFO and overall governance of the project resides with the group's audit committee.

The key milestones of the implementation project are on track and the group's interim results for the half year ended 30 September 2023 will include the adoption of IFRS 17.

15. 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.

KEY RATIOS

		2023 Unaudited	2022 Unaudited
Operating efficiency ratios			
Gross profit margin	(%)	**40.6**	40.5
Operating margin before impairments and capital items	(%)	**15.8**	17.5
Operating margin	(%)	**13.5**	15.2
Number of stores		**840**	819
Number of permanent employees	(average)	**9 524**	8 952
Trading space	(sqm)	**253 135**	250 643
Inventory turn	(times)	**3.0**	2.6
Current ratio		**3.2**	3.6
Credit ratios			
Credit sales	(%)	**59.9**	51.4
Debtor costs as a % of debtors at gross carrying value	(%)	**12.3**	12.3
Debtors impairment provision as a % of debtors at gross carrying value	(%)	**36.2**	40.4
Arrear instalments on satisfactory paid accounts as a % of total debtors at gross carrying value	(%)	**10.2**	10.4
Arrear instalments on slow paying and non-performing accounts as a % of total debtors at gross carrying value	(%)	**17.6**	22.7
Credit applications decline rate	(%)	**34.7**	36.1
Collection rates	(%)	**80.8**	79.0
Shareholder ratios			
Net asset value per share	(cents)	**8 076**	7 527
Gearing ratio	(%)	**24.5**	15.3
Dividend payout ratio	(%)	**59.1**	55.0
Return on average shareholders' funds (after-tax)	(%)	**8.7**	10.1
Return on average capital employed (after-tax)	(%)	**7.9**	8.8
Return on average assets managed (pre-tax)	(%)	**9.2**	10.4

Notes:
1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The net asset value has been calculated using 57 085 507 shares in issue (2022: 62 671 464).
3. Total assets exclude the deferred tax asset.

CORPORATE INFORMATION

Non-executive directors:	Hilton Saven (Chairman)* Prof. Fatima Abrahams* Adheera Bodasing Brendan Deegan* (Appointed 15 August 2022) Daphne Motsepe* Tapiwa Njikizana* ** Independent*
Executive directors:	Johan Enslin (Chief executive officer) Jacques Bestbier (Chief financial officer)
Company secretary:	Marisha Gibbons
Transfer secretaries:	Computershare Investor Services (Pty) Ltd Level 1 and 2 Rosebank Towers 15 Biermann Avenue Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132)
Auditors:	PricewaterhouseCoopers Inc.
Sponsor:	The Standard Bank of South Africa Limited
Debt sponsor:	Absa Corporate and Investment Bank, a division of Absa Bank Limited
Registered office:	53A Victoria Road, Woodstock, 7925
Registration number:	2004/009817/06
Share code:	LEW
ISIN:	ZAE 000058236
Bond code:	LEWI

Lewis Group Ltd

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