Lewis Group Ltd

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

REVIEW OF 2024 INTERIM RESULTS

MERCHANDISE SALES INCREASED BY
4.8%
to R2.2 billion

REVENUE INCREASED BY
8.3%
to R3.8 billion

GROSS PROFIT MARGIN INCREASED BY
140 bps
to 40.7%

SATISFACTORY PAID ACCOUNTS AT
79.9%

DEBTORS' BOOK GROWTH OF
10.8%

OPERATING PROFIT INCREASED BY
7.5%
to R309.3 million

EARNINGS PER SHARE INCREASED BY
2.6%
to 355 cents

HEADLINE EARNINGS PER SHARE DECREASED BY
6.6%
to 372 cents

INTERIM DIVIDEND INCREASED BY
2.6%
to 200 cents per share

INTRODUCTION

Credit sales continued to grow strongly across the Group's traditional retail brands which contributed to robust growth in the debtors' book. Despite the economic pressure facing consumers, the quality of the book has been maintained.

The sustained pressure on disposable income from higher fuel, energy, food and borrowing costs is reflected in the continued slowdown in the Group's cash sales which adversely impacted the performance of UFO, the Group's cash retail brand.

The Group adopted IFRS 17 Insurance Contracts in the reporting period with full retrospective application. There has been no material impact on the earnings for the current or prior periods.

TRADING AND FINANCIAL PERFORMANCE

After growing by 1.1% in the first quarter of the 2024 financial year, merchandise sales benefited from new product ranges and strong advertising campaigns and increased by 8.5% for the second quarter, contributing to growth of 4.8% to R2.2 billion for the half year.

Merchandise sales in the traditional retail segment increased by 7.3% while sales in UFO declined by 14.3%. Comparable store sales grew by 1.9%.

The strong credit sales growth trend of the past two years continued, with credit sales increasing by 19.5% and cash sales declining by 14.4%. The contribution from credit sales increased to 64.4% of total merchandise sales from 56.5% in the previous half year. In the constrained consumer spending environment, the Group has maintained its strict credit granting criteria and attracted lower risk credit customers, with the application decline rate settling on 34.8% (H1 2023: 35.8%).

Sales in the stores outside South Africa, which represent 15.9% of the store base, increased by 4.9% and accounted for 18.7% of the Group's sales.

The Group has capitalised on opportunities to acquire well located trading space to accelerate the expansion of its store base. The Group opened a net 29 new stores in the traditional retail segment, including five new stores outside of South Africa. The total store footprint of 868 includes 138 stores outside of South Africa.

Other revenue, consisting of effective interest income and ancillary services income as well as insurance revenue (measured in terms of IFRS 17), benefited from the strong credit sales growth in the recent years and increased by 13.4%.

Total revenue, comprising merchandise sales and other revenue, increased by 8.3% to R3.8 billion.

The gross profit margin strengthened by 140 basis points to 40.7%, within the Group's target range of 40% – 42%. The gross margin benefited from the 23% reduction in inventory as management reduced stock levels closer to historic norms.

Following the adoption of IFRS 17, insurance service expenses of the Group's insurance business is reported separately for the first time. Operating costs, including insurance service expenses, were well contained at a 4.2% growth despite significant transport and energy inflation. The Group received proceeds of R22.7 million for business interruption losses relating to the 2021 civil unrest, which has been accounted for in operating profit.

The quality of the Group's debtors' portfolio is reflected in the level of satisfactory paid customers increasing to 79.9% (H1 2023: 78.8%) and the collection rate settling at a solid 80.9% (H1 2023: 81.7%).

The debtors' impairment provision as a percentage of debtors at gross carrying value reduced from 38.3% to 36.0%, demonstrating the health of the book and the consistent performance over the past few years.

Following the strong growth of 10.8% in the debtors' book, the debtors' impairment provision increased by R147 million. Total debtor costs increased by R192.1 million and debtor costs as a percentage of debtors at gross carrying value increased from 4.4% to 7.0%.

Impairments and capital items totalled R12.5 million, mainly due to an impairment recognised against right-of-use assets (relating to lease agreements), compared to R33.6 million in the prior half year.

Operating profit for the half year increased by 7.5% to R309.3 million.

Net finance costs increased by R44.8 million to R62.3 million mainly due to higher borrowing costs and foreign exchange gains being R20.5 million lower than the comparative period.

Earnings were 6.2% lower at R194.8 million while earnings per share increased by 2.6% to 355 cents per share, supported by the positive leverage effect from the Group's share repurchase programme. Headline earnings decreased by 14.6% and headline earnings per share decreased by 6.6% to 372 cents. The weighted average number of shares in issue reduced by 8.6% relative to the comparable period.

The board has increased the interim dividend by 2.6% to 200 cents per share, a payout ratio of 55.6% (H1 2023: 55.4%).

The Group's balance sheet remains strong with a net asset value of R4.6 billion. The borrowings ratio (gearing ratio excluding lease liabilities), increased to 13.4% from 4.1% mainly due to the ongoing investment in the growth of the debtors' book.

SHARE REPURCHASE PROGRAMME

The Group repurchased 3.1 million shares at a cost of R124.3 million in the first six months of the financial year, at an average price of R40.63 per share. Since listing, the Group has bought back 45.8 million shares at a cost of R1.8 billion and an average price of R39.20 per share.

At the annual general meeting (AGM) in October 2022, shareholders granted management the authority to repurchase a further 10% of the issued share capital and the Group had utilised 7.8% of this mandate by 30 September 2023. A new mandate to repurchase a further 10% of the outstanding shares was granted at the AGM in October 2023.

OUTLOOK

Consumer spending will remain depressed in the months ahead due to increasing economic pressures while load shedding and congestion at the local ports are likely to continue to negatively impact economic growth.

The consumer demand for credit is expected to continue, with the Group planning to utilise the strength of its loyal customer base and differentiated merchandise offering to gain market share.

Appealing festive season promotions are planned across all brands, supported by new merchandise ranges, high levels of stock availability and strong marketing campaigns.

The right sizing of UFO and the implementation of extensive cost saving measures resulted in the business reporting an operating profit for the half year. Management remains focused on improving UFO's performance through exclusive merchandise offerings and improved social media marketing strategies.

The Group continues to invest for longer-term growth. The new stores opened in the first half are trading well and a further 10 stores are planned to open across the traditional retail brands in the second half of the year.

DIVIDEND DECLARATION

Notice is hereby given that an interim gross cash dividend of 200 cents per share in respect of the six months ended 30 September 2023 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 54 038 262. 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 200 cents and the dividend tax payable is 40 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 160 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	16 January 2024
Date trading commences "*ex*" dividend	17 January 2024
Record date	19 January 2024
Date of payment	22 January 2024

Share certificates may not be dematerialised or rematerialised between 17 January 2024 and 19 January 2024, 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

30 November 2023

Lewis Group Limited: Unaudited interim results

INCOME STATEMENT

for the six months ended 30 September 2023

		Notes	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
Revenue		3.1	**3 831.2**	3 537.0	7 456.4
Retail revenue		3.2	**2 596.4**	2 476.2	5 268.1
Merchandise sales			**2 174.4**	2 075.7	4 443.1
Ancillary services			**422.0**	400.5	825.0
Effective interest income			**764.5**	653.4	1 333.9
Insurance revenue			**470.3**	407.4	854.4
Cost of merchandise sales		4	**(1 288.6)**	(1 259.1)	(2 637.0)
Operating costs			**(1 412.3)**	(1 380.7)	(2 712.8)
Debtor costs		2.2	**(445.7)**	(253.6)	(719.5)
Bad debts net of recoveries			**(298.7)**	(270.9)	(790.3)
Movement in debtors impairment provision			**(147.0)**	17.3	70.8
Insurance service expenses			**(362.8)**	(322.4)	(675.5)
Operating profit before impairments and capital items			**321.8**	321.2	711.6
Impairments and capital items		6	**(12.5)**	(33.6)	(102.2)
Operating profit			**309.3**	287.6	609.4
Investment income		10	**18.2**	16.2	33.5
Interest paid		9.3	**(74.4)**	(45.7)	(114.5)
Interest received		9.3	**11.3**	6.9	16.4
Foreign exchange gains		9.3	**0.8**	21.3	21.9
Profit before taxation			**265.2**	286.3	566.7
Taxation		11	**(70.4)**	(78.6)	(155.7)
Net profit attributable to ordinary shareholders			**194.8**	207.7	411.0
Earnings per share	(cents)	7	**355.4**	346.3	695.6
Diluted earnings per share	(cents)	7	**347.6**	338.6	672.5

Lewis Group Limited: Unaudited interim results

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2023

	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
Net profit for the period	**194.8**	207.7	411.0
Items that may be subsequently reclassified to income statement:			
Movement in other reserves	**(12.4)**	(4.3)	11.8
Fair value adjustments	**(14.3)**	(16.8)	(6.5)
Changes in the fair value of debt instruments at fair value through other comprehensive income – FVOCI debt investments	**(19.6)**	(23.0)	(8.9)
Tax effect	**5.3**	6.2	2.4
Foreign currency translation reserve	**1.9**	12.5	18.3
Items that may not be subsequently reclassified to income statement:			
Retirement benefit remeasurements	**–**	–	(0.7)
Remeasurements of the retirement asset and liabilities	**–**	–	(1.0)
Tax effect	**–**	–	0.3
Other comprehensive income	**(12.4)**	(4.3)	11.1
Total comprehensive income for the period attributable to equity shareholders	**182.4**	203.4	422.1

Lewis Group Limited: Unaudited interim results

BALANCE SHEET

as at 30 September 2023

	Notes	6 months as at 30 Sept 2023 Unaudited Rm	6 months as at 30 Sept 2022 Unaudited Restated Rm	12 months as at 31 March 2023 Restated Rm
Assets				
Non-current assets				
Property, plant and equipment		**446.2**	415.0	426.3
Right-of-use assets	5.2	**775.4**	742.7	760.0
Intangible assets		**122.8**	109.0	114.9
Goodwill		**59.9**	126.4	59.9
Deferred taxation		**59.5**	78.7	49.1
Retirement benefit asset		**107.1**	107.5	106.7
Financial assets – insurance investments	10	**237.6**	243.1	257.3
		1 808.5	1 822.4	1 774.2
Current assets				
Inventories		**959.2**	1 245.2	869.3
Trade and other receivables	2.1	**4 181.5**	3 666.0	3 946.7
Insurance contract assets		**263.4**	181.4	214.0
Taxation		**9.1**	10.0	6.5
Financial assets – insurance investments	10	**156.4**	142.2	138.9
Cash-on-hand and deposits	9.1	**246.7**	240.7	183.0
		5 816.3	5 485.5	5 358.4
Total assets		**7 624.8**	7 307.9	7 132.6
Equity and liabilities				
Capital and reserves				
Share capital and premium		**0.9**	0.9	0.9
Treasury shares		**(7.9)**	(7.4)	(8.3)
Other reserves		**21.0**	5.8	35.5
Retained earnings		**4 583.8**	4 665.1	4 664.5
		4 597.8	4 664.4	4 692.6
Non-current liabilities				
Lease liabilities	5.1	**699.8**	706.5	680.3
Deferred taxation		**50.9**	41.2	66.6
Retirement benefit liability		**76.2**	81.8	73.3
		826.9	829.5	820.2
Current liabilities				
Trade and other payables		**749.0**	780.4	684.2
Payments in advance		**188.5**	192.7	189.6
Insurance contract liabilities		**93.5**	70.7	88.5
Short-term interest-bearing borrowings	9.1	**862.1**	431.6	367.5
Lease liabilities	5.1	**248.5**	243.0	264.7
Taxation		**58.5**	95.6	25.3
		2 200.1	1 814.0	1 619.8
Total equity and liabilities		**7 624.8**	7 307.9	7 132.6

Lewis Group Limited: Unaudited interim results

STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2023

	Note	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
Share capital and premium				
Opening balance		**0.9**	0.9	0.9
Cost of own shares acquired	8	**(124.3)**	(192.2)	(275.7)
Transfer of cost of cancelled shares		**124.3**	192.2	275.7
		0.9	0.9	0.9
Treasury shares				
Opening balance		**(8.3)**	(3.7)	(3.7)
Share awards to employees		**51.7**	20.4	29.4
Cost of own shares acquired		**(51.3)**	(24.1)	(34.0)
		(7.9)	(7.4)	(8.3)
Other reserves				
Opening balance		**35.5**	11.4	11.4
Other comprehensive income:				
Changes in fair value of FVOCI debt investments		**(14.3)**	(16.8)	(6.5)
Foreign currency translation reserve		**1.9**	12.5	18.3
Equity-settled share-based payments		**15.9**	10.9	25.8
Transfer of share-based payments reserve to retained earnings on vesting		**(18.0)**	(12.2)	(13.5)
		21.0	5.8	35.5
Retained earnings				
Opening balance previously reported		**4 581.8**	4 708.4	4 708.4
Restatement		**82.7**	78.8	78.8
Opening balance – revised		**4 664.5**	4 787.2	4 787.2
Net profit attributable to ordinary shareholders		**194.8**	207.7	411.0
Distribution to shareholders		**(117.5)**	(129.4)	(241.4)
Transfer of cost of cancelled shares		**(124.3)**	(192.2)	(275.7)
Transfer of share-based payments reserve to retained earnings on vesting		**18.0**	12.2	13.5
Retirement benefit remeasurements		**–**	–	(0.7)
Share awards to employees		**(51.7)**	(20.4)	(29.4)
		4 583.8	4 665.1	4 664.5
Balance as at the end of the period		**4 597.8**	4 664.4	4 692.6

Lewis Group Limited: Unaudited interim results

CASH FLOW STATEMENT

for the six months ended 30 September 2023

	Notes	**6 months ended 30 Sept 2023 Unaudited Rm**	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
Cash flow from operating activities				
Cash flow from trading	12.1	**708.2**	514.0	1 006.2
Changes in working capital	12.2	**(487.6)**	(337.4)	(264.3)
Cash flow from operations		**220.6**	176.6	741.9
Interest received other than from trade receivables		**11.3**	6.9	16.4
Interest paid	12.3	**(69.1)**	(42.7)	(105.7)
Realised foreign exchange (losses)/gains		**(2.0)**	8.5	14.2
Taxation paid		**(64.2)**	(54.4)	(149.3)
		96.6	94.9	517.5
Cash utilised in investing activities				
Purchases of insurance investments	10	**(17.0)**	(15.0)	(32.1)
Disposals of insurance investments	10	**17.8**	45.7	83.3
Acquisition of property, plant and equipment and intangible assets		**(83.1)**	(63.8)	(142.9)
Proceeds on disposal and scrapping of property, plant and equipment		**4.4**	13.8	18.1
		(77.9)	(19.3)	(73.6)
Cash flow from financing activities				
Dividends paid		**(117.5)**	(129.4)	(241.4)
Payment of principal portion of lease liabilities	5.1	**(156.5)**	(148.1)	(304.6)
Purchase of own shares		**(175.6)**	(216.3)	(309.7)
		(449.6)	(493.8)	(855.7)
Net decrease in cash and cash equivalents		**(430.9)**	(418.2)	(411.8)
Cash and cash equivalents at the beginning of the period		**(184.5)**	227.3	227.3
Cash and cash equivalents at the end of the period	9.1	**(615.4)**	(190.9)	(184.5)

1. BASIS OF REPORTING

The summary consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, (IAS 34 Interim Financial Reporting), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements except as disclosed in Note 1.1. The IFRS 17 Implementation Report on pages 31 to 42 is part of the summary consolidated interim financial statements.

There were no new or revised standards or interpretations that had an impact on the results and financial position of the Group in the current period apart from IFRS 17 as disclosed in Note 1.1.

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

1.1 Adoption of IFRS 17

The Group offers customer protection insurance products to its credit customers.

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

The new standard is effective for the Group from the 2024 financial year with full retrospective application, therefore resulting in the restatement of comparatives.

All insurance activities are fully integrated within the Group's credit sales processes and therefore the Group's business model is not altered in any way as a result of the implementation of IFRS 17.

As a result of applying IFRS 17, the following major changes can be noted:

- The balance sheet includes insurance contract assets and insurance contract liabilities as measured in terms of IFRS 17.
- Insurance contract liabilities consists of the liability for incurred claims (previously the outstanding claims and IBNR reserve) which is remeasured by applying a risk adjustment and a discounting factor.
- The presentation of the Group income statement has been significantly amended. The measurement of insurance revenue was updated to comply with the requirements of IFRS 17. Insurance service expenses has been separately disclosed and was derived through a cost allocation model by reallocating attributable operating costs to insurance service expenses. The continued disclosure of detailed operating costs is no longer appropriate and consequently, operating costs have been consolidated.
- Insurance service expenses are categorised into acquisition and maintenance expenses. As the contract boundary is greater than one year, acquisition expenses have to be amortised over the period of coverage. The unamortised insurance acquisition expenses are included in the insurance contract asset on the balance sheet. Insurance maintenance expenses are expensed as and when incurred.

1. BASIS OF REPORTING CONTINUED

1.1 Adoption of IFRS 17 continued

IFRS 17 has not materially impacted the profit that is earned by the Group. The profit earned over the lifetime of an insurance contract remains the same, only the trajectory of the profit recognition is impacted. The impact 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 insurance acquisition expenses over the coverage period.

The remeasurements arising from IFRS 17 which resulted in a restatement of the closing retained earnings are as follows:

Impact on Closing Retained Earnings

	30 Sept 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Closing balance previously reported	4 583.4	4 581.8	4 708.4
Restatements	81.7	82.7	78.8
Changes in the liability for incurred claims	(6.3)	(15.7)	(6.2)
Best estimate liability	(2.1)	(2.9)	(1.8)
Risk adjustment	(4.2)	(12.8)	(4.4)
Net impact of deferred acquisition expenses	120.3	132.0	114.5
Other	(1.5)	(2.8)	–
Taxation	(30.8)	(30.8)	(29.5)
Restated Closing Retained Earnings	4 665.1	4 664.5	4 787.2

Refer to the IFRS 17 Implementation Report on pages 31 to 42 for further information including detailed impacts on the Income Statement and Balance Sheet, and a summary of the significant changes in accounting policies, significant judgements and estimates.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS

2.1 Trade and other receivables

		6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
Trade receivables		**6 407.1**	5 783.9	6 013.2
Provision for impairment		**(2 309.5)**	(2 216.0)	(2 162.5)
Trade receivables (net)		**4 097.6**	3 567.9	3 850.7
Due within 12 months		**2 544.6**	2 263.5	2 400.1
Due after 12 months		**1 553.0**	1 304.4	1 450.6
Other receivables		**83.9**	98.1	96.0
Total trade and other receivables		**4 181.5**	3 666.0	3 946.7
Debtors impairment provision as a percentage of debtors at gross carrying value	(%)	**36.0**	38.3	36.0

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.

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.

- **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.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade and other receivables continued

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 27.7% (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 state over the last 12 months.

Forward-looking information

IFRS 9 requires that the ECL impairment provision considers potential future changes in the economic environment. To achieve this, an economic overlay model 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 March 2021 to 79.9% in the current period.

The assessment for September 2023 has identified, consistent with the March 2023 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.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade and other receivables continued

Forward-looking information continued

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.

Tough trading conditions are expected to continue with significant threats to the global economy resulting from geopolitical tension, higher inflation and increasing interest rates putting extreme pressure on global economic growth. In addition to the global economic threats, local factors such as record high unemployment rates, load shedding and political uncertainty are likely to result in additional strain on the South African consumer over the short to medium term.

Taking the above circumstances into consideration, management has maintained 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 above analysis resulted in an economic overlay of R162.8 million included in the Group's impairment provision, compared to R168.9 million at the March 2023 financial year-end.

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	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2023 Unaudited % change	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited % change	12 months ended 31 March 2023 Rm	12 months ended 31 March 2023 % change
	162.8		239.6		168.9	
100% downside scenario	**184.0**	**13.0**	266.0	11.0	193.4	14.5
100% base scenario	**118.4**	**(27.3)**	205.9	(14.1)	124.5	(26.3)
100% upside scenario	**87.9**	**(46.0)**	38.6	(83.9)	48.4	(71.3)

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 and other receivables continued

Debtor analysis – 30 September 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	495 613	4 782 969	1 076 177	22.5	627 961	411 463	216 498
(%)	79.9	74.7	46.6				
Slow payers	77 513	900 076	609 683	67.7	557 794	190 930	366 864
(%)	12.5	14.0	26.4				
Non-performing accounts	46 859	724 069	623 652	86.1	521 705	128 183	393 522
(%)	7.6	11.3	27.0				
Total	619 985	6 407 114	2 309 512	36.0	1 707 460	730 576	976 884

Credit impaired debtors as at 30 September 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	724 069	820	663	73 862	79 386	84 720	202 634	1 166 154
Impairment provision	(623 652)	(356)	(470)	(20 758)	(48 349)	(27 643)	(130 857)	(852 085)
Amortised cost	100 417	464	193	53 104	31 037	57 077	71 777	314 069

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade and other receivables continued

Debtor analysis – 30 September 2022

Restated

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	463 910	4 056 327	844 285	20.8	590 701	372 666	218 035
(%)	78.8	70.2	38.1				
Slow payers	71 808	799 626	555 731	69.5	545 719	172 069	373 650
(%)	12.2	13.8	25.1				
Non-performing accounts	52 803	927 986	815 984	87.9	766 181	140 166	626 015
(%)	9.0	16.0	36.8				
Total	588 521	5 783 939	2 216 000	38.3	1 902 601	684 901	1 217 700

Credit impaired debtors as at 30 September 2022

Restated

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	927 986	1 666	1 570	58 681	67 081	69 959	174 665	1 301 608
Impairment provision	(815 984)	(737)	(1 190)	(17 067)	(45 410)	(23 667)	(125 046)	(1 029 101)
Amortised cost	112 002	929	380	41 614	21 671	46 292	49 619	272 507

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade and other receivables continued

Debtor analysis – 31 March 2023

Restated

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	4 435 948	982 777	22.2	613 274	399 657	213 617
(%)	80.4	73.8	45.4				
Slow payers	74 964	889 198	577 491	64.9	530 574	180 355	350 219
(%)	12.6	14.8	26.7				
Non-performing accounts	41 444	688 046	602 229	87.5	526 586	111 509	415 077
(%)	7.0	11.4	27.9				
Total	594 804	6 013 192	2 162 497	36.0	1 670 434	691 521	978 913

Credit impaired debtors as at 31 March 2023

Restated

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	688 046	999	730	66 021	72 535	48 720	70 576	947 627
Impairment provision	(602 229)	(408)	(536)	(18 984)	(47 946)	(14 830)	(46 599)	(731 532)
Amortised cost	85 817	591	194	47 037	24 589	33 890	23 977	216 095

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade 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 22.5% (2022: 20.9%).

Fair value

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

2.2 Debtor costs

		6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
Bad debts		**345.5**	314.0	870.8
Bad debts before adjustment for interest on credit impaired accounts		**393.9**	358.3	962.6
Adjustment for interest on credit impaired accounts		**(48.4)**	(44.3)	(91.8)
Bad debt recoveries		**(46.8)**	(43.1)	(80.5)
Movement in debtors impairment provision		**147.0**	(17.3)	(70.8)
Closing balance		**2 309.5**	2 216.0	2 162.5
Opening balance – Restated		**(2 162.5)**	(2 233.3)	(2 233.3)
Total debtor costs		**445.7**	253.6	719.5
Debtor costs as a percentage of debtors at gross carrying value	(%)	**7.0**	4.4	12.0

"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. REVENUE

3.1 Revenue

	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
Retail revenue – revenue from contracts with customers	**2 596.4**	2 476.2	5 268.1
Merchandise sales	**2 174.4**	2 075.7	4 443.1
Ancillary services	**422.0**	400.5	825.0
Effective interest income	**764.5**	653.4	1 333.9
Finance charges and initiation fees earned	**812.9**	697.7	1 425.7
Adjustment for interest on credit impaired accounts	**(48.4)**	(44.3)	(91.8)
Insurance revenue	**470.3**	407.4	854.4
	3 831.2	3 537.0	7 456.4

3.2 Retail revenue

	Traditional Rm	**Cash Rm**	**Group Rm**
30 September 2023			
Merchandise sales			
– Cash	**563.1**	**210.5**	**773.6**
– Credit	**1 400.8**	**–**	**1 400.8**
Ancillary services			
– At a point in time	**97.8**	**3.5**	**101.3**
– Over time	**320.7**	**–**	**320.7**
	2 382.4	**214.0**	**2 596.4**
30 September 2022			
Merchandise sales			
– Cash	658.2	245.5	903.7
– Credit	1 172.0	–	1 172.0
Ancillary services			
– At a point in time	88.6	3.6	92.2
– Over time	308.3	–	308.3
	2 227.1	249.1	2 476.2

3. REVENUE CONTINUED

3.2 Retail revenue continued

	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

4. GROSS PROFIT

		6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Rm	12 months ended 31 March 2023 Rm
Merchandise sales		**2 174.4**	2 075.7	4 443.1
Cost of merchandise sales		**(1 288.6)**	(1 259.1)	(2 637.0)
Merchandise gross profit		**885.8**	816.6	1 806.1
Gross profit margin	(%)	**40.7**	39.3	40.6

5. LEASES

	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Rm	12 months ended 31 March 2023 Rm
5.1 Lease liabilities			
Opening balance	**945.0**	950.3	950.3
Additions and renewed leases	**162.9**	146.8	297.6
Expired, renegotiated and modified leases	**(3.1)**	0.5	1.7
Principal portion of lease liabilities	**(156.5)**	(148.1)	(304.6)
Interest on lease liabilities	**36.4**	32.5	69.6
Lease liability payments	**(192.9)**	(180.6)	(374.2)
Closing balance	**948.3**	949.5	945.0
Analysed as follows:	**948.3**	949.5	945.0
Non-current	**699.8**	706.5	680.3
Current	**248.5**	243.0	264.7
5.2 Right-of-use assets			
Retail premises			
Opening balance	**760.0**	747.1	747.1
Additions and renewed leases	**162.9**	146.8	297.6
Expired, renegotiated and modified leases	**–**	2.1	2.7
Remeasurement of restoration provision	**–**	–	(12.7)
Depreciation	**(133.7)**	(133.3)	(251.8)
Net impairment	**(13.8)**	(20.0)	(22.9)
Closing balance	**775.4**	742.7	760.0

6. IMPAIRMENTS AND CAPITAL ITEMS[(1)]

	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Rm	12 months ended 31 March 2023 Rm
Impairment of right-of-use assets	**13.8**	20.0	22.9
Impairment of goodwill	**–**	24.6	91.1
Total impairments	**13.8**	44.6	114.0
Profit on disposal of fixed assets	**(1.3)**	(1.1)	(1.9)
Profit on scrapping of fixed assets due to civil unrest	**–**	(9.9)	(9.9)
Losses due to scrapping of assets	**–**	–	–
Insurance recoveries due to damaged assets	**–**	(9.9)	(9.9)
	12.5	33.6	102.2

(1) *This includes the before tax effect of all remeasurements and capital items excluded from headline earnings per share in accordance with the guidance contained in SAICA Circular 1/2023: Headline Earnings.*

Impairment tests were performed on the right-of-use assets and goodwill balances as at 30 September 2023 as a consequence of there being indicators of impairment.

With respect to right-of-use assets, the following was performed:

- For the traditional segment, only branches with impairment indicators were tested. An impairment of R0.6 million was recognised for the period.
- For the UFO segment, all branches were tested due to the underperformance of this segment. An impairment of R13.2 million was recognised for the period.

With respect to goodwill arising on the acquisition of the UFO segment, the impairment test was performed by an external valuator. No impairment of goodwill was required.

7. EARNINGS AND DIVIDENDS PER SHARE

		6 months ended 30 Sept 2023 Unaudited	6 months ended 30 Sept 2022 Unaudited Restated	12 months ended 31 March 2023 Restated
Weighted average number of shares				
Weighted average	('000)	**54 819**	59 975	59 082
Diluted weighted average	('000)	**56 039**	61 348	61 112
Headline earnings				
Attributable earnings	(Rm)	**194.8**	207.7	411.0
Profit on disposal of fixed assets	(Rm)	**(1.0)**	(0.9)	(1.5)
Impairment of right-of-use assets	(Rm)	**10.1**	14.6	16.8
Goodwill impairment	(Rm)	**–**	24.6	91.1
Profit on scrapping of fixed assets due to civil unrest	(Rm)	**–**	(7.2)	(7.2)
Scrapping of assets	(Rm)	**–**	–	–
Compensation from insurers	(Rm)	**–**	(7.2)	(7.2)
Headline earnings	(Rm)	**203.9**	238.8	510.2
Earnings per share				
Earnings per share	(cents)	**355.4**	346.3	695.6
Diluted earnings per share	(cents)	**347.6**	338.6	672.5
Headline earnings per share				
Headline earnings per share	(cents)	**372.0**	398.2	863.5
Diluted headline earnings per share	(cents)	**363.9**	389.3	834.9
Dividends per share				
Dividends paid per share				
Final dividend 2023 (2022)	(cents)	**218.0**	218.0	218.0
Interim dividend 2023	(cents)	**–**	–	195.0
	(cents)	**218.0**	218.0	413.0
Dividends declared per share				
Interim dividend 2024 (2023)	(cents)	**200.0**	195.0	195.0
Final dividend 2023	(cents)	**–**	–	218.0
	(cents)	**200.0**	195.0	413.0

8. SHARE REPURCHASES

	Number of shares repurchased 000's	Average price R	Total value repurchased Rm
Share repurchases made during the 2024 financial year			
For the six months ended 30 September 2023	**3 059**	**40.63**	**124.3**
Share repurchases made during the 2023 financial year			
For the six months ended 30 September 2022	3 808	50.47	192.2
For the six months ended 31 March 2023	1 713	48.74	83.5
Total	5 521		275.7

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.

9. BORROWINGS, CASH AND NET FINANCE COSTS

	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Rm	12 months ended 31 March 2023 Rm
9.1 Borrowings, banking facilities and cash			
Short-term interest-bearing borrowings	**(862.1)**	(431.6)	(367.5)
Cash-on-hand and deposits	**246.7**	240.7	183.0
Cash and cash equivalents	**(615.4)**	(190.9)	(184.5)
Available facilities			
Banking facilities	**1 150.0**	950.0	950.0
Domestic Medium-Term Note programme	**2 000.0**	2 000.0	2 000.0
	3 150.0	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 on utilised facilities was 9.9% (2022: 8.0%).

9. BORROWINGS, CASH AND NET FINANCE COSTS CONTINUED

		6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
9.2 Gearing				
Net debt		**1 563.7**	1 140.4	1 129.5
Shareholders' equity		**4 597.8**	4 664.4	4 692.6
Gearing ratio	(%)	**34.0**	24.4	24.1
9.3 Net finance costs				
Interest paid		**(74.4)**	(45.7)	(114.5)
Borrowings		**(32.7)**	(10.2)	(34.4)
Lease liabilities		**(36.4)**	(32.5)	(69.6)
Liability for incurred claims		**(2.8)**	(0.6)	(3.6)
Other		**(2.5)**	(2.4)	(6.9)
Interest received – bank		**11.2**	6.9	16.1
Interest received – other		**0.1**	–	0.3
Foreign exchange gains		**0.8**	21.3	21.9
		(62.3)	(17.5)	(76.2)

10. INSURANCE INVESTMENTS

	6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Rm	12 months ended 31 March 2023 Rm
Insurance investments			
Financial assets – insurance investments			
Listed investments			
Fixed income securities – FVOCI	**237.6**	243.1	257.3
Unlisted investments			
Money market floating rate notes – FVTPL	**156.4**	142.2	138.9
	394.0	385.3	396.2
Movement for the period			
Beginning of the period	**396.2**	422.8	422.8
Additions to investments	**17.0**	15.0	32.1
Disposals of investments	**(17.8)**	(45.7)	(83.3)
Interest	**18.2**	16.2	33.5
Fair value adjustment	**(19.6)**	(23.0)	(8.9)
End of the period	**394.0**	385.3	396.2

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

Fair value hierarchy

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

	Level 2 Rm	Total Rm
30 September 2023		
Insurance investments:		
Fixed income securities – FVOCI	**237.6**	**237.6**
Money market floating rate notes – FVTPL	**156.4**	**156.4**
	394.0	**394.0**
30 September 2022		
Insurance investments:		
Fixed income securities – FVOCI	243.1	243.1
Money market floating rate notes – FVTPL	142.2	142.2
	385.3	385.3
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

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

11. TAXATION

		6 months ended 30 Sept 2023 Unaudited Rm	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
Taxation charge				
Normal taxation		**91.3**	83.3	94.7
Current year		**92.8**	83.2	101.3
Prior year		**(1.5)**	0.1	(6.6)
Deferred taxation		**(20.9)**	(4.7)	46.0
Current year		**(22.3)**	(0.3)	57.8
Prior year		**1.4**	(4.4)	(11.8)
Withholding tax		**–**	–	15.0
Taxation per income statement		**70.4**	78.6	155.7
Tax rate reconciliation				
Profit before taxation		**265.2**	286.3	566.7
Taxation calculated at a tax rate of 27% (2022: 27%)		**71.6**	77.3	153.0
Differing tax rates in foreign countries		**2.7**	1.7	3.0
Disallowances		**9.6**	19.0	49.2
Exemptions		**(13.5)**	(15.1)	(46.1)
Foreign withholding tax		**–**	–	15.0
Prior years		**–**	(4.3)	(18.4)
Taxation per income statement		**70.4**	78.6	155.7
Effective tax rate	(%)	**26.5**	27.5	27.5

12. CASH FLOW FROM OPERATIONS

	Notes	**6 months ended 30 Sept 2023 Unaudited Rm**	6 months ended 30 Sept 2022 Unaudited Restated Rm	12 months ended 31 March 2023 Restated Rm
12.1 Cash flow from trading		**708.2**	514.0	1 006.2
Operating profit		**309.3**	287.6	609.4
Adjusted for:				
Share-based payments		**28.3**	30.9	55.2
Depreciation and amortisation		**185.9**	174.0	350.9
Impairment	6	**13.8**	44.6	114.0
Profit on disposal of fixed assets		**(1.3)**	(1.1)	(1.9)
Profit on scrapping of fixed assets due to civil unrest	14	**–**	(9.9)	(9.9)
Movement in debtors impairment provision	2.2	**147.0**	(17.3)	(70.8)
Movement in other provisions		**24.1**	2.6	(37.7)
Other non-cash flow movements		**1.1**	2.6	(3.0)

Included in cash flow from trading is interest earned on trade receivables of R812.9 million (2022: R697.7 million).

12.2 Changes in working capital		**(487.6)**	(337.4)	(264.3)
(Increase)/Decrease in inventories		**(107.1)**	(242.9)	154.1
Increase in trade and other receivables		**(377.2)**	(188.3)	(415.9)
Increase in insurance contract assets		**(49.6)**	(7.8)	(40.4)
Increase in trade and other payables		**45.2**	95.5	20.2
(Decrease)/Increase in payments in advance		**(1.1)**	11.6	8.5
Increase/(Decrease) in insurance contract liabilities		**2.2**	(5.5)	9.2
12.3 Interest paid per cash flow statement		**(69.1)**	(42.7)	(105.7)
Interest paid per the income statement		**(74.4)**	(45.7)	(114.5)
Non-cash flow movement		**5.3**	3.0	8.8

13. REPORTABLE SEGMENTS

Primary	Note	Traditional Rm	Cash Rm	Group Rm
For the six months ended 30 September 2023 (Unaudited)				
Revenue		**3 617.2**	**214.0**	**3 831.2**
Merchandise sales		**1 963.9**	**210.5**	**2 174.4**
Segment operating profit before impairments and capital items		**318.4**	**3.4**	**321.8**
Segment operating margin before impairments and capital items	(%)	**16.2**	**1.6**	**14.8**
Impairments and capital items	6	**(0.7)**	**13.2**	**12.5**
Segment operating profit/(loss)		**319.1**	**(9.8)**	**309.3**
Segment operating margin	(%)	**16.2**	**(4.7)**	**14.2**
Segment assets		**4 897.8**	**159.0**	**5 056.8**
For the six months ended 30 September 2022 (Unaudited) Restated				
Revenue		3 287.9	249.1	3 537.0
Merchandise sales		1 830.2	245.5	2 075.7
Segment operating profit/(loss) before impairments and capital items		325.1	(3.9)	321.2
Segment operating margin before impairments and capital items	(%)	17.8	(1.6)	15.5
Impairments and capital items	6	(11.0)	44.6	33.6
Segment operating profit/(loss)		336.0	(48.4)	287.6
Segment operating margin	(%)	18.4	(19.7)	13.9
Segment assets		4 555.5	257.6	4 813.1
For the twelve months ended 31 March 2023 Restated				
Revenue		6 950.6	505.8	7 456.4
Merchandise sales		3 945.0	498.1	4 443.1
Segment operating profit before impairments and capital items		707.2	4.4	711.6
Segment operating margin before impairments and capital items	(%)	17.9	0.9	16.0
Impairments and capital items	6	(26.0)	128.2	102.2
Segment operating profit/(loss)		733.2	(123.8)	609.4
Segment operating margin	(%)	18.6	(24.9)	13.7
Segment assets		4 544.7	175.3	4 720.0

13. REPORTABLE SEGMENTS CONTINUED

Geographical	South Africa Rm	Namibia Rm	BLE [1] Rm	Group Rm
For the six months ended 30 September 2023 (Unaudited)				
Revenue	**3 223.7**	**302.6**	**304.9**	**3 831.2**
For the six months ended 30 September 2022 (Unaudited) Restated				
Revenue	2 979.8	284.4	272.8	3 537.0
For the twelve months ended 31 March 2023 Restated				
Revenue	6 288.7	587.3	580.4	7 456.4

[1] *Botswana, Lesotho and Eswatini.*

14. IMPACT OF CIVIL UNREST

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

The Group has separate cover for business interruption losses. During the current year it received an interim payment of approximately R22.7 million which has been accounted for in operating profit.

In the prior year the final payment of R9.9 million in respect of the material damage claim was received, resulting in a total insurance receipt of R78.8 million for material damages incurred.

15. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

There are no new standards or interpretations not yet effective that will have a significant impact on the results and financial position of the Group.

16. POST BALANCE SHEET EVENTS

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

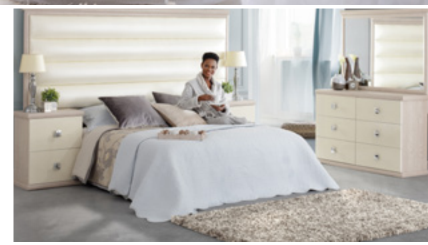
Lewis Group Limited: Unaudited interim results

KEY RATIOS

		6 months ended 30 Sept 2023 Unaudited	6 months ended 30 Sept 2022 Unaudited Restated	12 months ended 31 March 2023 Restated
Operating efficiency ratios				
Gross profit margin	(%)	**40.7**	39.3	40.6
Operating margin before impairments and capital items	(%)	**14.8**	15.5	16.0
Operating margin	(%)	**14.2**	13.9	13.7
Number of stores		**868**	829	840
Number of permanent employees	(average)	**10 004**	9 174	9 524
Trading space	(sqm)	**256 293**	252 011	253 135
Inventory turn (annualised)	(times)	**2.7**	2.0	3.0
Current ratio		**2.6**	3.0	3.3
Credit ratios				
Credit sales	(%)	**64.4**	56.5	59.9
Debtor costs as a % of debtors at gross carrying value	(%)	**7.0**	4.4	12.0
Debtors impairment provision as a % of debtors at gross carrying value	(%)	**36.0**	38.3	36.0
Arrear instalments on satisfactory paid accounts as a % of total debtors at gross carrying value	(%)	**9.8**	10.2	10.2
Arrear instalments on slow paying and non-performing accounts as a % of total debtors at gross carrying value	(%)	**16.8**	22.7	17.6
Credit applications decline rate	(%)	**34.8**	35.8	34.7
Collection rate	(%)	**80.9**	81.7	80.8
Shareholder ratios				
Net asset value per share	(cents)	**8 513**	7 931	8 220
Gearing ratio	(%)	**34.0**	24.4	24.1
Borrowings ratio	(%)	**13.4**	4.1	4.0
Dividend payout ratio	(%)	**55.6**	55.4	58.5
Return on average shareholders' funds (annualised) after-tax	(%)	**8.4**	8.8	8.7
Return on average capital employed (annualised) after-tax	(%)	**7.7**	7.4	7.9
Return on average assets managed (annualised) pre-tax	(%)	**8.9**	8.6	9.2

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 54 010 013 shares in issue (2022: 58 815 981).*
3. *The borrowings ratio is the gearing ratio excluding lease liabilities.*
4. *Total assets exclude the deferred tax asset.*

IFRS 17 IMPLEMENTATION REPORT



1.1 Objectives of the IFRS 17 Implementation Report

The objective of the IFRS 17 Implementation Report is to detail the impact of the transition from IFRS 4 to IFRS 17. IFRS 17 Insurance Contracts is effective for annual reporting periods beginning on or after 1 January 2023. The standard applies to insurance contracts issued (including reinsurance contracts issued) and reinsurance contracts held by the Group.

1.2 Introduction of IFRS 17

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

The new standard is effective for the Group from the 2024 financial year with full retrospective application, therefore resulting in the restatement of comparatives. 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 or where the eligibility test results in there not being a material difference between the GMM and PAA.

Following the performance of comprehensive eligibility testing, it was concluded that the Group is able to apply the PAA model.

1.3 The Group's insurance business model

In South Africa, the Group offers Customer Protection Insurance ("CPI") under its micro-insurance licence, to its customers through its subsidiary company, Monarch Insurance Company Limited ("Monarch"). Monarch also issues reinsurance contracts in respect of the CPI policies sold by in-country insurers in Botswana, Eswatini and Lesotho. There are cell captive arrangements in Namibia with in-country insurers who offer CPI insurance products. The insurance contracts created as a result of the above operations fall within the ambit of IFRS 17. The intermediary function for the Group insurer is performed by the trading entities in South Africa, Botswana, Eswatini, Lesotho and Namibia as the Group insurer uses the retail distribution network to market its CPI policies. All insurance activities are fully integrated within the Group's credit sales processes and therefore the Group's business model is not altered in any way as a result of the implementation of IFRS 17.

1.4 Implementation of IFRS 17

An effective governance and control framework has been in place during the transition to IFRS 17. From inception of the project, a working group consisting of senior representatives from the finance department and the implementation partner was formed. The working group provided regular feedback to the audit committee throughout the process.

The external auditors, Ernst & Young Inc. provided input in respect of the transition balances and restated comparatives.

Once the implementation reached a critical stage, the audit committee established an IFRS 17 sub-committee which received detailed presentations and feedback from the working group and provided oversight over the process. In attendance in these meetings were members of the audit committee, working group and our auditors Ernst & Young Inc.

The key judgements made by the Group upon the implementation of IFRS 17 was approved by the IFRS 17 sub-committee on behalf of the audit committee and ultimately the Board.

1.5 Impact of IFRS 17

With the adoption of IFRS 17, the Income Statement and Balance Sheet have been restated on a full retrospective basis. The restatements are set out below:

The balance sheet includes the insurance contract assets and insurance contract liabilities. Previously disclosed items such as the Unearned Premium Reserve ("UPR") and Outstanding Claims and IBNR liabilities which were reflected in insurance liabilities, are incorporated into insurance contract assets and insurance contract liabilities respectively and remeasured in terms of IFRS 17.

The remeasurements are summarised as follows:

- The liability for incurred claims (previously the outstanding claims and IBNR reserve) is adjusted for the following:
  - Risk adjustment for non-financial risks.
  - The best estimate liability is discounted to present value.
- The insurance contract asset has been measured in terms of the PAA set out in IFRS 17 and has been fully described under Note 2.3.1 of this report.

The adoption of IFRS 17 significantly impacts the presentation of the Group income statement. The presentation of the income statement was amended as follows:

- The measurement of insurance revenue was updated to comply with the requirements of IFRS 17.
- Insurance service expenses has been separately disclosed and was derived through a cost allocation model by reallocating attributable operating costs to insurance service expenses. The continued disclosure of detailed operating costs is no longer appropriate and consequently, operating costs have been consolidated.
- Insurance service expenses are categorised into acquisition and maintenance expenses. As the contract boundary is greater than one year, acquisition expenses have to be amortised over the period of coverage. The unamortised insurance acquisition expenses are included in the insurance contract asset on the balance sheet. Insurance maintenance expenses are expensed as and when incurred.

Other changes to the income statement disclosure include the following:

- Debtor costs relating to the insurance premium receivable is no longer applicable under IFRS 17 measurement. Amounts have been reallocated from debtor costs to insurance revenue, i.e. reduction in debtor costs and a corresponding reduction in insurance revenue in terms of IFRS 17.
- The profits earned by the Namibian cell captives was accounted for in the insurance revenue under IFRS 4. Under IFRS 17, the profits earned will be disclosed as insurance revenue and insurance service expenses based on the underlying results of the Namibian cell captives. The underlying results of the Namibian cell captives are prepared on an IFRS 17 basis.

IFRS 17 has not materially impacted the profit that is earned by the Group. The profit earned over the lifetime of an insurance contract remains the same, only the trajectory of the profit recognition is impacted. The impact 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 insurance acquisition expenses over the coverage period.

1.5 Impact of IFRS 17 continued

1.5.1 Impact on Retained Earnings

	30 Sept 2022 Rm	31 March 2023 Rm	31 March 2022 Rm
Closing balance previously reported	4 583.4	4 581.8	4 708.4
Restatements	81.7	82.7	78.8
Changes in the Liability for incurred claims	(6.3)	(15.7)	(6.2)
Best estimate liability	(2.1)	(2.9)	(1.8)
Risk adjustment	(4.2)	(12.8)	(4.4)
Net impact of deferred acquisition expenses	120.3	132.0	114.5
Other	(1.5)	(2.8)	–
Taxation	(30.8)	(30.8)	(29.5)
Restated Closing Retained Earnings	4 665.1	4 664.5	4 787.2

1.5.2 Impact on Net Profit

	6 months ended 30 Sept 2022 Rm	12 months ended 31 March 2023 Rm
Reported Net Profit before tax	282.1	561.5
Changes in the Liability for incurred claims	(0.1)	(9.5)
Best estimate liability	(0.3)	(1.1)
Risk adjustment	0.2	(8.4)
Net impact of deferred acquisition expenses	5.8	17.5
Other	(1.5)	(2.8)
Restated Profit before tax	286.3	566.7
Reported taxation	(77.3)	(154.4)
Deferred taxation on above adjustments	(1.3)	(1.3)
Restated Profit after tax	207.7	411.0

1.5 Impact of IFRS 17 continued

1.5.3 Impact of restatements on Group's Income Statement

	Previously Reported Rm	Restatement Rm	Restated Amount Rm
30 September 2022			
Insurance revenue	411.4	(4.0)	407.4
Operating costs	(1 698.4)	317.7	(1 380.7)
Debtor costs	(267.1)	13.5	(253.6)
Insurance service expenses		(322.4)	(322.4)
Finance costs	(16.9)	(0.6)	(17.5)
Net profit before tax	282.1	4.2	286.3
Tax	(77.3)	(1.3)	(78.6)
Net profit after tax	204.8	2.9	207.7
31 March 2023			
Insurance revenue	881.0	(26.6)	854.4
Operating costs	(3 391.5)	678.7	(2 712.8)
Debtor costs	(751.7)	32.2	(719.5)
Insurance service expenses		(675.5)	(675.5)
Net finance costs	(72.6)	(3.6)	(76.2)
Net profit before tax	561.5	5.2	566.7
Tax	(154.4)	(1.3)	(155.7)
Net profit after tax	407.1	3.9	411.0

1.5 Impact of IFRS 17 continued

1.5.4 Balance Sheet Restatement

	Previously Reported Rm	Restatement Rm	Restated Amount Rm
30 September 2022			
Insurance contract assets		181.4	181.4
Insurance contract liabilities			
Liability for incurred claims		(70.7)	(70.7)
Trade and other receivables	3 762.5	(96.5)	3 666.0
Insurance Liabilities	(98.3)	98.3	–
Deferred taxation	68.3	(30.8)	37.5
Retained Income	(4 583.4)	(81.7)	(4 665.1)
31 March 2023			
Insurance contract assets		214.0	214.0
Insurance contract liabilities			
Liability for incurred claims		(88.5)	(88.5)
Trade and other receivables	4 071.5	(124.8)	3 946.7
Insurance Liabilities	(112.8)	112.8	–
Deferred taxation	13.3	(30.8)	(17.5)
Retained Income	(4 581.8)	(82.7)	(4 664.5)
31 March 2022			
Insurance contract assets		173.7	173.7
Insurance contract liabilities			
Liability for incurred claims		(75.8)	(75.8)
Trade and other receivables	3 535.0	(91.8)	3 443.2
Insurance Liabilities	(102.2)	102.2	–
Deferred taxation	55.3	(29.5)	25.8
Retained Income	(4 708.4)	(78.8)	(4 787.2)

1.5 Impact of IFRS 17 continued

1.5.5 Insurance Contract Assets

	6 months ended 30 Sept 2022 Rm	12 months ended 31 March 2023 Rm
Movement in insurance contract assets is as follows:		
Opening Balance	173.7	173.7
Premiums received	(366.4)	(758.6)
Insurance Revenue	365.8	762.3
Insurance Acquisition Expenses	63.4	135.9
Amortisation of Insurance Acquisition Expenses	(57.6)	(118.4)
Net Profit attributable to Namibian Cell Captives	2.5	19.1
Share of net profit for the period	31.9	86.4
Dividends received	(29.4)	(67.3)
Closing balance	181.4	214.0

1.5.6 Insurance Contract Liabilities

	6 months ended 30 Sept 2022 Rm	12 months ended 31 March 2023 Rm	12 months ended 31 March 2022 Rm
Liability for Incurred Claims			
Best estimate liability	66.5	75.7	71.4
Risk adjustment	4.2	12.8	4.4
	70.7	88.5	75.8
Reconciliation of the movement in the liability:			
Opening balance	75.8	75.8	
Incurred claims and claims management costs	229.2	452.4	
Changes to past services	(18.3)	(9.1)	
Finance expense	0.6	3.6	
Claims and claims management costs paid	(216.6)	(434.2)	
Closing balance	70.7	88.5	

1.5 Impact of IFRS 17 continued

1.5.7 Trade and other receivables

As a consequence of IFRS 17, the insurance premium receivable is no longer applicable. On transition these balances have been removed and are included in the insurance contract asset under IFRS 17 measurement principles and the PAA. Set out below is the restatement required:

	Previously Reported R'000	Restatement R'000	Restated Amount R'000
30 September 2022			
Trade and other receivables			
Gross carrying value	5 900 584	(116 645)	5 783 939
Impairment provision	(2 281 687)	65 687	(2 216 000)
Insurance contract asset		50 958	50 958
31 March 2023			
Trade and other receivables			
Gross carrying value	6 122 426	(109 234)	6 013 192
Impairment provision	(2 213 447)	50 950	(2 162 497)
Insurance contract asset		58 284	58 284

The debtor analysis tables as set out in note 2 to the summary financial statements for the period ended 30 September 2023 have been updated accordingly for the above restatements.

2. SUMMARY OF ACCOUNTING POLICIES, SIGNIFICANT JUDGEMENTS AND ESTIMATES

2.1 Basis of preparation

The Group has adopted IFRS 17 with effect from 1 April 2023 and has applied the full retrospective approach and has restated its comparative information. Therefore, comparative information in the prior period annual financial statements has been amended for the impact of IFRS 17.

Accordingly, accounting policies and significant judgements and estimates have been updated and has been aligned with the requirements of IFRS 17.

A summary of the significant changes have been detailed below.

2.2 Insurance contracts

(i) Insurance and reinsurance contracts classification

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder on the occurrence of an insured event in terms of the cover offered, if a specified uncertain future event adversely affects the policyholder. All insurance contracts issued by the Group meet this definition.

Contracts entered into by the Group which compensate another insurer for losses on insurance contracts issued and that meet the requirements to be defined as insurance contracts, are classified as inwards reinsurance contracts issued.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures through the use of catastrophe cover and classifies these contracts as outwards reinsurance contracts held.

All references to insurance contracts in these financial statements apply to reinsurance contracts issued or acquired. Where the Group reinsures to mitigate its risk, the contracts are referred to as reinsurance contracts held.

(ii) Aggregation of insurance contracts

A portfolio of insurance contracts are identified where the contracts are subject to similar risk and are managed together. Each portfolio is divided into groups of contracts that, on initial recognition, are either:

- onerous;
- have no significant possibility of becoming onerous; or
- group of remaining contracts

In determining the profitability grouping for CPI Policies, the standard allows for an exemption under paragraph 20 in cases where the Group's practical ability to set a price is constrained due to regulation. The Group applies this exemption as there are pricing restrictions on the credit life risk component of the CPI Policy due to regulatory capping. Thus, the Group is not required to split such contracts into different profitability groups.

For inwards reinsurance, each contract is its own treaty and thus no allocation to profitability groups is required. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

2. SUMMARY OF ACCOUNTING POLICIES, SIGNIFICANT JUDGEMENTS AND ESTIMATES CONTINUED

2.2 Insurance contracts continued

(ii) Aggregation of insurance contracts continued

The cell captive arrangements in Namibia are treated as an in-substance reinsurance arrangement (reinsurance contract issued) as a consequence of a requirement in the shareholders agreement, to maintain a required level of capital adequacy and solvency.

(iii) Initial recognition

The Group recognises insurance contracts it issues from the earliest of the following:

(a) the beginning of the coverage period;

(b) the date when the first payment from a policyholder becomes due; and

(c) for a group of onerous contracts, when the group becomes onerous.

(iv) Contract boundary

The Group uses the concept of contract boundary to determine all future cash flows to be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums or the Group has a substantive obligation to provide the policyholder with insurance contract services.

The contract boundary of the insurance contracts are as follows:

- For CPI contracts issued, the contract boundary is the length of duration of the underlying instalment sale agreement which can be up to 36 months.
- Inwards reinsurance contracts have a notice period of 12 months and as the reinsurance contract is risk attaching, the underlying contracts whose term can extend up to 24 months have to run off after the notice period (i.e. contract boundary is up to 36 months).
- In respect of the cell arrangements in Namibia, the Group is contractually required to recapitalise the cell for the first 3 years from inception (where appropriate), for the notice period and for the run-off of the contracts up to 24 months after the notice period.

2.3 Insurance contract assets

2.3.1 Measurement under the Premium Allocation Approach

IFRS 17 allows insurers to use the PAA for contracts with a coverage period of one year or less or if the Group reasonably expects that such a simplification would produce a measurement of the insurance contract asset that would not differ materially from the one that would be produced by the General Measurement Model.

The Group has adopted the PAA as all groups and portfolios of insurance contracts issued by the Group were assessed for eligibility and it was concluded that the measurement of the insurance contract asset under the PAA was not materially different from the General Measurement Model.

2. SUMMARY OF ACCOUNTING POLICIES, SIGNIFICANT JUDGEMENTS AND ESTIMATES CONTINUED

2.3 Insurance contract assets continued

2.3.1 Measurement under the Premium Allocation Approach continued

Consequently, insurance contract (assets)/liability are measured in terms of paragraph 55 of IFRS 17 as follows:

At initial recognition:

- Premiums received at initial recognition.
- Minus the insurance acquisition cash flows at that date.

At the end of each subsequent reporting period:

- Opening balance as per the previous reporting period.
- Plus premiums received in the period.
- Minus the amount recognised as insurance revenue for the services provided in the period.
- Minus insurance acquisition cash flows.
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense.
- Minus the capital account of the Namibian cell captive which is being treated as an in-substance reinsurance arrangement (reinsurance contract issued).

2.3.2 Insurance acquisition expenses

Insurance acquisition cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued).

The cost structure of the intermediaries (Group operating subsidiaries) is analysed to determine the insurance service expenses through a detailed cost allocation model, which determines for each expense account, the insurance service element using appropriate cost drivers. The insurance service expense is then further analysed into various intermediary, binder, administrative and other functions.

IFRS 17 further requires that the insurance service expense be classified into insurance acquisition expenses and insurance maintenance expenses. In order to determine this classification, the various functions performed by the intermediaries is assessed and classified as either an acquisition or maintenance function. Using this analysis, the insurance acquisition expenses are derived.

As the contract boundary of the insurance contract is greater than one year, insurance acquisition expenses are amortised over the contract term on a straight line basis unless there is a termination event (i.e. an event which results in no premiums being raised) upon which the remaining insurance acquisition expenses are expensed in full.

2. SUMMARY OF ACCOUNTING POLICIES, SIGNIFICANT JUDGEMENTS AND ESTIMATES CONTINUED

2.4 Insurance contract liabilities – Liability for Incurred Claims

The liability for incurred claims ("LIC") (previously referred to as outstanding claims and incurred but not reported "IBNR" under IFRS 4) comprises the fulfilment cash flows related to past incurred claims including claims that have been incurred but not reported. This includes a risk adjustment for the uncertainty in the amount and/or timing of the future cash flows. Claims expected to be settled are discounted at an appropriate discount rate. The LIC is estimated using appropriate statistical and actuarial techniques utilising claims run-off data.

The best estimate liability (save for discounting) is calculated in the same manner as the previously calculated provisions being the outstanding claims and IBNR, and the relevant methodology used to arrive at the liability is set out in note 5 on pages 41 to 42 in the annual financial statements for the year ended 31 March 2023.

The best estimate liability is adjusted for risk. The risk adjustment percentages for the Group are calculated using a Value at Risk (VaR) method. The VaR method takes a confidence level (or percentile) on the total outstanding claims reserve distribution. When the VaR is subtracted from the mean of the distribution, the result will be an absolute risk adjustment. The absolute risk adjustment divided by the mean provides the risk adjustment percentage which is applied to its corresponding best estimate liability to obtain the reported risk adjustment. The confidence level used was 75%.

2.5 Insurance revenue

As the Group provides insurance contract services under the group of insurance contracts it recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

The Group recognises insurance revenue at the amount of expected premium receipts allocated based on the passage of time over the coverage period for a group of insurance contracts.

2.6 Insurance service expenses

Insurance service expenses include the following:

- Incurred claims and benefits. This includes the costs of administering claims.
- Other incurred directly attributable expenses being reflected as insurance maintenance expenses.
- Insurance acquisition cash flows amortisation.
- Changes in fulfilment cashflows relating to past service for the LIC.

CORPORATE INFORMATION

Non-executive directors:	Hilton Saven (Chairman)* Prof. Fatima Abrahams* Adheera Bodasing Brendan Deegan* 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 Proprietary Limited Level 1 and 2 Rosebank Towers 15 Biermann Avenue Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132)
Auditors:	Ernst & Young 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

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