



2024

## ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

# contents

## 01

### STATUTORY INFORMATION

Company information	1
Directors' responsibility statement	2
Chief executive officer and Chief financial officer's responsibility statement	3
Company secretary certificate	3
Audit committee report	4
Directors' report	8
Independent auditor's report	11

## 02

### PRIMARY STATEMENTS

Consolidated income statement	17
Consolidated statement of comprehensive income	18
Consolidated balance sheet	19
Consolidated statement of changes in equity	20
Consolidated cash flow statement	21

## 03

### NOTES TO ANNUAL FINANCIAL STATEMENTS

1.1	Basis of preparation	22
1.2	Adoption of IFRS 17	22
1.3	Significant accounting estimates and judgements	24
2.	Risk management	25
3.	Financial instruments	26
4.	Trade, other receivables and debtor costs	31
5.	Revenue	40
6.	Gross profit and inventories	42
7.	Leases	43
8.	Borrowings, cash and net finance costs	47
9.	Financial assets – insurance investments	51
10.	Insurance	54
11.	Property, plant and equipment	61
12.	Intangible assets	62
13.	Goodwill	63
14.	Depreciation and amortisation	65
15.	Impairment and capital items	65
16.	Capital management	66
17.	Reportable segments	70
18.	Trade and other payables	72
19.	Payments in advance	73
20.	Directors and employees	73
21.	Taxation	90
22.	Cash flow from operations	92
23.	Impact of civil unrest	93
24.	Group consolidation	93
25.	Interest in subsidiary companies	94
26.	Other notes	95

## 04

### COMPANY ANNUAL FINANCIAL STATEMENTS

Company statement of comprehensive income	96
Company balance sheet	96
Company statement of changes in equity	97
Company cash flow statement	97
Notes to the company annual financial statements	98
Shareholders' information	101

## 05

### APPENDICES TO THE AUDIT COMMITTEE REPORT

Appendix A – Audit committee profiles	103
Appendix B – Audit committee meeting attendance	104

# COMPANY INFORMATION

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## ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 March 2024 comprise Lewis Group Limited (“the Company”) and its subsidiaries (together referred to as “the Group”).

## PRIMARY STATEMENTS

The primary statements are included in the beginning of the annual financial statements and include note references to specific underlying detailed notes.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The notes to the annual financial statements have been ordered on the basis set out in note 1.1.

## ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these annual financial statements are included in the specific notes to which they relate and are indicated with a light blue background.

## SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are included in the specific notes to which they relate and are indicated with a light grey background.

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Registration number:	2004/009817/06	Auditors:	Ernst & Young Inc. Cape Town
Registered address:	53A Victoria Road Woodstock 7925	Attorneys:	ENSafrica
Postal address:	PO Box 43 Woodstock 7915	Bankers:	Absa Bank Limited FirstRand Bank Limited Investec Bank Limited Nedbank Limited The Standard Bank of South Africa Limited

# DIRECTORS' RESPONSIBILITY STATEMENT

Management have prepared the annual financial statements in accordance with International Financial Reporting Standards ("IFRS") Accounting Standards as issued by the International Accounting Standards Board ("IASB") and the Companies Act of South Africa.

The annual financial statements, which present the results and financial position of the Company and its subsidiaries, are the responsibility of the directors.

In fulfilling its responsibility, the Board of directors ("the Board") has approved the accounting policies applied and established that reasonable and sound estimates and judgements have been made by management when preparing the annual financial statements.

Adequate accounting records and an effective system of internal controls have been maintained to ensure the integrity of the underlying information. Internal audit has performed a written assessment confirming the effectiveness of the Company's system of internal control and risk management, including internal financial controls. The Board is satisfied that the system of internal controls, which includes internal financial controls, operates effectively.

A well-established control environment, which incorporates risk management and internal control procedures, exists to provide reasonable, but not absolute, assurance that assets are safeguarded and the risk facing the business is being adequately managed. The Board confirms that during the period under review the Group has maintained an efficient and effective process to manage key risks. The directors are not aware of any current or anticipated key risks that may threaten the sustainability of the business.

The Board has reviewed the business of the Group together with budget and cash flows for the year to 31 March 2025, as well as the current financial position and have no reason to believe that the Group will not be a going concern for the foreseeable future. The going concern basis has therefore been adopted in preparing the annual financial statements.

Ernst & Young Inc. ("EY"), as external auditors, have examined the annual financial statements and their report appears on pages 11 to 16.

The annual financial statements of the Group and the Company for the year ended 31 March 2024, which appear on pages 17 to 102 have been approved by the Board and signed on their behalf by:



**H Saven**  
Chairman



**J Enslin**  
Chief executive officer



**J Bestbier**  
Chief financial officer

Cape Town  
31 May 2024

# CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S RESPONSIBILITY STATEMENT

In line with paragraph 3.84(k) of the JSE Limited ("JSE") Listings Requirements, the Chief executive officer and Chief financial officer hereby confirm that:

- the annual financial statements set out on pages 17 to 102, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted, or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.



**J Enslin**  
*Chief executive officer*

31 May 2024



**J Bestbier**  
*Chief financial officer*

## PREPARATION AND PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The preparation of the audited annual financial statements was supervised by Mr J Bestbier CA(SA).

## COMPANY SECRETARY CERTIFICATE

### COMPLIANCE WITH THE COMPANIES ACT, 2008

In terms of the Companies Act and for the year ended 31 March 2024, I certify that the company has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission and that all such returns and notices are true, correct and up to date.



**MO Gibbons**  
*Company secretary*

31 May 2024

# AUDIT COMMITTEE REPORT

for the year ended 31 March 2024

The audit committee (“the committee”) has pleasure in submitting its report for the year ended 31 March 2024 in compliance with the Companies Act, No. 71 of 2008, as amended (“the Companies Act”).

## INTRODUCTION

The committee is a statutory committee which carries out its statutory duties in accordance with the Companies Act. In addition to its statutory duties, the committee provides independent oversight over the external audit, internal audit and the finance function in terms of the recommendations of the King IV Report on Corporate Governance (“King IV”). The committee operates in accordance with a documented charter and complies with all relevant legislation, regulation and governance codes. The committee’s terms of reference is reviewed annually and approved by the Board.

The committee executed its duties in terms of the requirements of the Companies Act and King IV.

The committee acts as the audit committee for all the subsidiaries in the Lewis Group except for Monarch Insurance Company Limited (“Monarch”) which has its own audit and risk committee.

## OBJECTIVES

The objectives of the committee are:

- To assist the Board to discharge its duties relating to the safeguarding of assets, the operation of adequate systems and controls, overseeing integrated reporting, reviewing of financial information and the preparation of interim and annual financial statements in compliance with all applicable legal requirements and accounting standards.
- To facilitate and promote communication and liaison between the Board and the Company’s management in respect of the matters referred to above.
- To recommend the introduction of measures which the committee believes may enhance the credibility and objectivity of financial statements and reports concerning affairs of the Company.
- To perform their statutory functions under section 94 of the Companies Act.
- To advise on any matter referred to the committee by the Board.

## RELATIONSHIP WITH THE MONARCH AUDIT AND RISK COMMITTEE

- Due to the integrated nature of the Group’s systems and processes, the Lewis Group audit committee has responsibility relating to overseeing:
  - internal and external audit management; and
  - maintenance of an effective internal control system.
- In order for the Monarch audit and risk committee to discharge its responsibilities under the Insurance Act, the Lewis Group audit committee refers any issues to the Monarch audit and risk committee where such issues impact on Monarch.
- The duty and scope of the Monarch audit and risk committee in monitoring the compliance with legal and regulatory requirements has been extended to include the Financial Advisory and Intermediary Services Act due to its interrelationship with the insurance activities of the Group.
- The minutes of all Monarch audit and risk committee meetings are tabled at the meetings of the Lewis Group audit committee.

## MEMBERSHIP

The committee currently consists of three independent non-executive directors:

Daphne Motsepe (Chairperson)

Brendan Deegan

Tapiwa Njikizana

Prof. Fatima Abrahams did not avail herself for re-election to the audit committee on 12 October 2023.

Biographical details of the committee members are provided in Appendix A.

The Chief executive officer, Chief financial officer, other relevant members of management and representatives of the internal and external auditors attend the meetings as invitees.

The committee meets separately with external auditors, without members of executive management being present, at least once a year. The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

# AUDIT COMMITTEE REPORT CONTINUED

for the year ended 31 March 2024

## COMMITTEE ACTIVITIES

The committee met five times during the year under review.

Attendance of the members has been set out in Appendix B.

The committee attended to the following material matters:

### Financial statements

As required by its terms of reference, the committee performed the following with respect to the financial statements:

- Reviewed the interim results and year end financial statements, including the public announcements of the Company's financial results, and made recommendations to the Board for their approval. In the course of its review the committee:
  - took appropriate steps to ensure that the financial statements were prepared in accordance with IFRS Accounting Standards as issued by the IASB;
  - considered the appropriateness of accounting policies, disclosures and material judgements applied; and
  - completed a detailed review of the going concern assumption and confirmed that the going concern assumption was appropriate in the preparation of the financial statements.

### Implementation of IFRS 17 *Insurance Contracts*

IFRS 17 was implemented during the current financial year with full retrospective adoption, therefore requiring the restatement of comparatives from 1 April 2022.

An effective governance and control framework was 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.

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 Ernst & Young Inc.

The effect of IFRS 17 on the financial statements has been set out in note 1.2.

### Integrated Report

The committee fulfils an oversight role regarding the Company's Integrated Report and the reporting process.

The committee considers the Company's Integrated Report and assesses its consistency with operational, financial and other information known to the audit committee members, and for consistency with the annual financial statements.

The committee satisfies itself that the Integrated Report will be materially accurate, complete, reliable and consistent with the annual financial statements.

### External auditors

Lewis Group conducted a formal tender process to appoint a new firm of external auditors for the 2024 financial year. The committee recommended Ernst & Young Inc. ("EY") as the external auditor and their appointment was approved by Lewis Group's shareholders at the Annual General Meeting held on 12 October 2023. PricewaterhouseCoopers ("PwC")'s appointment was terminated on 12 October 2023.

With regard to external audit the committee performed the following functions:

- Reviewed the independence of EY, the Company's external auditors, and the designated auditor, before recommending to the Board that their election be proposed to shareholders (refer section on Independence of External Auditors).
- Approved, in consultation with management, the audit fee and engagement terms for the external auditors for the 2024 financial year. The fees paid to the auditors are disclosed in note 26.3 of the annual financial statements.
- Determined the nature and extent of allowable non-audit services and approved the policy for the provision of non-audit services. It is the policy of the Group that the auditor is restricted from rendering accounting, IT consulting services, company secretarial, internal audit and human resource services.
- Reviewed and approved the external audit plan, ensuring that material risk areas were included and that coverage of the significant business processes was acceptable.
- Reviewed the external audit reports and management's response, considered their effect on the financial statements and internal financial control.

The committee was not required to deal with any complaints relating to accounting practices or internal audit, nor to the content or audit of the Group's financial statements, the internal financial controls and related matters.

# AUDIT COMMITTEE REPORT CONTINUED

for the year ended 31 March 2024

## COMMITTEE ACTIVITIES continued

### Internal audit

With regard to internal audit the committee performed the following functions:

- Reviewed and approved the existing internal audit charter which ensures that the Group's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to discharge its duties.
- Satisfied itself with the credibility, independence and objectivity of the internal audit function.
- Reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of significant business processes was acceptable.
- Reviewed the quarterly internal audit reports, covering the effectiveness of internal control, material fraud incidents and material non-compliance with Group policies and procedures. The committee is advised of all internal control developments and advised of any material losses. No material losses were reported during the year.
- Considered and reviewed with management and internal auditors any significant findings and management responses thereto in relation to reliable financial reporting, corporate governance and effective internal control to ensure appropriate action is taken.
- Oversaw the co-operation between internal audit and external auditors. The committee satisfied itself that the Company has optimised the assurance coverage obtained from management, internal and external assurance providers in accordance with an appropriate combined assurance model.
- Assessed the performance and qualification of the internal audit function and found them to be satisfactory.

### Internal financial control and compliance

- Reviewed and approved the Group's existing treasury policy and reviewed the quarterly treasury reports prepared by management.
- Reviewed the quarterly legal and regulatory reports setting out the latest legislative and regulatory developments impacting the Group.
- Reviewed the quarterly report on taxation.
- Reviewed the quarterly information technology reports.
- Considered and, where appropriate, made recommendations on internal financial control.

Internal audit has performed a written assessment of the effectiveness of the Company's system of internal control and risk management, including internal financial controls. This written assessment by internal audit, as well as other information available to the committee, formed the basis for the committee's recommendation to the Board, on the effectiveness of the system of internal controls to be included in the Integrated Report.

### Governance of risk

The Board has assigned oversight of the Company's risk management function to the risk committee. The minutes of the risk committee are made available to the audit committee to assist it in fulfilling its oversight role with respect to financial reporting risks arising from internal financial controls, fraud and information technology risks.

### Evaluation of expertise and experience of the Chief financial officer and finance function

- In terms of the JSE Listings Requirements, the committee satisfied itself as to the appropriateness of the expertise and experience of the Group's Chief financial officer.
- The committee has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.



# AUDIT COMMITTEE REPORT CONTINUED

for the year ended 31 March 2024

## INDEPENDENCE OF EXTERNAL AUDITORS

The committee is satisfied that EY is independent of the Group. This assessment was made after considering the following:

- Confirmation from the external auditors that they, or their immediate family, do not hold any significant direct or indirect financial interest or have any material business relationship with the Group. The external auditors also confirmed that they have internal monitoring procedures to ensure their independence.
- The auditors do not, other than in their capacity as external auditors or rendering permitted non-audit services, receive any remuneration or other benefits from the Group.
- The auditor's independence was not impaired by the non-audit work performed having regard to the quantum of audit fees relative to the total fee base and the nature of the non-audit work undertaken.
- The criteria specified for independence by the Independent Regulatory Board for Auditors.

The audit committee is satisfied with the independence, expertise and experience of both the firm and designated auditor. The designated auditor is Tina Rookledge, who was appointed on 12 October 2023.

The committee confirms it has functioned in accordance with its terms of reference for the 2024 financial year.



**D Motsepe**

*Chairperson, Audit committee*

28 May 2024

# DIRECTORS' REPORT

for the year ended 31 March 2024

## NATURE OF BUSINESS

Lewis Group Limited is a holding company listed on the JSE, operating through two main subsidiaries, Lewis Stores Proprietary Limited and Monarch.

The Group offers a selected range of furniture and appliances through 498 Lewis, 170 Best Home and Electric, 150 Beares and 12 Bedzone stores. Sales are mainly on credit. United Furniture Outlets ("UFO") is a cash furniture retailer with a retail footprint of 39 stores.

Monarch, the Group's insurer, offers optional microinsurance products to South African customers.

In addition, there are also trading subsidiaries in Botswana, Lesotho, Namibia and Eswatini operating under the Lewis, Best Home and Electric and Beares brands. The store presence outside South Africa now amounts to 138 stores.

The nature of the business of the subsidiaries is set out in note 25.

## REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The financial results and affairs of the Group are reflected in the annual financial statements set out on pages 17 to 102.

## SEGMENTAL ANALYSIS

Segmental information is set out in note 17 to the annual financial statements.

## SHARE CAPITAL

During the financial year, 4 164 924 shares (2023: 5 520 661 shares) were repurchased in terms of section 48 of the Companies Act. Refer to note 16.4 for more detail.

The number of shares in issue at the end of the financial year is 53 094 128 (2023: 57 259 052).

## TREASURY SHARES

The Lewis Employee Incentive Scheme Trust ("the Trust") effectively holds 198 355 shares (2023: 173 545 shares), all of which will be utilised to cover share awards granted to executives.

# DIRECTORS' REPORT CONTINUED

for the year ended 31 March 2024

## DIVIDENDS

The following dividends have been declared or proposed for the financial year ended 31 March 2024:

	Dividend per share	Date declared	Date payable
Interim - declared	200 cents	30 November 2023	22 January 2024
Final - proposed	300 cents	31 May 2024	29 July 2024
For the year	500 cents		

Notice is hereby given that a final gross cash dividend of 300 cents per share in respect of the year ended 31 March 2024 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 52 393 699. The dividend has been declared out of income reserves and is subject to a dividend withholding tax of 20%. The gross dividend for determining the dividend withholding tax is 300 cents and the dividend withholding tax payable is 60 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 240 cents. The dividend withholding 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, 23 July 2024
Date trading commences "ex" dividend	Wednesday, 24 July 2024
Record date	Friday, 26 July 2024
Date of payment	Monday, 29 July 2024

Share certificates may not be dematerialised or rematerialised between Wednesday, 24 July 2024 and Friday, 26 July 2024, both days inclusive.

## DIRECTORS

The directors as at 31 March 2024 are as follows:

- Mr Hilton Saven
- Prof. Fatima Abrahams
- Mr Jacques Bestbier
- Mrs Adheera Bodasing
- Mr Brendan Deegan
- Mr Johan Enslin
- Mrs Daphne Motsepe
- Mr Tapiwa Njikizana

## COMPANY SECRETARY

Mrs MO Gibbons remained the company secretary throughout the financial year. The address of the company secretary is that of registered offices as stated on page 1.

# DIRECTORS' REPORT CONTINUED

for the year ended 31 March 2024

## DIRECTORS' INTERESTS

At 31 March 2024, the directors' beneficial direct and indirect interest in the Company's issued shares were as follows:

	2024		2023	
	Direct	Indirect	Direct	Indirect
H Saven		20 000		6 440
J Bestbier	236 034	91 584	126 573	126 583
J Enslin	697 258	149 088	581 077	205 269
	933 292	260 672	707 650	338 292

There has been no change in the above directors' interest between the end of the financial year and the date of approval of the annual financial statements.

Full details of the terms and conditions in relation to these share awards are set out in note 20.2 to the annual financial statements.

During the course of the year, no director had a material interest in any contract of significance with the Company or any of its subsidiaries that could have given rise to a conflict of interest.

No material related party transactions in terms of the JSE Listings Requirements took place between the Group and its directors or their associates, other than remuneration for services rendered to the Company as set out in note 20.2 to the annual financial statements.

## SUBSIDIARY COMPANIES

Details of the Company's subsidiaries are set out in note 25.

## BORROWING POWERS

Borrowings were R775.6 million at 31 March 2024 (2023: R367.5 million). Borrowings are subject to the treasury policy adopted by the Board. In terms of the Memorandum of Incorporation, the Group has unlimited borrowing powers.

# INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Lewis Group Limited

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated and separate financial statements of Lewis Group Limited and its subsidiaries ("the group") and company set out on pages 17 to 100, which comprise of the consolidated and separate balance sheets as at 31 March 2024, the consolidated income statement and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate cash flow statements for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 March 2024, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In terms of the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette Number 49309 dated 15 September 2023 (EAR Rule) we report:

### Final Materiality

The ISAs do not have a specific definition for materiality. However, the ISAs do recognise that misstatements, including omissions, are considered to be material if the misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The ISAs further clarify that judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both and consider users as a group in the average rather than as individuals whose needs may vary greatly.

The amount we set as materiality represents a quantum for the above concepts when considering the financial statements as a whole. Qualitative factors are also considered in making final determinations regarding what is material to the financial statements.

### Group:

We have determined final materiality for the Group to be R32 million, which is 5% of Average Profit Before Tax. We have identified Profit Before Tax as the most appropriate basis for determining materiality as we typically believe that profit companies are evaluated by users on their ability to generate earnings.

### Company:

We determined final materiality for the standalone company to be R30 million, which is 1% of Equity. We have identified equity as the most appropriate basis as the entity operates primarily as a holding company and shareholders are interested in the net residual value of the company.

### Group Audit Scope:

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each component within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account the size and risk profile of the components in the group. In addition, we further consider the organisation of the group and effectiveness of group wide controls, changes in the business environment, and other factors such as our experience in prior years and recent internal audit results when assessing the level of work to be performed at each component of the group. Our process focuses on identifying and assessing the risk of material misstatements of the group financial statements as a whole including, with respect to the consolidation process.

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors under our instruction.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

Of the nine components selected, we:

- Performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics.
- Performed audit procedures on specific accounts of five components ("specific scope components") that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The audit work to respond to the risks of material misstatement was performed directly by the primary audit engagement team except for 1 component. The primary audit engagement team also tested the consolidation process and carried out analytical procedures over components not in scope.

The reporting components where we performed audit procedures accounted for 89% of the Group's Profit Before Tax, 99% of the Group's Revenue, and 97% of the Group's Total Assets.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements in the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

In terms of the EAR Rule, we are required to report key audit matters and the outcome of audit procedures or key observations with respect to the key audit matters and these are included below.

The key audit matters apply to the audit of the consolidated financial statements. There were no key audit matters applicable to the separate financial statements.

Key audit matter description	How the matter was addressed in the audit
<p><b>1. Expected credit losses (ECL) on trade receivables</b></p> <p>As at 31 March 2024, the gross value of trade receivables was R6.9 billion, against which an ECL of R2.6 billion was recognised.</p> <p>We identified the audit of the ECL on trade receivables as a key audit matter which required significant audit effort when considering the following:</p> <ul style="list-style-type: none"> <li>• The significance of the balance;</li> <li>• The high degree of estimation uncertainty and significant judgements and assumptions applied in the ECL model;</li> <li>• The forward-looking information used to estimate the ECL on trade receivables require subjective management judgement to reflect the current macroeconomic environment.</li> </ul> <p>Noted below are the areas of significant judgement and estimation uncertainty:</p> <p><b>Impairment modelling:</b> The Group impairment is measured using the simplified model in accordance with IFRS 9: <i>Financial Instruments</i>. The development and execution of the model requires significant judgement including estimation of the probability-weighted cash flows which is calculated using transition matrix and conditional probabilities and payment performance for each payment date.</p>	<p>Our procedures on the ECL on trade receivables included, amongst others:</p> <ul style="list-style-type: none"> <li>• We assessed the appropriateness of the methodology applied by management in their IFRS 9 model documentation, which forms the basis of the ECL calculation, with reference to the requirements of IFRS 9.</li> <li>• We performed a methodology review to assess the conceptual soundness of the model methodology.</li> <li>• We performed development testing of the model-build steps and key assumptions to ensure alignment to the approved model documentation and final model in use. This consists of reviewing and re-running the entire model development codes step-by-step and conducting additional testing to check that the model's data, assumption, build, etc. is in line with the methodology documents.</li> <li>• We tested the reasonability of the key assumptions, i.e. effective interest rate and probability weighted cash flows applied in the ECL calculation, including the testing of conditional probabilities and payment performance for each payment date through independent recalculation with reference to independent sources of information obtained where applicable.</li> <li>• We tested the accuracy of management's calculation by performing an independent recalculation of the ECL values as at 31 March 2024.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## Key audit matter description

## How the matter was addressed in the audit

### 1. Expected credit losses (ECL) on trade receivables continued

#### Forward-looking information (FLI):

Management has added an economic overlay to the ECL which requires significant judgement when determining the overlay. Durable consumption, election uncertainty and the risk of social unrest were the variables considered. The Group has further considered the macro-economic environment risks when assigning probability weightings to the overlay.

Refer to note 4 (Trade, other receivables and debtor costs) of the consolidated financial statements for the disclosures.

We evaluated the appropriateness of the FLI adjustment, which increases the valuation of the ECL, with the involvement of our valuation specialist by:

- Considering the appropriateness of the economic variables applied.
- Performing an independent quantification analysis and sensitivities to determine the adequacy of the forward-looking information.
- Assessing the reasonableness of management overlays based on our understanding of the industry and emerging risks, which include the consideration of the scenario weightings applied.

We assessed the appropriateness of the disclosures in terms of the requirements of IFRS 9 and IFRS 7.

Based on the procedures performed, we identified areas of discussions with management, but we did not identify material misstatements.

### 2. Insurance contract assets and liabilities

#### Initial application of IFRS 17

On 1 April 2023, the Group adopted IFRS 17: Insurance Contracts ('IFRS 17') which replaced IFRS 4: Insurance Contracts.

The Group applied IFRS 17 to insurance contracts issued and reinsurance contracts held as at 1 April 2022 in accordance with the Premium Allocation Approach (PAA) and the accounting policies as described in Note 10. This standard requires the use of complex valuation models and assumptions to measure groups of insurance contracts as the total of estimates of:

- Present value of future cash flows ('PVFCF'), plus
- A risk adjustment for non-financial risk ('RA').

As a result certain 2023 comparative amounts as presented in these consolidated financial statements have been restated for the adoption of IFRS 17.

The impact of the initial application of IFRS 17 on the consolidated financial statements was an increase of R78.8 million to the Group's total equity as at 1 April 2022 as reflected in note 1.2.1 to the consolidated financial statements.

We have identified the impact of the initial application of IFRS 17 to be a key audit matter due to the judgement to be applied and complexity on initial application of the new accounting standard as it related to the measurement of the Group's insurance contract assets and liabilities, which includes the liability for remaining coverage and the liability for incurred claims at the transition date.

Significant audit effort was required in the application of judgment including the involvement of specialised actuarial skills and knowledge to assist in evaluating the appropriateness of actuarial models and methodology employed.

The critical accounting judgements and impact of the initial application of IFRS 17 are set out in note 10 to the consolidated financial statements.

#### Initial application of IFRS 17

Our procedures on the initial application of IFRS 17 included, amongst others:

- We obtained an understanding of the process followed by management over the adoption of IFRS 17 accounting policies and the significant estimates and assumptions used in the determination of the Group's insurance contracts.
- We evaluated the Group's accounting policies and actuarial methodology to assess compliance with IFRS 17.
- We performed an assessment of the Group's PAA Eligibility Testing (PAAET) approach.
- We evaluated the analyses of contracts prepared by the Group for the purposes of classification according to the PAA and tested the compliance with IFRS 17 to the underlying contracts on a sample basis.
- We performed testing of the completeness and accuracy of data used in the calculation of the transition balances to underlying source systems on a sample basis.
- With the involvement of our IFRS 17 actuarial specialists we tested the methodology and calculations of the IFRS 17 insurance contract assets and liabilities primarily through calculating an independent estimate of the components of insurance contract assets and liabilities and comparing our recalculations to the Group's results.
- We assessed whether the associated transition disclosures are compliant with IFRS 17 and with the methodologies and assumptions approved by the directors.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

## Key audit matter description

## How the matter was addressed in the audit

### 2. Insurance contract assets and liabilities continued

#### Valuation of the liability for incurred claims in relation to insurance contract assets and liabilities recognised in accordance with IFRS 17

As at 31 March 2024, the Group held an insurance contract asset of R196.5 million, consisting of a liability for remaining coverage of R275.2 million and a liability for incurred claims of R78.7 million for insurance contracts issued. The net insurance contract asset is determined in accordance with IFRS 17.

We considered the valuation of the liability for incurred claims to be a key audit matter due to the significant judgement and estimation uncertainties in the future cash flow projections and the risk adjustment for non-financial risk.

The PVFCF and the risk adjustment requires the use of a complex actuarial model and methodology further supported by judgemental assumptions and accurate and complete data.

The cash flow projections comprise estimates of all future claim payments as well as the directly attributable claims administration expenses arising from these events within the boundary of each group of contracts. These projected cash flows are then discounted using an appropriate yield curve.

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts.

Refer to note 10 (Insurance Contracts) of the consolidated financial statements for the disclosures.

#### Valuation of the liability for incurred claims in relation to insurance contract assets and liabilities recognised in accordance with IFRS 17

Our procedures on the valuation of the liability for incurred claims included, amongst others:

- We selected a sample and tested the input data used in the model calculating the liability for incurred claims by comparing the data to the claims information on the underlying system such as date of loss, gross claim amount paid, gross outstanding claims amount and claim number.
- We assessed completeness of the above data by reconciling claims data between the underlying system and the data applied in the model used to determine the liability for incurred claims.
- We selected a sample and tested the claims information recorded on the underlying system (such as loss event, claim estimate, and item being claimed) by tracing the claims to the relevant documentation.
- We assessed the validity of the claims by agreeing the nature of the claim in the claim documentation to the insured item in the claimant's original policy and inspected the claimant's account status as reflected on the underwriting system to confirm that the premium has been paid as at the date of the claim.

With the support of IFRS 17 actuarial specialists, we tested the actuarial models and methodology used by management to calculate PVFCF and the risk adjustment for non-financial risk by performing the following procedures:

- We evaluated the key assumptions used, including their reasonableness based on experience studies, our knowledge of the Group, the products offered and available market and macroeconomic data. This included the review of a sample of experience studies supporting specific assumptions.
- We tested the methodology and logic of actuarial models used through independent recalculations and a comparison of calculation logic to industry comparable models.
- We analysed the actual experience against the expected results and investigated unusual and unexpected results.

We assessed the appropriateness of the disclosures in terms of the requirements of IFRS 17.

Based on the procedures performed, we did not identify any misstatements.

### Other Matter

The consolidated and separate financial statements of Lewis Group Limited for the year ended 31 March 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 25 May 2023.



# INDEPENDENT AUDITOR'S REPORT CONTINUED

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the 105-page document titled "Lewis Group Limited Annual Financial Statements for the year ended 31 March 2024", which includes the Directors' Report, Directors' Responsibility statement, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, the Chief executive and Chief financial officer's responsibility statement, Company information, Shareholder information, Appendix A – Audit committee profiles and Appendix B – Audit committee meeting attendance which we obtained prior to the date of this report, and the Annual report, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

# INDEPENDENT AUDITOR'S REPORT CONTINUED

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditors of Lewis Group Limited for 1 year.

### *Ernst & Young Inc.*

Ernst & Young Inc  
Director: Tina Lesley Rookledge  
*Registered Auditor*  
Chartered Accountant (SA)

3rd Floor, Waterway House  
3 Dock Road, V&A Waterfront

Cape Town  
31 May 2024

## Lewis Group Limited:

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2024

	Notes	2024 Rm	2023 Restated Rm
<b>Revenue</b>	5	<b>8 183.8</b>	7 456.4
Retail revenue		<b>5 543.3</b>	5 268.1
Merchandise sales		<b>4 652.7</b>	4 443.1
Ancillary services		<b>890.6</b>	825.0
Effective interest income		<b>1 654.6</b>	1 333.9
Insurance revenue		<b>985.9</b>	854.4
<b>Cost of merchandise sales</b>	6	<b>(2 646.5)</b>	(2 637.0)
<b>Operating costs</b>		<b>(2 834.8)</b>	(2 712.8)
<b>Debtor costs</b>	4.2	<b>(1 225.1)</b>	(719.5)
Bad debts net of recoveries		<b>(781.5)</b>	(790.3)
Movement in debtors impairment provision		<b>(443.6)</b>	70.8
<b>Insurance service expenses</b>	10.3	<b>(722.5)</b>	(675.5)
<b>Operating profit before impairments and capital items</b>		<b>754.9</b>	711.6
Impairments and capital items	15	<b>(65.4)</b>	(102.2)
<b>Operating profit</b>		<b>689.5</b>	609.4
Investment income	9.2	<b>37.3</b>	33.5
Interest expense	8.2	<b>(161.2)</b>	(114.5)
Interest received	8.2	<b>23.7</b>	16.4
Foreign exchange gains	8.2	<b>0.8</b>	21.9
<b>Profit before taxation</b>		<b>590.1</b>	566.7
Taxation	21	<b>(153.7)</b>	(155.7)
<b>Net profit attributable to ordinary shareholders</b>		<b>436.4</b>	411.0
Earnings per share	(cents)	<b>806.3</b>	695.6
Diluted earnings per share	(cents)	<b>781.2</b>	672.5

## Lewis Group Limited:

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2024

	Note	2024 Rm	2023 Restated Rm
Net profit for the year		436.4	411.0
Items that may be subsequently reclassified to income statement:			
Movement in other reserves		(5.6)	11.8
Fair value adjustments		(10.8)	(6.5)
Changes in the fair value of debt instruments at fair value through other comprehensive income – FVOCI debt investments		(14.8)	(8.9)
Tax effect		4.0	2.4
Foreign currency translation reserve		5.2	18.3
Items that may not be subsequently reclassified to income statement:			
Retirement benefit remeasurements		(5.7)	(0.7)
Remeasurements of the retirement asset and liabilities	20.5.2	(7.8)	(1.0)
Tax effect		2.1	0.3
Other comprehensive income		(11.3)	11.1
<b>Total comprehensive income for the year attributable to ordinary shareholders</b>		<b>425.1</b>	<b>422.1</b>

## Lewis Group Limited:

# CONSOLIDATED BALANCE SHEET

as at 31 March 2024

	Notes	2024 Rm	2023 Restated Rm	1 April 2022 Restated Rm
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	442.3	426.3	396.4
Right-of-use assets	7.2	793.7	760.0	747.1
Intangible assets	12	110.4	114.9	107.3
Goodwill	13	–	59.9	151.0
Deferred taxation	21	64.4	50.1	80.0
Retirement benefit asset	20.5	109.0	106.7	109.8
Financial assets – insurance investments	9.1	242.5	257.3	266.1
		<b>1 762.3</b>	<b>1 775.2</b>	<b>1 857.7</b>
<b>Current assets</b>				
Inventories	6	723.6	869.3	1 018.8
Trade and other receivables	4.1	4 483.2	3 946.7	3 443.2
Insurance contract asset	10.2	196.5	125.5	97.9
Taxation	21	8.6	6.5	28.1
Financial assets – insurance investments	9.1	134.9	138.9	156.7
Cash-on-hand and deposits	8.1	224.3	183.0	308.1
		<b>5 771.1</b>	<b>5 269.9</b>	<b>5 052.8</b>
<b>Total assets</b>		<b>7 533.4</b>	<b>7 045.1</b>	<b>6 910.5</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital and premium	16.4	0.9	0.9	0.9
Treasury shares	16.4	(8.2)	(8.3)	(3.7)
Other reserves	16.6	42.6	35.5	11.4
Retained earnings	16.7	4 667.5	4 664.5	4 787.2
		<b>4 702.8</b>	<b>4 692.6</b>	<b>4 795.8</b>
<b>Non-current liabilities</b>				
Lease liabilities	7.1	699.4	680.3	700.1
Long-term interest-bearing borrowings	8.1	350.0	–	–
Deferred taxation	21	59.9	67.6	54.2
Retirement benefit liability	20.5	78.6	73.3	77.3
		<b>1 187.9</b>	<b>821.2</b>	<b>831.6</b>
<b>Current liabilities</b>				
Trade and other payables	18	698.5	684.2	685.0
Payments in advance	19	184.4	189.6	181.1
Short-term interest-bearing borrowings	8.1	425.6	367.5	80.8
Lease liabilities	7.1	240.9	264.7	250.2
Taxation	21	93.3	25.3	86.0
		<b>1 642.7</b>	<b>1 531.3</b>	<b>1 283.1</b>
<b>Total equity and liabilities</b>		<b>7 533.4</b>	<b>7 045.1</b>	<b>6 910.5</b>

## Lewis Group Limited:

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2024

	Notes	2024 Rm	2023 Restated Rm
<b>Share capital and premium</b>	16.4		
Opening balance		0.9	0.9
Cost of own shares acquired		(170.0)	(275.7)
Transfer of cost of cancelled shares		170.0	275.7
		<b>0.9</b>	<b>0.9</b>
<b>Treasury shares</b>	16.4		
Opening balance		(8.3)	(3.7)
Share awards to employees		51.6	29.4
Cost of own shares acquired		(51.5)	(34.0)
		<b>(8.2)</b>	<b>(8.3)</b>
<b>Other reserves</b>	16.6		
Opening balance		35.5	11.4
Other comprehensive income for the year:			
Changes in fair value of FVOCI debt investments		(10.8)	(6.5)
Foreign currency translation reserve		5.2	18.3
Equity-settled share-based payments		30.8	25.8
Transfer of share-based payments reserve to retained earnings on vesting		(18.1)	(13.5)
		<b>42.6</b>	<b>35.5</b>
<b>Retained earnings</b>	16.7		
Opening balance previously reported		4 581.8	4 708.4
Restatement		82.7	78.8
Opening balance - revised	1.2.1	4 664.5	4 787.2
Net profit attributable to ordinary shareholders		436.4	411.0
Distribution to shareholders	16.2	(224.2)	(241.4)
Transfer of cost of cancelled shares		(170.0)	(275.7)
Transfer of share-based payments reserve to retained earnings on vesting		18.1	13.5
Retirement benefit remeasurements		(5.7)	(0.7)
Share awards to employees		(51.6)	(29.4)
		<b>4 667.5</b>	<b>4 664.5</b>
<b>Balance as at 31 March</b>		<b>4 702.8</b>	<b>4 692.6</b>

## Lewis Group Limited:

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2024

	Notes	2024 Rm	2023 Restated Rm
<b>Cash flow from operating activities</b>			
Cash flow from trading	22.1	1 714.8	1 006.2
Changes in working capital	22.2	(1 021.0)	(264.3)
Cash flow from operations		693.8	741.9
Interest received other than from trade receivables	8.2	23.7	16.4
Interest paid	22.3	(157.4)	(105.7)
Foreign exchange gains		0.1	14.2
Taxation paid	22.4	(101.5)	(149.3)
		458.7	517.5
<b>Cash utilised in investing activities</b>			
Purchases of insurance investments	9.1	(60.7)	(32.1)
Disposals of insurance investments	9.1	102.0	83.3
Additions to property, plant and equipment and intangible assets	11, 12	(124.6)	(142.9)
Proceeds on disposal and scrapping of property, plant and equipment		6.3	18.1
		(77.0)	(73.6)
<b>Cash flow from financing activities</b>			
Dividends paid	16.2	(224.2)	(241.4)
Payment of principal portion of lease liabilities	7.1	(302.8)	(304.6)
Borrowings	22.5	350.0	–
Advances		600.0	150.0
Repayments		(250.0)	(150.0)
Purchase of own shares		(221.5)	(309.7)
		(398.5)	(855.7)
<b>Net decrease in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		(16.8)	(411.8)
		(184.5)	227.3
<b>Cash and cash equivalents at the end of the year</b>	8.1	(201.3)	(184.5)

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## REPORTING ENTITY

Lewis Group Limited is a company incorporated and domiciled in South Africa. The address of the Company's registered office is stated on page 1.

## 1.1 BASIS OF PREPARATION

The financial statements are prepared in accordance with IFRS Accounting Standards as issued by the IASB, the IFRS Interpretations Committee interpretations, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act. The financial statements are prepared under the historical cost convention, and modified by the revaluation of certain financial instruments to fair value. The financial statements are prepared on a going concern basis.

The accounting policies applied in the preparation of these consolidated annual financial statements are consistent with those applied in the previous consolidated annual financial statements except as disclosed in note 1.2.

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 year apart from IFRS 17 as disclosed in note 1.2.

The Group and Company discloses its material accounting policies, including its measurement basis or bases, as part of its disclosures in each note in order to assist the users of these statements in understanding how transactions, events and conditions are reflected in the primary financial statements. The Group presents its notes by incorporating all related disclosures, accounting policies, significant judgements, risk management disclosure and other information relating to a particular balance sheet and/or income statement item together to provide a complete overall picture of such items.

## 1.2 ADOPTION OF IFRS 17

The Group offers Customer Protection Insurance ("CPI") 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.

The standard applies to insurance contracts issued (including reinsurance contracts issued) and reinsurance contracts held by the Group. 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 applied to certain types of contracts, including those with a coverage period of one year or less or where the eligibility test results in no 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.

Accounting policies have been updated in accordance with IFRS 17. Refer to note 10.

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

The balance sheet includes the insurance contract asset. The insurance contract asset consists of the Asset for Remaining Coverage ("AFRC") and the Liability of Incurred Claims ("LIC"). Previously disclosed items such as the Unearned Premium Reserve ("UPR"), Outstanding Claims and IBNR liabilities which were reflected in insurance liabilities, are incorporated into the AFRC and the LIC respectively and are remeasured in terms of IFRS 17.

The remeasurements are summarised as follows:

- The LIC (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 10.2.



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 1.2 ADOPTION OF IFRS 17 continued

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

- Insurance revenue has been measured on the basis of allocating the expected premium receipts to each period of insurance, based on the passage of time.
- 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 AFRC. Insurance maintenance expenses are expensed as and when incurred.

Other changes to the income statement disclosure include the following:

- Due to expectations and uncertainties regarding the receipt of premiums, debtor costs relating to the insurance receivable have been reallocated to insurance revenue.
- The profits earned by the Namibian cell captives were accounted for in 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 LIC (note 10.2.2), the risk adjustment to the LIC (note 10.2.2) and the impact of amortising insurance acquisition expenses over the coverage period (note 10.2.1).

The remeasurements arising from IFRS 17 has resulted in the following restatements:

	2023 Rm	2022 Rm
<b>1.2.1 Impact on Retained Earnings</b>		
Closing balance previously reported	4 581.8	4 708.4
Restatements	82.7	78.8
Restated Closing Retained Earnings	4 664.5	4 787.2
<b>1.2.2 Impact on Net Profit</b>		
Reported Net Profit before tax	561.5	
Restatements	5.2	
Restated Profit before tax	566.7	
Reported taxation	(154.4)	
Deferred taxation on restatements	(1.3)	
Restated Profit after tax	411.0	

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 1.2 ADOPTION OF IFRS 17 continued

### 1.2.3 Balance Sheet Restatement

	Previously Reported Rm	Restatement Rm	Restated Amount Rm
<b>31 March 2023</b>			
Insurance contract asset			
Asset for remaining coverage		214.0	214.0
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 Earnings	(4 581.8)	(82.7)	(4 664.5)
<b>31 March 2022</b>			
Insurance contract asset			
Asset for remaining coverage		173.7	173.7
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 Earnings	(4 708.4)	(78.8)	(4 787.2)

## 1.3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed as significant judgements.

The following significant judgements have been identified:

	Note reference
Impairment of receivables	4.1
Debtor costs	4.2
Retail revenue	5.2
Provision for inventory obsolescence	6
Leases	7
Insurance contract asset	10.2
Useful lives and residual values of fixed assets	11
Goodwill	13
Payments in advance	19
Share-based payments	20.3
Retirement benefits	20.5
Normal and deferred taxation	21

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 2. RISK MANAGEMENT

The Board is responsible for risk management and views it as an integral part of providing a responsible return on shareholders' equity.

To assist the Board, the Group is managed through a system of internal controls functioning throughout the entity. The Board delegated risk matters to a group risk committee comprising six independent non-executive directors and two executive directors which operates in compliance with a formal charter. The Chief risk officer oversees the risk function. The committee assists the Board by, *inter alia*:

- reviewing the risk management policy and plan annually;
- making recommendations on risk tolerance and appetite;
- evaluating and agreeing the nature of and extent of the risks that the Company should be willing to take in pursuit of its strategic objectives;
- reviewing the risk register of strategic and operational risks annually;
- monitoring implementation of the risk management policy and plan; and
- exercising ongoing oversight of risk management.

Risk management disclosures are categorised as follows:

### **Credit risk**

The risk that the counterparty to the financial instruments that Lewis Group holds will cause loss to Lewis Group as a result of the counterparty failing to discharge its obligations.

### **Price risk**

The risk that the fair value of future cash flows of a financial instrument that Lewis Group holds will fluctuate because of changes in market prices, other than due to the interest rate risk or currency risk.

### **Interest rate risk**

The risk that the fair value of future cash flows of a financial instrument (whether an asset or liability) will fluctuate because of changes in market interest rates.

### **Currency risk**

The risk that the fair value of future cash flows of a financial instrument (whether an asset or liability) will fluctuate because of changes in the foreign exchange rates.

### **Liquidity risk**

The risk that Lewis Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by cash or another financial asset.

### **Insurance risk**

The risk that results from fluctuations in the timing, frequency and severity of insured events. It includes the risk that premiums may be insufficient to compensate for future claims and that provisions for reported and unreported claims are inadequate.

### **Actuarial risk**

The risk that defined benefit liabilities expose the Group to the risk of these promised benefits exceeding the accumulated assets set aside to meet these obligations which will result in additional funding from the Group.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 2. RISK MANAGEMENT continued

The risk disclosures per risk category have been set out as follows:

	Note reference
<b>Credit risk</b>	
Trade receivables	4.1
Cash	8.1
Insurance investments	9.1
<b>Price risk</b>	
Insurance investments	9.1
<b>Interest rate risk</b>	
Trade receivables	4.1
Lease liabilities	7.1
Net finance costs	8.2
Insurance investments	9.1
<b>Currency risk</b>	
Net finance costs	8.2
<b>Liquidity risk</b>	
Lease liabilities	7.1
Borrowings	8.1
Insurance contracts	10.5
<b>Insurance risk</b>	
Insurance contracts	10.4
<b>Actuarial risk</b>	
Defined benefit retirement plans	20.5.4
Post-retirement healthcare benefits	20.5.5

## 3. FINANCIAL INSTRUMENTS

The Group holds the following financial instruments:

	Note reference
Trade and other receivables	4.1
Leases	7
Cash-on-hand and deposits	8.1
Interest-bearing borrowings	8.1
Insurance investments	9.1
Trade payables and accruals	18

### Accounting policies

#### (i) Initial recognition of financial assets

On initial recognition, financial instruments are measured at fair value. Purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to the transaction.

Subsequently, financial instruments are measured as follows:

- Amortised cost.
- Fair value through other comprehensive income.
- Fair value through profit or loss or designated as at fair value through profit or loss.

#### (ii) Business model assessment

For debt instruments, IFRS 9 requires that a business model assessment is carried out which reflects how the Group manages the assets in order to generate cash flows. The assessment is at a portfolio level which is the level at which the portfolio is managed. Factors considered in determining the business model for a group of assets include past experience on how cash flows were collected, how the assets' performance is evaluated and reported, risks that affect the assets' performance and how these risks are assessed and managed and the reasons, frequency, volume and timing of sales in prior periods.

**3. FINANCIAL INSTRUMENTS** continued

## Accounting policies continued

**(ii) Business model assessment** continued

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective such as trade and other receivables, insurance investment assets and deposits. Debt instruments have been classified into the following categories:

- Amortised cost.
- Fair value through other comprehensive income ("FVOCI").
- Fair value through profit and loss ("FVTPL").

The Group reclassifies debt instruments when and only when its business model for those financial assets changes. Such changes are expected to be very infrequent. The Group's business models for managing debt instruments and the contractual cash flow characteristics of the debt instruments determine the following categories:

**• Amortised cost:**

Financial assets within a business model whose objective is solely to hold assets to collect contractual cash flows and the contractual terms of these assets are solely payments of principal and interest.

**• FVOCI (Hold to collect and sell):**

Financial assets held within a business model whose objective is both to hold these assets to collect contractual cash flows and to sell these assets and that the contractual terms of financial assets are solely payments of principal and interest.

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the income statement. Interest income from these financial assets is included in interest received and calculated using the effective interest rate method.

**• FVTPL (Hold to sell/manage on a fair value basis):**

Financial assets are held within a business model where the objective is to sell and manage these assets on a fair value basis. In addition, financial assets can also be included in this category if:

- the use of this classification removes or significantly reduces an accounting mismatch; or
- financial assets which do not meet the SPPI criteria (see below).

**(iii) Solely payment of principal and interest ("SPPI")**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the assets' cash flows represent solely payments of principal and interest (the SPPI test). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce volatility or exposure to risks that are inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL.

**(iv) Impairment of financial assets****Financial assets other than trade receivables**

The expected credit loss ("ECL") model applies to financial assets classified at amortised cost and/or FVOCI. ECL is a probability-weighted estimate of losses. A credit loss is the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows it expects to receive, discounted at the original effective interest rate implicit in the financial asset.

The general model for impairment is recognised as follows:

**• Stage 1:**

ECL is recognised on initial recognition and measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.

**• Stage 2:**

At each reporting date the Group assesses whether there has been a significant increase in credit risks ("SICR") since initial recognition. Where evidence exists that there has been a SICR, the ECL is based on expected credit losses over the lifetime of the asset.

**3. FINANCIAL INSTRUMENTS** continued

## Accounting policies continued

**(iv) Impairment of financial assets** continued  
**Financial assets other than trade receivables** continued• **Stage 3:**

Financial assets become credit impaired as a result of a loss event that has occurred after initial recognition. ECL is based on estimated credit losses over the lifetime of the asset. For these credit impaired assets, the interest or return on these assets are calculated on the amortised cost. Amortised cost is defined as the gross carrying value on initial recognition (adjusted for any modifications) less the impairment provision.

The impairment gains or losses are presented as follows:

- For amortised cost assets, through the income statement.
- For debt instruments that are financial assets classified as FVOCI, through the income statement.

**Trade receivables**

The Group's trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. These receivables contain a significant financing component with terms of business varying from 6 to 36 months, with a significant portion conducted on 36 months.

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. This policy has been applied to all trade receivables.

The ECL is a probability-weighted estimate and represents the difference between the cash flow that is due to the entity in accordance with the contract and the cash flows the entity expects to receive, discounted at the original effective interest rate (contractual interest rate and initiation fee included in the customer contract).

Where trade receivables have become credit impaired as a result of loss events that have occurred after initial recognition, those receivables are classified as stage 3. The effective interest recognised on these assets is calculated on the amortised cost being defined as gross carrying value on initial recognition (adjusted for any modification) less the impairment provision.

**(v) Current and non-current financial assets and financial liabilities**

Current assets and liabilities have maturity terms of less than 12 months, except for instalment sale receivables and money market floating rate notes. Instalment sale receivables, which are included in trade and other receivables, have maturity terms of between 6 to 36 months but are classified as current as they form part of the normal operating cycle. Money market floating rate notes are highly liquid and utilised to fund Monarch's working capital requirements and are therefore classified as current assets.

**(vi) Set off**

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

**(vii) Derivative instruments**

Derivative instruments are utilised to hedge exposure to foreign currency fluctuations. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will substantially offset the underlying transactions when they occur. Derivatives are recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. These derivative instruments have been classified as fair value through profit and loss and changes in the fair value are recognised in the income statement.

**(viii) Derecognition**

Financial assets are only derecognised when the rights to receive cash flows from the investments have expired or the Group has transferred the contractual rights to receive the cash flows of the financial asset.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

### 3. FINANCIAL INSTRUMENTS continued

#### i) Categories

	Amortised cost Rm	FVOCI Rm	FVTPL Rm	Total Rm
<b>2024</b>				
<b>Assets</b>				
Insurance investments	–	242.5	134.9	377.4
Trade and other receivables	4 376.3	–	–	4 376.3
Cash-on-hand and deposits	224.3	–	–	224.3
<b>Liabilities</b>				
Interest-bearing borrowings	775.6	–	–	775.6
Lease liabilities	940.3	–	–	940.3
Trade payables and accruals	318.7	–	–	318.7
<b>2023</b>				
Restated				
<b>Assets</b>				
Insurance investments	–	257.3	138.9	396.2
Trade and other receivables	3 946.7	–	–	3 946.7
Cash-on-hand and deposits	183.0	–	–	183.0
<b>Liabilities</b>				
Interest-bearing borrowings	367.5	–	–	367.5
Lease liabilities	945.0	–	–	945.0
Trade payables and accruals	399.2	–	–	399.2

#### ii) Maturity profile of financial assets

The maturity profiles of financial assets are as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
<b>2024</b>					
Insurance investments	134.9	–	–	242.5	377.4
Trade and other receivables	2 699.2	1 165.1	512.0	–	4 376.3
Cash-on-hand and deposits	224.3	–	–	–	224.3
	<b>3 058.4</b>	<b>1 165.1</b>	<b>512.0</b>	<b>242.5</b>	<b>4 978.0</b>
<b>2023</b>					
Restated					
Insurance investments	138.9	–	–	257.3	396.2
Trade and other receivables	2 496.1	1 011.2	439.4	–	3 946.7
Cash-on-hand and deposits	183.0	–	–	–	183.0
	<b>2 818.0</b>	<b>1 011.2</b>	<b>439.4</b>	<b>257.3</b>	<b>4 525.9</b>

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

### 3. FINANCIAL INSTRUMENTS continued

#### iii) Maturity profile of financial liabilities

The maturity profiles of undiscounted financial liabilities are as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
<b>2024</b>					
Interest-bearing borrowings	(425.6)	–	(350.0)	–	(775.6)
Interest on borrowings to maturity	(35.2)	(35.2)	(21.4)	–	(91.8)
Lease liabilities	(240.9)	(225.2)	(367.0)	(107.2)	(940.3)
Interest on lease liabilities	(65.9)	(46.9)	(59.0)	(15.3)	(187.1)
Trade payables and accruals	(318.7)	–	–	–	(318.7)
	<b>(1 086.3)</b>	<b>(307.3)</b>	<b>(797.4)</b>	<b>(122.5)</b>	<b>(2 313.5)</b>
<b>2023</b>					
Interest-bearing borrowings	(367.5)	–	–	–	(367.5)
Lease liabilities	(264.7)	(229.9)	(364.6)	(85.8)	(945.0)
Interest on lease liabilities	(60.6)	(41.6)	(53.3)	(8.1)	(163.6)
Trade payables and accruals	(399.2)	–	–	–	(399.2)
	<b>(1 092.0)</b>	<b>(271.5)</b>	<b>(417.9)</b>	<b>(93.9)</b>	<b>(1 875.3)</b>

#### iv) Interest rate profile

The interest rate profiles of financial instruments are as follows:

	Term of investment	Average closing effective interest rate (%)	Floating or fixed rate	Carrying value Rm
<b>2024</b>				
<b>Assets</b>				
Gross instalment sale receivables	Up to three years	23.4 <sup>(1)</sup>	Fixed	6 948.6
Fixed income securities	Varies (refer note 9)	6.6	Fixed	242.5
Money market floating rate notes	Up to five years <sup>(2)</sup>	9.4	Floating	134.9
<b>Liabilities</b>				
Interest-bearing borrowings	Varies (refer note 8)	10.0	Floating	775.6
Lease liabilities	Varies	8.1	Fixed	940.3
<b>2023</b>				
<b>Restated</b>				
<b>Assets</b>				
Gross instalment sale receivables	Up to three years	21.6 <sup>(1)</sup>	Fixed	6 013.2
Fixed income securities	Varies (refer note 9)	6.6	Fixed	257.3
Money market floating rate notes	Up to five years <sup>(2)</sup>	8.5	Floating	138.9
<b>Liabilities</b>				
Interest-bearing borrowings	Varies (refer note 8)	9.4	Floating	367.5
Lease liabilities	Varies	7.6	Fixed	945.0

<sup>(1)</sup> Weighted average contractual interest rate.

<sup>(2)</sup> Money market floating rate notes are classified as fair value through profit and loss and treated as current. Refer to note 9.

#### v) Interest received and paid on financial instruments

	Notes	2024 Rm	2023 Rm
<b>Interest received on financial assets</b>			
Trade receivables	5.1	1 749.1	1 425.7
Insurance investments	9.2	37.3	33.5
Cash-on-hand and deposits	8.2	21.4	16.1
		<b>1 807.8</b>	<b>1 475.3</b>
<b>Interest paid on financial liabilities</b>			
Borrowings	8.2	81.6	34.4
Lease liabilities	8.2	75.8	69.6
		<b>157.4</b>	<b>104.0</b>



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS

### 4.1 Trade and other receivables

	2024 Rm	2023 Restated Rm
Trade receivables	6 948.6	6 013.2
Provision for impairment	(2 606.1)	(2 162.5)
Trade receivables (net)	4 342.5	3 850.7
Due within 12 months	2 665.4	2 400.1
Due after 12 months	1 677.1	1 450.6
Other receivables	140.7	96.0
<b>Total trade and other receivables</b>	<b>4 483.2</b>	<b>3 946.7</b>
Debtors impairment provision as a percentage of debtors at gross carrying value (%)	37.5	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.

Other receivables consist of prepayments, VAT, enterprise development loans and an adjustment for inventory with a right of return.

### Accounting policies

#### Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. They are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate, less a provision for impairment. Trade receivables are classified as financial instruments in terms of IFRS.

**4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS** continued

## 4.1 Trade and other receivables continued

**Significant accounting estimates and judgements****(i) Business model**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. These receivables contain a significant financing component with terms of business varying from 6 to 36 months, and a significant portion of the business being conducted on 36 months.

Trade receivables are held to collect contractual cash flows and the contractual terms of the trade receivables are solely payments of principal and interest. Accordingly, the assessment of the business model is that of holding to collect and, therefore, trade receivables are accounted for on an amortised cost basis.

**(ii) Modifications**

The ECL is calculated with reference to the original contract with the customer. No modifications are made to the contract or the contractual cash flows as contemplated by IFRS 9.

**(iii) 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. This policy was applied across the entire portfolio of trade receivables. The lifetime expected credit loss is determined by assessing the historical cash flows and projecting future cash flows on a probability-weighted basis. These are then discounted at the effective interest rate (including initiation fees). For the current financial year, the discount rate used was 28.4% (2023: 27.0%).

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

- A transitional matrix, calculated for each country in which the Group trades, that reflects the probability of any given account transitioning to a future payment state.
- Payment performance for each payment state.

Payment states used in the transitional matrices are defined as follows:

- The customer's actual payments received relative to its contractual instalments due. (This value is expressed as a Lifetime Payment Rating).
- The age of the account in months.
- The term of the account in months.

The transition matrix with its associated probabilities is derived from the observed payment behaviour of the Group's customer base over the most recent 36-month period (previously 60 months) and a 12-month rolling average is used to determine the historical payment performance.

**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.

The historical data used in constructing the model has been constrained to the post-Covid period to better reflect the current economic environment after the global impact of the Covid lockdown and its associated effects. Furthermore, the data is now aligned to more accurately reflect the enhanced collection strategies as evidenced by the improvement in satisfactory paid customers from 74.4% in 2021 to 81.3% in the current year.

The assessment for 2024 has identified Real Durable Consumption (adjusted to account for GDP growth) as the variable with the highest degree of statistical significance and predictive power.

Base, upside and downside scenarios using the economic variable above are determined and a weighted average scenario is prepared to determine the impact based on the expected default rates. This is compared to the base position and an appropriate adjustment is made to the whole trade receivables book.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS continued

### 4.1 Trade and other receivables continued

#### Significant accounting estimates and judgements continued

##### Forward-looking information continued

High levels of uncertainty are evidenced by global and local economic factors such as elevated interest rates, persistent inflation, high debt levels and geopolitical tensions and war. This, coupled with adverse local factors such as infrastructure failures, will continue to place strain on personal consumption in the Group's markets with particular emphasis on durable goods consumption. Consequently, management has maintained a probability of 70% to the downside scenario, 25% to the base scenario and 5% to the upside scenario in its assessment of the forward-looking overlay. In addition to this, the local political and socio-economic environment poses certain event risks. Two independent event-specific layers were added for potential riots and an adverse 2024 election outcome to allow for further deterioration in the local economy as a consequence of these events. The resultant total forward-looking overlay was R347.0 million (2023: R168.9 million).

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

Probability-weighted impact of all three scenarios	2024		2023	
	Rm	% change	Rm	% change
	347.0		168.9	
100% downside scenario	419.8	21.0	193.4	14.5
100% base scenario	219.4	(36.8)	124.5	(26.3)
100% upside scenario	(33.5)	(109.7)	48.4	(71.3)

#### (iv) Credit impaired (Stage 3)

The criteria for credit impaired accounts (i.e. when the account moves to stage 3 as a result of loss events that have occurred after initial recognition) are as follows:

- Non-performing accounts (as defined on the following page).
- *In duplum* accounts (the National Credit Act section providing that all charges cease to accrue once the sum of the charges equals the amount of capital outstanding at the time).
- Accounts in debt counselling (as governed by the National Credit Act).
- As a backstop, accounts not included in the above categories, where no payment has been received over the last three consecutive months. This category was specifically created for IFRS 9 purposes.

A credit impaired account will cure when the customer does not meet the criteria for being a credit impaired account.

Curing occurs in the following instances:

- Non-performing accounts: Accounts in this category will only cure when their lifetime payment rating improves to the extent that the account qualifies to move into a 'Slow payers' or 'Satisfactory paid' category. Generally, this will require a significant improvement in the customer's payment behaviour.
- *In duplum* accounts: Accounts in this category will cure when they no longer meet the requirements of the National Credit Act for being defined as an *in duplum* account.
- Accounts in debt counselling: Accounts in this category will cure when the customer is no longer in debt counselling in terms of the requirements of the National Credit Act.
- For accounts where no payment has been received in the last three consecutive months, it will cure once in receipt of a payment. This category has a high probability of curing.

With regard to credit impaired accounts, interest income is recognised by applying the effective interest rate to the net carrying value, i.e. gross carrying value less impairment provision, resulting in lower interest revenue and debtor costs.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS continued

### 4.1 Trade and other receivables continued

#### Credit risk of trade receivables

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

Lewis has a large, diverse and widespread customer base. Therefore, the Group does not consider there to be any significant concentration of credit risk.

#### Credit granting

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

- **Credit scoring:** This involves the gathering of appropriate information from the client, use of credit bureaus and third parties such as employers. These input variables are run through the various credit scorecards. Lewis deals with its new customers and existing customers differently when credit scoring takes place.

The process is as follows:

- For new customers, application risk scorecards predict the risk with the emphasis for such an evaluation on information from credit bureaus and third-party information.
- For existing customers, behavioural scorecards have been developed to assess the risk through predictive behaviour with the emphasis on the customer's payment record with Lewis, bureau and other information being considered.

- **Assessing client affordability:** This process involves collecting information regarding the customer's income levels, expenses and current debt obligations. Lewis has its own priority expense model based on surveys conducted with customers in addition to the National Credit Regulator's expense table.

- **Determining the credit limit for the customer:** The customer's risk score determined by the scorecard together with the affordability assessment and outstanding obligations are used to calculate a credit limit within the customer's affordability level.

The credit granting systems enable the Group to determine its appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit granting system. The Group continuously monitors any variances from the level of risk that has been adopted.

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

#### 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 (with no single customer paying less than 65.4%).

- **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 (with no single customer paying less than 50.0%).

- **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.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS continued

### 4.1 Trade and other receivables continued

#### Impairment provision

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

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

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

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

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

#### Contractual arrears

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

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

#### Combined impairment and contractual arrears table

The table reflects the following:

- 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 pages.

**4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS** continued

4.1 Trade and other receivables continued

Debtor analysis 31 March 2024

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	>3 months R'000
Satisfactory paid	520 512	5 328 692	1 351 020	25.4	695 162	461 622	233 540
	(%)	81.3	76.7				
Slow payers	84 615	1 034 860	738 066	71.3	611 937	216 922	395 015
	(%)	13.2	14.9				
Non-performing accounts	35 416	585 036	517 024	88.4	398 403	102 071	296 332
	(%)	5.5	19.9				
<b>Total</b>	<b>640 543</b>	<b>6 948 588</b>	<b>2 606 110</b>	<b>37.5</b>	<b>1 705 502</b>	<b>780 615</b>	<b>924 887</b>

Credit impaired debtors as at 31 March 2024

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in three consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
Gross carrying value	585 036	1 020	761	67 148	75 722	49 638	73 707	853 032
Impairment provision	(517 024)	(375)	(504)	(17 440)	(45 202)	(13 757)	(44 284)	(638 586)
Amortised cost	68 012	645	257	49 708	30 520	35 881	29 423	214 446

**4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS continued**

**4.1 Trade and other receivables continued**

**Debtors analysis 31 March 2023  
Restated**

	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	>3 months R'000
<b>Customer grouping</b>							
<b>Satisfactory paid</b>	478 396	4 435 948	982 777	22.2	6 132 74	399 657	213 617
	80.4	73.8	45.4				
<b>Slow payers</b>	74 964	889 198	577 491	64.9	530 574	180 355	350 219
	12.6	14.8	26.7				
<b>Non-performing accounts</b>	41 444	688 046	602 229	87.5	526 586	111 509	415 077
	7.0	11.4	27.9				
<b>Total</b>	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		Debt counselling		No payment in three consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
<b>Gross carrying value</b>	688 046	999	730	66 021	72 535	48 720	70 576	947 627
<b>Impairment provision</b>	(602 229)	(408)	(536)	(18 984)	(47 946)	(14 830)	(46 599)	(731 532)
<b>Amortised cost</b>	85 817	591	194	47 037	24 589	33 890	23 977	216 095

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS continued

### 4.1 Trade and other receivables continued

	Not credit impaired Rm	Credit impaired Rm	Total Rm
<b>Analysis of gross trade receivables</b>			
<b>As at 31 March 2024</b>			
<b>Opening balance</b>	<b>5 065.6</b>	<b>947.6</b>	<b>6 013.2</b>
New accounts	3 627.5	–	3 627.5
Accounts settled	(693.7)	–	(693.7)
Receivables derecognised (Bad debts written off)	–	(969.5)	(969.5)
Change in value due to transactions <sup>(1)</sup>	(942.1)	(86.8)	(1 028.9)
Transfers:			
Cured (from “Credit impaired” to “Not credit impaired”)	108.6	(108.6)	–
New credit impaired (from “Not credit impaired” to “Credit impaired”)	(1 070.3)	1 070.3	–
<b>Closing balance</b>	<b>6 095.6</b>	<b>853.0</b>	<b>6 948.6</b>
<b>As at 31 March 2023</b>			
Restated			
Opening balance	4 398.6	1 182.7	5 581.3
New accounts	2 868.4	164.0	3 032.4
Accounts settled	(641.6)	(62.9)	(704.5)
Receivables derecognised (Bad debts written off)	–	(962.6)	(962.6)
Change in value due to transactions <sup>(1)</sup>	(805.1)	(128.3)	(933.4)
Transfers:			
Cured (from “Credit impaired” to “Not credit impaired”)	54.3	(54.3)	–
New credit impaired (from “Not credit impaired” to “Credit impaired”)	(809.0)	809.0	–
Closing balance	5 065.6	947.6	6 013.2
<b>Analysis of impairment allowance</b>			
<b>As at 31 March 2024</b>			
<b>Opening balance</b>	<b>1 431.0</b>	<b>731.5</b>	<b>2 162.5</b>
New accounts	1 137.6	–	1 137.6
Accounts settled	(50.6)	(19.6)	(70.2)
Receivables derecognised (Bad debts written off)	–	(691.7)	(691.7)
Change in value due to transactions <sup>(1)</sup>	113.5	(45.6)	67.9
Transfers:			
Cured (from “Credit impaired” to “Not credit impaired”)	46.6	(46.6)	–
New credit impaired (from “Not credit impaired” to “Credit impaired”)	(710.6)	710.6	–
<b>Closing balance</b>	<b>1 967.5</b>	<b>638.6</b>	<b>2 606.1</b>
<b>ECL coverage</b>	<b>(%) 32.3</b>	<b>74.9</b>	<b>37.5</b>
<b>As at 31 March 2023</b>			
Restated			
Opening balance	1 262.8	970.5	2 233.3
New accounts	777.2	101.3	878.5
Accounts settled	(41.3)	(45.5)	(86.8)
Receivables derecognised (Bad debts written off)	–	(818.0)	(818.0)
Change in value due to transactions <sup>(1)</sup>	(44.5)	–	(44.5)
Transfers:			
Cured (from “Credit impaired” to “Not credit impaired”)	33.6	(33.6)	–
New credit impaired (from “Not credit impaired” to “Credit impaired”)	(556.8)	556.8	–
Closing balance	1 431.0	731.5	2 162.5
<b>ECL coverage</b>	<b>(%) 28.2</b>	<b>77.2</b>	<b>36.0</b>

<sup>(1)</sup> This line includes movements relating to amounts charged to accounts and payments received where accounts have not yet been fully settled.



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 4. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS continued

### 4.1 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 23.4% (2023: 21.6%).

#### Fair value

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

### 4.2 Debtor costs

	2024 Rm	2023 Restated Rm
Bad debts	875.0	870.8
Bad debts before adjustment for interest on credit impaired accounts	969.5	962.6
Adjustment for interest on credit impaired accounts	(94.5)	(91.8)
Bad debt recoveries	(93.5)	(80.5)
Movement in debtors impairment provision	443.6	(70.8)
Closing balance	2 606.1	2 162.5
Opening balance – Restated	(2 162.5)	(2 233.3)
<b>Total debtor costs</b>	<b>1 225.1</b>	<b>719.5</b>
Debtor costs as a percentage of debtors at gross carrying value (%)	17.6	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.

#### Accounting policy

##### Debtor costs

The Group writes off trade receivables when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery.

Impairment losses on trade receivables are included in debtor costs. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### Significant accounting estimates and judgements

Bad debt write-offs take place at the end of each reporting period (i.e. September and March). Bad debt write-offs take place where the customer’s payment behaviour cannot be rehabilitated after all reasonable commercially and economically appropriate collection methods have been utilised and exhausted. The bad debt write-offs are initiated where the customer has not made a qualifying payment in the three months preceding the write-off for the following categories:

- Customers significantly in arrears.
- Non-performing customers in terms of the business’ credit management practices.
- Customers with out-of-term accounts.

Strong collection drives precede the write-offs and there is no reasonable prospect of significant recoveries once the customer account has been written off. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 5. REVENUE

### 5.1 Revenue

	2024 Rm	2023 Restated Rm
Retail revenue – revenue from contracts with customers	5 543.3	5 268.1
Merchandise sales	4 652.7	4 443.1
Ancillary services	890.6	825.0
Effective interest income	1 654.6	1 333.9
Finance charges and initiation fees earned	1 749.1	1 425.7
Adjustment for interest on credit impaired accounts	(94.5)	(91.8)
Insurance revenue	985.9	854.4
	<b>8 183.8</b>	<b>7 456.4</b>

### Accounting policies

#### Revenue

Revenue is measured based on the consideration specified in a contract with a customer and comprises merchandise sales net of discounts, earned finance charges and initiation fees, earned maintenance contracts, delivery and insurance premiums earned. Value added tax is excluded.

#### (i) Retail revenue

##### • Merchandise sales

Revenue from the sale of merchandise is recognised on the date of delivery. Sales are mainly conducted as follows:

- (a) By instalment sale and loan agreements. Such agreements are subject to credit legislation in the jurisdictions that the Group operates.
- (b) Cash and open accounts.

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

##### • Ancillary services

###### *Maintenance contracts*

Revenue from maintenance contracts is recognised as follows:

- the income is deferred until the expiry of the one-year supplier’s warranty; and
- for the two subsequent years of the maintenance contract, revenue is recognised in accordance with the percentage stage of completion method using the expected costs of providing the service as an appropriate measure of the stage of completion. To establish the expected cost to provide the service, the Group reviews its historic incidence records on a rolling three-year period.

###### *Other*

Revenue from the provision of other services (mainly delivery and service fees) is recognised when the services are rendered.

#### (ii) Effective interest income

Interest income is calculated by applying the effective interest rate to the gross carrying value of financial assets except for financial assets that have subsequently become credit impaired (or “stage 3”) for which interest revenue is calculated by applying the effective interest rate to their net carrying value (i.e. gross carrying value less impairment provision). The effective interest rate calculation does not consider expected credit losses but include initiation fees as they are integral to the effective interest rate.

#### (iii) Insurance revenue

As the Group provides insurance contract services under the group of insurance contracts, it reduces the AFRC and 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.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 5. REVENUE continued

### 5.2 Retail revenue – revenue from contracts with customers

	Traditional Rm	Cash Rm	Group Rm
<b>2024</b>			
<b>Merchandise sales</b>			
- Cash	1 136.4	435.5	1 571.9
- Credit	3 080.8	-	3 080.8
<b>Ancillary services</b>			
- At a point in time	209.7	7.5	217.2
- Over time	673.4	-	673.4
	<b>5 100.3</b>	<b>443.0</b>	<b>5 543.3</b>
<b>2023</b>			
<b>Merchandise sales</b>			
- Cash	1 284.1	498.1	1 782.2
- Credit	2 660.9	-	2 660.9
<b>Ancillary services</b>			
- At a point in time	191.6	7.7	199.3
- Over time	625.7	-	625.7
	<b>4 762.3</b>	<b>505.8</b>	<b>5 268.1</b>

### Significant accounting estimates and judgements

#### Disaggregation of revenue

The disaggregation of revenue from contracts with customers is in accordance with the reportable segments as this represents how the Group is managed in terms of its sales channels.

#### Transaction price

All transaction prices for ancillary services are stand alone and are at arm's length (i.e. no services are bundled with the purchase of merchandise). Consequently, there are no allocations of transaction prices required.

#### Refund obligation

The accumulated experience of the portfolio has been utilised to estimate such returns at the time of sale. Our assessment is that no significant change in the level of returns will occur. The assumptions and the estimates underlying the refund liability are continually reassessed at each reporting date.

#### Maintenance contracts

The maintenance contract is a two-year contract irrespective of the term of the instalment sale agreement. The first year is covered by a supplier's warranty. The Group provides two-year extended warranty coverage in the second and third year. Revenue from maintenance contracts is recognised in accordance with the percentage stage of completion method using the expected costs of providing the service as an appropriate measure of the stage of completion. To establish the expected cost to provide the service, the Group reviews its historic incidence records on a rolling three-year period.

#### Delivery fees

Revenue from delivery fees is recognised at a point in time when delivery of the customer's ordered goods is made and the transaction finally approved. The customer has the non-obligatory option to select delivery for their purchased goods at an additional cost.

#### Service fees

Service fees are the fees charged monthly in connection with the routine administration cost of maintaining a credit agreement and consequently, in accordance with paragraph 5.4.3 (a) of Appendix B (implementation guidance) to IFRS 9, it is accounted for under IFRS 15.

Service fees are fixed and are not charged on a variable basis by the Group (i.e. not based on the price of the goods sold).

Revenue from service fees is recognised when the service is performed on a monthly basis over the duration of the credit agreement.

#### Insurance revenue

Refer to note 10.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 6. GROSS PROFIT AND INVENTORIES

	2024 Rm	2023 Rm
Merchandise sales	4 652.7	4 443.1
Cost of merchandise sales	(2 646.5)	(2 637.0)
Purchases	(2 500.8)	(2 487.5)
Movement in inventory	(145.7)	(149.5)
Merchandise gross profit	2 006.2	1 806.1
Gross profit margin (%)	43.1	40.6
<b>Inventories</b>		
Cost of merchandise	787.2	925.1
Less: provision for obsolescence	(63.6)	(55.8)
	723.6	869.3

### Accounting policy

Inventory, comprising merchandise held for resale, is valued at the lower of cost or net realisable value. Cost is determined using the weighted average basis, net of trade and settlement discounts. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less variable selling expenses. Provision is made for slow moving, redundant and obsolete inventory.

### Significant accounting estimates and judgements

Provision for obsolescence is based on the ageing of inventory and where appropriate, specific provisions against slow moving ranges are made. Progressive provisioning is made as the age of inventory increases, to reflect the inventory at its net realisable value.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 7. LEASES

### 7.1 Lease liabilities

	2024 Rm	2023 Rm
Opening balance	945.0	950.3
Additions and renewed leases	299.9	297.6
Expired, renegotiated and modified leases	(1.8)	1.7
Principal portion of lease liabilities	(302.8)	(304.6)
Interest on lease liabilities	75.8	69.6
Lease liability payments	(378.6)	(374.2)
Closing balance	940.3	945.0
Analysed as follows:	940.3	945.0
Non-current	699.4	680.3
Current	240.9	264.7

### 7.2 Right-of-use assets

	2024 Rm	2023 Rm
<b>Retail premises</b>		
Opening balance	760.0	747.1
Additions and renewed leases	299.9	297.6
Expired, renegotiated and modified leases	0.1	2.7
Remeasurement of restoration provision	1.2	(12.7)
Depreciation	(261.8)	(251.8)
Net impairment	(5.7)	(22.9)
Closing balance	793.7	760.0

### 7.3 Liquidity risk

The maturity analysis of undiscounted extension options are as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
<b>2024</b>					
Extension options <sup>(1)</sup>	152.7	137.1	295.2	230.8	815.8
<b>2023</b>					
Extension options <sup>(1)</sup>	143.8	143.6	376.2	185.7	849.3

The maturity analysis of undiscounted lease liabilities is presented in note 3.

<sup>(1)</sup> These undiscounted extension options have not been included in the lease liabilities as it is not reasonably certain that they will be exercised.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 7. LEASES continued

### 7.4 Short-term and low value leases

	2024 Rm	2023 Rm
Expense relating to short-term and low value leases (included in operating costs)	38.2	16.1

Total lease payments amount to R416.8 million (2023: R390.3 million).

#### Accounting policies

The Group leases various properties such as stores, storerooms, warehouses and offices. Lease agreements are generally entered into for fixed periods of one to five years and may include further extension options. Leases are recognised as a lease liability and a corresponding right-of-use ("ROU") asset at the date of commencement of the lease agreement.

##### Lease liabilities

###### *Initial recognition and measurement*

The lease liability will be measured at the present value of the future lease payments discounted over the lease term using the Group's relevant incremental borrowing rate as the interest rate implicit in the lease is not readily determinable. Future lease payments comprise fixed lease payments (including in-substance fixed payments), less any lease incentives receivable. Future lease payments include lease extension options, where the option to exercise the extension is reasonably certain.

###### *Subsequent measurement*

Subsequent to initial recognition, the lease liability will be reduced by the lease payments made net of interest charged. The interest from the unwinding of the lease liability will result in a charge to the income statement over the period of the lease term.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related ROU asset) whenever:

A lease agreement is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

##### Low value leases

At inception of a lease, the Group assesses the value of the leased item. If the value of the item does not exceed the Group's threshold, the Group recognises payments on a straight-line basis over the lease term.

##### Short-term leases

Short-term leases are defined as leases where the lease period is less than or equal to 12 months. The Group recognises payments on a straight-line basis over the lease term.

##### Right-of-use assets

###### *Initial recognition and measurement*

The ROU asset is initially measured at cost, comprising the initial lease liability, prepaid lease payments, initial direct costs and restoration costs, less any lease incentives received.

###### *Subsequent measurement*

Subsequent to initial recognition, the ROU asset will be depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the ROU asset.

###### *Impairment of right-of-use assets*

ROU assets are tested for impairment whenever circumstances indicate that the carrying amount may exceed its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

**7. LEASES** continued**Significant accounting estimates and judgements****Incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses the incremental borrowing rate to measure lease liabilities.

The incremental borrowing rate is defined as the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment. The relevant incremental borrowing rate is determined with reference to an appropriate risk-free rate and an additional margin that considers credit risk, the underlying collateral of the lease, liquidity limitations, and a lender's funding costs and profit margins.

The Group's portfolio of qualifying leases has a weighted average borrowing rate of 8.1% (2023: 7.6%).

**Variable lease payments**

Variable lease payments relate to:

- Lease agreements with negotiable extension options which provides for the lease payment to be negotiated at the time of renewal of the lease.
- Lease agreements containing variable payment terms that are linked to turnover from leased stores. These variable payments account for less than 5% of total property lease payments and are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

**Timing of lease payments**

The timing of the lease payments have been taken into account in the discounted cash flow model used to calculate the lease liabilities.

**Lease extension options**

Lease agreements are typically made for fixed periods of one to five years and may include extension options. These options are used to maximise operational flexibility in terms of securing retail premises. The exercising of an extension option may result in renegotiation of existing lease payment terms.

Future lease payments include lease extension options, where the option to exercise the extension is reasonably certain. Management applies their judgement and considers all facts and circumstances in assessing the likelihood of exercising such options, based on strategic importance and profitability of each store. For warehouses, management will assess whether the lease extension option is reasonably certain with reference to the stores which the warehouse services.

Where it is found to be reasonably certain that the options will be exercised, the fixed and negotiable options will be dealt with in the following manner:

- For fixed extension options (the lease terms for the extension period are defined in the lease agreement), the last lease payment with a fixed escalation rate is used to calculate the future lease payments.
- The negotiable extension option provides for the lease terms to be negotiated at the time of exercising the option. For the purpose of the calculation of the future lease payments, the actual rent at the commencement date of the lease is used for every year in the extension period. Where subsequent material adjustments are agreed, both the lease liability and the ROU asset will be adjusted accordingly.

**Lease components**

Leases may include payments for maintenance activities such as common area maintenance, security and cleaning services or other goods or services transferred to the lessee. The additional services received are treated as non-lease components and expensed to the relevant category.

**Low value leases**

At inception of a lease, the Group assesses the value of the leased item. The total amount of low value leases is insignificant at the reporting date. Low value leases comprises of leased IT equipment.

**Initial recognition of right-of-use assets**

The ROU asset is initially measured at cost, comprising the initial lease liability, prepaid lease payments, initial direct costs and restoration costs, less any lease incentives received.

**7. LEASES** continued**Significant accounting estimates and judgements continued****Impairment of right-of-use assets**

ROU assets are tested for impairment whenever circumstances indicate that the carrying amount may exceed its recoverable amount. As the ROU assets are not able to generate their own cash flows independent from other assets, the Group considers the Cash-Generating Unit ("CGU") as the individual store to which the ROU asset belongs when testing for impairment. Each CGU comprise assets typically including the debtors book, inventory, fixed assets, trademarks and the ROU asset. The identified CGUs do not include goodwill or software. Impairment indicators include the profitability of the stores after head office cost allocations as well as significant changes to the economic environment in which the store operates.

Due to the underperformance of the UFO segment, all UFO stores were tested for impairment. For the traditional segment, only stores with impairment indicators were tested for impairment.

An impairment loss is recognised for the amount by which the CGU's carrying amount exceeds its recoverable amount. The recoverable amount is determined using a value-in-use calculation.

Value-in-use is calculated using a discounted cash flow model whereby expected cash flows for individual stores are determined in accordance with the principles contained within IAS 36. The following assumptions are applied:

- The cash flow projections for each store is assessed based on forecast information that is informed by past experience of management and the expected performance of the store. The projections at the end of the reporting period is based on management's best estimate of the economic conditions that will exist over the medium-term.
- An average growth in cash receipts (debtor collections and cash sales) of 10.6% (2023: 8.5%) over the three-year period was applied. At the expiry of the lease, the Group assesses future cash flows from the CGU using either a run-off model or a terminal value calculation. The run-off model uses a principle of continued collections from the existing debtors book or a terminal value growth rate of 6.0% (2023: 6.0%).
- The growth in the operating expenses approximate an inflationary increase.
- Lease payments included in the lease liability are excluded from the value-in-use calculation.
- The weighted average cost of capital ("WACC") adjusted for specific risks of the underlying assets, used in the value-in-use calculation, was 23.2% (2023: 23.0%).

Impairment is allocated to the assets included in the CGU on a *pro rata* basis, based on their carrying value as a proportion of the total carrying value of the CGU.

Based on the above, the traditional segment had a reversal of impairment of R27.1 million (2023: R14.2 million) and the UFO segment had an impairment of R32.8 million (2023: R37.1 million) resulting in an overall net impairment charge for the year of R5.7 million (2023: R22.9 million).



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 8. BORROWINGS, CASH AND NET FINANCE COSTS

### 8.1 Borrowings, banking facilities and cash

#### Interest-bearing borrowings

	2024 Rm	2023 Rm
Long-term interest-bearing borrowings	(350.0)	–
The long-term interest-bearing borrowings is repayable on the third anniversary of the commencement of the agreement, being November 2026.		
Short-term interest-bearing borrowings	(425.6)	(367.5)
Cash-on-hand and deposits	224.3	183.0
<b>Cash and cash equivalents</b>	<b>(201.3)</b>	<b>(184.5)</b>
<b>Available facilities</b>		
Banking facilities	1 800.0	950.0
Domestic Medium-Term Note programme	2 000.0	2 000.0
	<b>3 800.0</b>	<b>2 950.0</b>
<b>Available facilities</b>		
Available facilities include long-term revolving credit facilities and short-term overnight facilities (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.		
<b>Interest rate profile</b>		
The weighted average interest rate at the end of the reporting period for both the revolving credit and overnight facilities were 10.0% (2023: 9.4%).		
	<b>775.6</b>	367.5
	<b>775.6</b>	<b>367.5</b>
The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are set out below in terms of years subsequent to reporting date:		
Variable interest rates:		
1 year	425.6	367.5
2 years	–	–
3 years	350.0	–
	<b>775.6</b>	<b>367.5</b>

The above borrowings are unsecured. The Group has committed and overnight facilities with banks and financial institutions of R1 800 million (2023: R950 million) and has established a Domestic Medium-Term Note programme ("DMTN") under which the Group can issue notes up to R2 billion.

#### Accounting policies

Borrowings comprise committed facilities with banks and financial institutions and notes issued under a DMTN programme.

Cash and cash equivalents comprise cash-on-hand and deposits held on call with banks and demand loans.

Borrowings and cash-on-hand deposits are classified as financial instruments in terms of IFRS.

Interest income on cash-on-hand and deposits calculated utilising the effective interest rate method is recognised in the income statement as part of interest received.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 8. BORROWINGS, CASH AND NET FINANCE COSTS continued

### 8.1 Borrowings, banking facilities and cash continued

#### Capital management

	2024	2023
	Rm	Restated Rm
Interest-bearing borrowings	1 715.9	1 312.5
Short-term interest-bearing borrowings	425.6	367.5
Long-term interest-bearing borrowings	350.0	–
Lease liabilities	940.3	945.0
Less: cash-on-hand and deposits	(224.3)	(183.0)
Net debt	1 491.6	1 129.5
Shareholders' equity	4 702.8	4 692.6
Gearing ratio	(%) 31.7	24.1
Borrowings ratio	(%) 11.7	4.0

The gearing ratio is calculated as net debt divided by equity capital. Net debt is calculated as total interest-bearing borrowings less cash-on-hand and deposits. Capital is monitored on the basis of the borrowings ratio. The borrowings ratio is calculated as net debt excluding lease liabilities, divided by equity capital.

The Group's objectives when managing capital are to:

- safeguard the Group's ability to continue as a going concern;
- provide returns for shareholders;
- provide benefits for other stakeholders; and
- maintain an optimal capital structure as approved by the Board.

In order to maintain the optimal capital structure, dividends paid to shareholders may be adjusted, capital could be returned to shareholders or new shares could be issued.

#### Credit risk

Credit risk may also arise when an entity has its credit rating downgraded causing the fair value of the Group's investment in that entity's financial instruments to fall. The credit ratings of the financial institutions holding deposits on our behalf and those whose securities we hold are monitored on a regular basis.

Stage 1 with no movement between stages. No amount for 12-month expected credit loss has been recognised as the amount is immaterial.

Deposits are placed with high-quality South African institutions. Included in the cash-on-hand and deposits are bank balances held in foreign currency amounting to R35.7 million (2023: R36.6 million).

The Moody's credit rating and maximum exposure to credit risk for cash-on-hand and deposits per institution is detailed in the table below:

Financial institutions	2024		2023		2024 Rm	2023 Rm
	Long-term	Short-term	Long-term	Short-term		
Absa	Baa3	P-3	Ba2	NP	25.6	7.4
FirstRand Bank	Baa3	P-3	Ba2	NP	138.9	147.9
Nedbank	Baa3	P-3	Ba2	NP	47.6	20.5
Sanlam	Baa3	P-3	Ba2	NP	6.5	1.5
Standard Bank	Baa3	P-3	Ba2	NP	5.4	5.4
Other					0.3	0.3
<b>Total</b>					<b>224.3</b>	<b>183.0</b>

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 8. BORROWINGS, CASH AND NET FINANCE COSTS continued

### 8.1 Borrowings, banking facilities and cash continued

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding through the use of committed facility lines.

Management monitors the Group's cash flows through the monitoring of actual inflows and outflows against forecast cash flows and the utilisation of borrowing facilities. A quarterly analysis is presented to the audit committee.

The Group's revolving credit facilities of R700 million (R350 million utilised) have debt covenant requirements that must be met. At 31 March 2024, these covenants were achieved and well within the required covenant benchmarks.

The maturity analysis of interest-bearing borrowings are presented in note 3.

As noted above, the Group has adequate facilities to meet its liquidity requirements.

#### Fair value

Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

The fair value of borrowings approximates its carrying value as it is linked to market-related interest rates.

### 8.2 Net finance costs

	Notes	2024 Rm	2023 Restated Rm
Interest expense		(161.2)	(114.5)
Borrowings		(81.6)	(34.4)
Lease liabilities	7.1	(75.8)	(69.6)
Liability for incurred claims	10.2.2	(15.5)	(3.6)
Other*		11.7	(6.9)
Interest received		23.7	16.4
Interest received - bank		21.4	16.1
Interest received - other		2.3	0.3
Foreign exchange gains		0.8	21.9
		(136.7)	(76.2)

\* Included in this amount is mainly a refund of interest paid for the current year.

#### Accounting policies

##### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement.

Foreign exchange gains and losses that relate to forward exchange contracts are presented in the income statement, within net finance costs.

##### Derivative instruments

Derivative instruments are utilised to hedge exposure to foreign currency fluctuations. Although the derivatives have not been designated in a hedge relationship, they act as an economic hedge and will substantially offset the underlying transactions when they occur. Derivative instruments are classified as financial instruments under IFRS.

#### Interest rate risk

The principal objective of interest rate management is to:

- minimise the impact of interest rate volatility on profits in the short-term; and
- ensure that the Group is protected from volatile interest rate movements for the medium- to long-term.

As part of the process of managing floating rate interest-bearing debt, the interest rate characteristics of borrowings are positioned according to the expected movements in interest rates. The Chief financial officer may recommend to the audit committee the use of fixed interest debt and interest rate swaps as circumstances dictate. The use of such instruments must be specifically approved by the audit committee. During the current year, no fixed rate loans or interest rate swaps were entered into.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 8. BORROWINGS, CASH AND NET FINANCE COSTS continued

### 8.1 Borrowings, banking facilities and cash continued

#### Interest rate risk continued

Interest rate profiles are analysed by the changes in its borrowing levels and the interest rates applicable to the facilities available to the Group. The sensitivity analysis for a 50 basis points change in the interest on net profit after tax is set out below, assuming the current level of borrowings at year end is maintained throughout the year:

	2024 Rm	2023 Rm
Interest increases by 50 basis points	(3.1)	(1.5)
Interest decreases by 50 basis points	3.1	1.5

#### Foreign exchange risk

Foreign exchange risk is present in respect of imports of merchandise. Merchandise is sourced from foreign suppliers, particularly in the Far East. In order to minimise exposure to foreign currency fluctuations, forward cover is taken out to cover forward purchase commitments made with foreign suppliers.

Below is a summary of the amounts payable under forward contracts:

	Term	Average rate	Foreign currency FCm	Rand equivalent Rm	Fair value gain/(loss) Rm
<b>2024</b>					
US Dollar	Less than 6 months	Rate at R18.97	4.8	91.5	0.6
<b>2023</b>					
US Dollar	Less than 6 months	Rate at R17.95	2.6	47.9	(0.3)

Below is a sensitivity analysis of the effect of currency movements of 10% on the year end valuation of the forward exchange contracts on net profit after tax:

	2024 Rm	2023 Rm
Currency appreciates by 10%	6.7	3.5
Currency depreciates by 10%	(6.7)	(3.5)

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 9. FINANCIAL ASSETS – INSURANCE INVESTMENTS

### 9.1 Insurance investments

	2024 Rm	2023 Rm
<b>Listed investments</b>		
Fixed income securities – FVOCI	242.5	257.3
<b>Unlisted investments</b>		
Money market floating rate notes – FVTPL	134.9	138.9
	<b>377.4</b>	396.2
Analysed as follows:		
Non-current	242.5	257.3
Current	134.9	138.9
	<b>377.4</b>	396.2
<b>Movement for the year</b>		
Beginning of the year	396.2	422.8
Purchases of investments	60.7	32.1
Disposals of investments	(102.0)	(83.3)
Interest	37.3	33.5
Fair value adjustment	(14.8)	(8.9)
End of the year	<b>377.4</b>	396.2

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

### Accounting policy

Insurance investments are those investments made by the Group's insurance company to meet statutory solvency requirements and comprise fixed income securities and money market instruments. Insurance investments are classified as financial instruments in terms of IFRS.

### Significant accounting estimates and judgements

The Group holds the following investments:

- Fixed income securities
- Money market floating rate notes

From a business model assessment, the fixed income securities are held to collect the contractual cash flows and to sell the assets, and they meet the SPPI test. Money market floating rate notes are managed on a fair value basis and consequently classified as FVTPL.

Fixed income securities are risk-free government bonds. Money market floating rate notes are invested with credit-worthy financial institutions. Both long-term and short-term foreign credit ratings are monitored to assess credit-worthiness. An ECL assessment was performed and no ECL has been provided as it was found to be immaterial due to the probability of default being extremely low.

Stage 1 with no movement between stages. No amount for 12-month expected credit loss has been recognised as the amount is immaterial.

### Credit risk

Fixed income securities are risk-free government bonds.

The following table provides information regarding the credit risk exposure of the government bonds:

Name of investment	2024	2023		2024	2023
	Credit rating	Credit rating	Maturity profile	Rm	Rm
RSA 7.00% 280231	Ba2	Ba2	3 to 7 years	101.7	104.5
RSA 6.25% 310336	Ba2	Ba2	7 to 12 years	97.7	105.4
RSA 6.5% 280241	Ba2	Ba2	12+ years	43.1	47.4
<b>Total</b>				<b>242.5</b>	257.3

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 9. FINANCIAL ASSETS – INSURANCE INVESTMENTS continued

### 9.1 Insurance investments continued

#### Credit risk continued

The money market floating rate notes are invested with credit-worthy financial institutions.

The Moody's credit rating and maximum exposure to credit risk for money market floating rate notes per institution is detailed in the table below:

Financial institutions	2024		2023		2024 Rm	2023 Rm
	Long-term	Short-term	Long-term	Short-term		
Absa	Baa3	P-3	Ba2	NP	32.4	28.3
FirstRand Bank	Baa3	P-3	Ba2	NP	9.1	17.2
Investec	Baa3	P-3	Ba2	NP	30.4	30.4
Nedbank	Baa3	P-3	Ba2	NP	30.4	28.3
Standard Bank	Baa3	P-3	Ba2	NP	32.4	28.4
Other					0.2	6.3
<b>Total</b>					<b>134.9</b>	<b>138.9</b>

The long-term and short-term ratings above are foreign ratings. Foreign ratings are heavily influenced by the country's overall credit rating.

#### Price risk

There is exposure to securities price risk because of investments held by Monarch. Fixed income securities are classified as FVOCI and the money market floating rate notes are classified as FVTPL.

Monarch holds investments in order to meet the insurance liabilities and solvency margins required by the Insurance Act, No. 18 of 2017. The investments are managed by Sanlam Investment Management (Pty) Ltd ("Sanlam") on Monarch's behalf.

The overall management objectives of the Monarch investment portfolio are:

- preservation of capital over the long-term;
- managing market risk over the short- to medium-term; and
- to ensure the portfolio is adequately diversified.

Monarch's Board controls the investment strategy adopted by Sanlam. At each of the Board's quarterly meetings, a comprehensive report from Sanlam is presented and discussed. Particular emphasis is placed on:

- current market conditions and future expectations;
- asset allocations considering the above;
- returns under each asset category;
- detailed reviews of the positioning of the bond portfolio; and
- recommendations of the asset manager going forward.

The Monarch Board considers the recommendations of the asset managers. The investment strategy is then formulated for the following quarter and authority given to the Monarch Chief executive officer to implement the strategy. The performance of this portfolio is presented to the Group's audit committee on a quarterly basis.

The market risk of the fixed security portfolio is monitored through the modified duration of the portfolio, a measure which approximates the movement in the fair value of such securities relative to interest rate movements. The modified duration of the fixed income portfolio at the respective year ends and the JSE All Bond Index are as follows:

	2024	2023
Modified duration of Monarch's fixed income portfolio	6.3	6.9
Modified duration of the JSE All Bond Index	5.8	6.0

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 9. FINANCIAL ASSETS – INSURANCE INVESTMENTS continued

### 9.1 Insurance investments continued

#### Interest rate risk

	2024 Rm	2023 Rm
Interest rate volatility arises from insurance investments in two ways: – Money market investments in the form of floating rate notes. – Fixed income securities in the form of fixed coupon rates.		
The interest rate prevailing on money market deposits at year end was 9.4% (2023: 8.5%). Assuming the current levels of money market deposits throughout the year, the impact of changes to the coupon rate on net profit after tax is as follows:		
+50 basis points	0.5	0.5
-50 basis points	(0.5)	(0.5)
The coupon rate on fixed income securities prevailing at year end was 6.6% (2023: 6.6%). Assuming no change in current level of fixed income securities, the impact of changes in the coupon rate on net profit after tax is as follows:		
+50 basis points	1.1	1.3
-50 basis points	(1.1)	(1.3)

#### Liquidity risk

Monarch manages liquidity requirements by matching the maturity of the assets invested to the corresponding LIC and the required solvency margin. The LIC and the required solvency margin are covered by fixed income securities and money market deposits. The maturity analysis of insurance investments are presented in note 3 and the maturity analysis of the LIC is presented in note 10.5.

#### Fair value hierarchy

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

	Level 2 Rm	Total Rm
<b>2024</b>		
Insurance investments:		
Fixed income securities – FVOCI	242.5	242.5
Money market floating rate notes – FVTPL	134.9	134.9
	<b>377.4</b>	<b>377.4</b>
<b>2023</b>		
Insurance investments:		
Fixed income securities – FVOCI	257.3	257.3
Money market floating rate notes – FVTPL	138.9	138.9
	<b>396.2</b>	<b>396.2</b>

A description of the categorisation of the valuation techniques used to value the assets at fair value is set out below:

#### Level 1:

Financial instruments valued with reference to quoted prices in active markets where the quoted price is readily available and the price represents actual and recurring market transactions at an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

#### Level 2:

Financial instruments valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset, either directly or indirectly, such as:

- quoted prices for similar assets in an active market;
- quoted prices for identical or similar assets in inactive markets;
- valuation model using observable inputs; or
- valuation model using inputs derived from/corroborated by observable market data.

#### Level 3:

Financial instruments valued using inputs that are not based on observable market data.

Insurance investments are valued with reference to observable market data on the JSE and are categorised under Level 2.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 9. FINANCIAL ASSETS – INSURANCE INVESTMENTS continued

### 9.2 Investment income

	2024 Rm	2023 Rm
Interest – insurance business	37.3	33.5

#### Accounting policy

Investment income is recognised as follows:

- Interest on investments is recognised on a time proportion basis taking into account the effective interest rate method on the assets.
- The Group's fixed income securities debt investments are measured at FVOCI. For these investments, changes in fair value are accumulated within the FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is derecognised or impaired. The Group's money market floating rate notes are measured at FVTPL.

#### Significant accounting estimates and judgements

Investment income relates to the returns on investments required to support the technical liabilities and solvency requirements in terms of the Insurance Act and its Regulations as set out in note 10.4.

## 10. INSURANCE

### 10.1 Insurance contracts

Monarch, the Group's insurer, is licenced under the Insurance Act as a micro-insurer. It offers CPI on the credit agreement entered into by customers of the traditional brands of its holding group Lewis Stores (Pty) Ltd; being Lewis, Best Home and Electric and Beares. The insurance offerings include standard cover and optional enhanced cover in accordance with the National Credit Act.

The cover under the CPI policy in South Africa is as follows:

- Settlement of customer's outstanding balance in the event of death or permanent disability.
- Settlement of customer's outstanding balance or up to 12 months' instalments due for temporary disability and loss of income.
- Replacement of customer's goods or settlement of balances in the event of damage or theft of goods. Where the goods are replaced, the cost of the claim is determined with reference to the cost of the goods acquired.

The insurance policy in South Africa is a monthly policy.

The Group's insurer also issues reinsurance contracts in respect of the CPI policies sold by in-country insurers in Botswana, Eswatini and Lesotho. The benefits are slightly different from that sold in South Africa, but are similar in that under the credit life benefits, the balance on the instalment sale agreement is covered on death, disability and loss of employment and under goods cover, the goods are replaced. For Botswana and Lesotho, the underlying policies are term policies and for Eswatini, the underlying policies are monthly policies.

The Group has an economic interest in three cell captives located in Namibia. These cells issue contracts that transfer insurance risk. The risks and rewards associated with these contracts are transferred to the Group through a cell agreement. The Group is required at all times to maintain the cell in a financially sound condition and to maintain the solvency requirements. The policies issued under the cell agreements relate to CPI policies sold in Namibia and offer credit life benefits, where the balance on the instalment sale agreement is covered on death, disability and loss of employment and under goods cover, the goods are replaced.

The intermediary function for the Group's insurer is performed by the trading entities in South Africa, Botswana, Eswatini, Lesotho and Namibia as the Group's insurer uses the retail distribution network to market its CPI policies.

The Group's insurer uses reinsurance to mitigate its risk exposures through the use of catastrophe cover (outward reinsurance) and classifies these contracts as outwards reinsurance contracts held. The premiums and credit risk under the catastrophe cover are immaterial.



**10. INSURANCE** continued

10.1 Insurance contracts continued

Accounting policies

**(i) Insurance and reinsurance contracts classification**

Insurance contracts are contracts under which the Group's insurer 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's insurer meet this definition.

Contracts entered into by the Group's insurer 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. All references to insurance contracts in these financial statements apply to reinsurance contracts issued or acquired.

**(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

**(iii) Initial recognition**

The Group's insurer 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's insurer 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.

A substantive obligation ends when the Company has a practical ability to reassess risks and, accordingly, set a new price. In assessing the practical ability to reprice, risks transferred from the policyholder to the Company, such as insurance risk and financial risk, are considered. Other risks, such as lapse or surrender and expense risk, are not included.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Group considers both the legal rights and the commercial substance of the contracts in making this assessment.

**10. INSURANCE** continued

**10.1 Insurance contracts** continued

**Significant accounting estimates and judgements**

**(i) Aggregation of insurance contracts**

The following significant portfolios are identified:

- CPI policies issued by the Group.
- Reinsurance contracts issued by the Group.
- In-substance reinsurance arrangement with the Namibian Cell Captives.

In determining the profitability grouping for CPI policies, IFRS 17 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.

For inwards reinsurance, each contract has 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.

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. Each cell is treated as a separate profitability group.

**(ii) Initial recognition**

The insurance contracts are recognised when the premium is due in terms of the insurance contract.

**(iii) Contract boundary**

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 three 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.

**10.2 Insurance contract asset**

The insurance contract asset relates to CPI contracts sold in South Africa, Botswana, Lesotho, Eswatini and Namibia as set out in note 10.1.

	Notes	2024 Rm	2023 Rm
The insurance contract asset comprises of:			
Asset for remaining coverage	10.2.1	275.2	214.0
Liability for incurred claims	10.2.2	(78.7)	(88.5)
		<b>196.5</b>	125.5

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 10. INSURANCE continued

### 10.2 Insurance contract asset continued

#### 10.2.1 Asset for remaining coverage

The movement in the AFRC is as follows:

	2024 Rm	2023 Rm
Opening balance	214.0	173.7
Insurance revenue	985.9	854.4
Amortisation of insurance acquisition expenses	(146.1)	(118.4)
Insurance acquisition expenses	174.2	135.9
Premiums received	(952.8)	(831.6)
<b>Closing balance</b>	<b>275.2</b>	<b>214.0</b>

### Accounting policies

#### (i) 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 if the Group reasonably expects that such a simplification would produce a measurement of the AFRC, which is reflected as the insurance contract asset, that would not differ materially from the one that would be produced by the GMM.

The Group has adopted the PAA as all groups and portfolios of CPI and reinsurance contracts issued by Monarch were assessed for eligibility and it was concluded that the measurement of the AFRC under the PAA was not materially different from the GMM.

On initial recognition, the Group will measure the AFRC as the amount of premiums received, less any acquisition cash flows paid, any amounts arising from the derecognition of the insurance acquisition expenses and any other relevant pre-recognition cash flows.

Subsequent measurement is as follows:

- Opening balance as per the previous reporting period
- Plus amounts recognised as insurance revenue for the services provided in the period
- Less amounts relating to the amortisation of insurance acquisition cash flows
- Plus insurance acquisition cash flows
- Less premiums received during the period

No adjustment is made for the time value of money.

#### (ii) 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).

IFRS 17 further requires that the insurance service expense be classified into insurance acquisition expenses and insurance maintenance expenses.

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.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 10. INSURANCE continued

### 10.2 Insurance contract asset continued

#### 10.2.1 Asset for remaining coverage continued

##### Significant accounting estimates and judgements

Premiums included in the AFRC are as follows:

- For CPI, premiums are recognised when received in the AFRC. Premiums are charged monthly, i.e. the premiums are charged as the service is rendered.
- For reinsurance contracts issued, where the underlying contract is a term policy, there will be premiums for future services (LIC) which will be included in the AFRC.

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. 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. In accordance with the accounting policy, insurance acquisition expenses are amortised over the contract term on a straight-line basis unless there is a termination event upon which the remaining insurance acquisition expenses are expensed in full.

As the Group is required at all times to maintain the Namibian cells in a financially sound condition and to maintain the solvency requirements, the cell arrangements are treated as an in-substance reinsurance contract issued. The profits earned by these cells are disclosed as insurance revenue and insurance service expenses based on the underlying results of the cell captives. The underlying results of the cell captives are prepared in terms of IFRS 17. These cells are included in the AFRC as the underlying net assets of the cells are in excess of the solvency requirements.

The AFRC represents the insurance acquisition costs still to be amortised and the in-substance reinsurance arrangement with Namibia, net of the reinsurance premiums for future services.

#### 10.2.2 Liability for incurred claims

The movement in the LIC is as follows:

	2024 Rm	2023 Rm
Opening balance	88.5	75.8
Claims and insurance maintenance costs	576.4	557.1
Incurred claims	227.4	222.0
Insurance maintenance and other expenses	389.9	344.2
Changes to past service	(40.9)	(9.1)
Finance expense	15.5	3.6
Claims paid	(211.8)	(203.8)
Insurance maintenance and other expenses settled	(389.9)	(344.2)
<b>Closing balance</b>	<b>78.7</b>	<b>88.5</b>

##### Accounting policy

The 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 utilising the Value at Risk ("VaR") method. Claims expected to be settled more than a year from the date incurred are discounted at an appropriate discount rate. The LIC is estimated using appropriate statistical and actuarial techniques utilising claims run-off data.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 10. INSURANCE continued

### 10.2 Insurance contract asset continued

#### 10.2.2 Liability for incurred claims continued

##### Significant accounting estimates and judgements

The estimation of the liability from claims made under insurance contracts is a significant accounting estimate.

In estimating the provision for claims reported but not yet paid, the notified claims at balance sheet date are reviewed and predetermined formulae based on experience are applied.

The LIC is calculated for each class of business at year end by projecting ultimate claims for each loss quarter using:

- The Chain-Ladder (“CL”) method;
- Bornhuetter-Ferguson (“BF”) method; or
- the Loss Ratio (“LR”) method.

The CL method was used where the claims development for the quarter was greater than 85% as the observed claims are sufficiently stable to form the basis of an ultimate claims estimate without supplementary assumptions.

The BF or LR method was used to project the ultimate claims for the loss quarter considering the underlying data and results, where claims development for the quarter was less than 85%.

The LR method was applied when the data was insufficiently developed to use the CL or BF methods.

The best estimate liability is adjusted for risk. The risk adjustment percentages for the Group are calculated using a 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%. Given that Monarch’s triangulations are stable, the Cape-Cod bootstrap has been used for the risk adjustment.

Finance income/(expense) from insurance contracts relates to the discounting of the LIC and has been included under net finance costs as disclosed in note 8.2.

Below is the sensitivity analysis of the net profit after tax and equity, should the LIC increase or decrease by 5%:

	Impact on net profit after tax Rm	Impact on equity Rm
<b>2024</b>		
Increases by 5%	(2.9)	(2.9)
Decreases by 5%	2.9	2.9
<b>2023</b>		
Increases by 5%	(3.2)	(3.2)
Decreases by 5%	3.2	3.2

### 10.3 Insurance service expenses

	Notes	2024 Rm	2023 Rm
Claims and insurance maintenance costs	10.2.2	576.4	557.1
Incurred claims		227.4	222.0
Changes for past service in respect of the LIC		(40.9)	(9.1)
Insurance maintenance expenses		348.3	315.1
Other attributable costs		41.6	29.1
Amortisation of insurance acquisition expenses	10.2.1	146.1	118.4
		<b>722.5</b>	<b>675.5</b>

**10. INSURANCE** continued

**10.4 Insurance risk**

**(i) Insurance risk**

The risks covered under CPI insurance contracts entered into with customers by the Group’s insurer, and external insurer’s in neighbouring foreign countries, are set out in the introduction to note 10.1.

The risk under any one insurance contract is the possibility that the insured events as detailed in note 10.1 occur and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

A prominent risk that the Group faces is that the actual claims exceed the amount of the insurance claims provisions. This could occur because the frequency or severity of claims are greater than estimated. Insurance events are random and the actual number of claims will vary from year-to-year from the estimated claims provision established using historical claims patterns and actuarial techniques.

The development of insurance claims provisions provides a measure of the Group’s ability to estimate the ultimate value of the claims. The Group does not underwrite long-term risks and, consequently, the uncertainty about the amount and timing of claims payments is limited. Regular estimates of claims are performed in reviewing the adequacy of the insurance claims provisions. Claims development is reviewed by management on a regular basis. Insurance claims provisions will generally be settled within one year.

The frequency and severity of claims can be affected due to unforeseen factors such as patterns of crime, pandemic and employment trends. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The geographical spread of the Group ensures that the underwritten risks are well-diversified. Catastrophe cover has been placed with third-party insurers and re-insurers in order to reduce the potential impact of a single event on the earnings and capital of Monarch, as well as reduce the potential impact of a single catastrophic event on risks concentrated in cresta zones. Other than cresta zones, which can be impacted by single catastrophic events, there are no other significant concentrations of insurance risk. Due to the nature of the insurance risk, claims can be measured reliably. Past experience has indicated that claims provision estimates approximates the actual claims costs.

The Group continues to monitor and manage the claims under insurance contracts in order to place the Group in a position to assess and mitigate these risks as they arise. There are natural limits to how these risks can be mitigated and, therefore, there will never be absolute certainty in their measurement at balance sheet date.

The Group’s insurance revenue is dependent on the trend in the Group’s merchandise sales. There is no significant business other than with the Group’s customers.

**(ii) Regulatory requirements**

The Group’s wholly owned insurance company, Monarch, is subject to the regulations as set out in the Short-Term Insurance Act, No. 53 of 1998, as amended, Long-Term Insurance Act, No. 52 of 1998, as amended and the Insurance Act, No. 18 of 2017 (“Insurance Acts”).

The Insurance Acts, including the Financial Soundness Standards for Insurers and Microinsurers, became effective on 1 July 2018 and stipulate the calculation of the value of assets, liabilities and the solvency capital requirement of Microinsurers and requires Monarch to hold certain prescribed assets to meet its insurance liabilities and solvency capital requirement. Management confirms that Monarch meets the standards in terms of the requirements of the Insurance Acts.

**10.5 Maturity analysis**

The maturity analysis of the LIC is as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
<b>2024</b>					
LIC	75.3	3.4	–	–	78.7
<b>2023</b>					
LIC	83.0	5.5	–	–	88.5

Due to the nature of the contracts held, there are no amounts relating to insurance contracts that are payable on demand. Therefore, no disclosure has been provided.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Vehicles Rm	Furniture, fixtures and equipment Rm	Total Rm
<b>As at 31 March 2024</b>				
<b>Opening net carrying value</b>	<b>118.6</b>	<b>147.5</b>	<b>160.2</b>	<b>426.3</b>
Cost	138.5	330.6	326.7	795.8
Accumulated depreciation	(19.9)	(183.1)	(166.5)	(369.5)
Additions	–	53.2	62.6	115.8
Disposals at carrying value	–	(5.4)	(0.7)	(6.1)
Depreciation	(1.2)	(29.6)	(62.9)	(93.7)
<b>Closing net carrying value</b>	<b>117.4</b>	<b>165.7</b>	<b>159.2</b>	<b>442.3</b>
Cost	138.5	355.3	368.2	862.0
Accumulated depreciation	(21.1)	(189.6)	(209.0)	(419.7)
<b>As at 31 March 2023</b>				
<b>Opening net carrying value</b>	<b>120.2</b>	<b>137.6</b>	<b>138.6</b>	<b>396.4</b>
Cost	138.8	314.3	341.4	794.5
Accumulated depreciation	(18.6)	(176.7)	(202.8)	(398.1)
Additions	–	43.3	76.0	119.3
Disposals at carrying value	(0.4)	(5.4)	(0.5)	(6.3)
Depreciation	(1.2)	(28.0)	(53.9)	(83.1)
<b>Closing net carrying value</b>	<b>118.6</b>	<b>147.5</b>	<b>160.2</b>	<b>426.3</b>
Cost	138.5	330.6	326.7	795.8
Accumulated depreciation	(19.9)	(183.1)	(166.5)	(369.5)

A register of the Group's land and buildings is available for inspection at the Company's registered office.

### Accounting policy

Property, plant and equipment is carried at cost less accumulated depreciation and impairment losses. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are capitalised when it is probable that future economic benefits will arise and the cost can be measured reliably. All other expenditure is recognised through profit and loss.

Assets are depreciated to their residual value, on a straight-line basis, over their estimated useful lives.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds to the carrying amount and are recognised in the income statement.

### Significant accounting estimates and judgements

The estimated useful lives and residual values are reviewed at each balance sheet date taking cognisance of historical trends for that class of asset and the commercial and economic realities at the time. The estimated useful lives of the assets in years are:

Buildings	100 years
Furniture, fixtures and equipment	3 to 10 years
Vehicles	4 to 8 years
Land	Not depreciated

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 12. INTANGIBLE ASSETS

	2024 Rm	2023 Rm
Intangible assets comprise of:		
Trademarks	78.9	85.3
Software	31.5	29.6
	<b>110.4</b>	<b>114.9</b>

### 12.1 Trademarks

	2024 Rm	2023 Rm
Opening net carrying value	85.3	91.8
Cost	131.2	131.2
Accumulated amortisation	(45.9)	(39.4)
Amortisation	(6.4)	(6.5)
Closing net carrying value	78.9	85.3
Cost	131.2	131.2
Accumulated amortisation	(52.3)	(45.9)

#### Accounting policy

Separately acquired trademarks are shown at historical cost.

Trademarks acquired in a business combination are recognised at fair value at acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives.

#### Significant accounting estimates and judgements

The estimated useful life of trademarks is 20 years.

### 12.2 Software

	2024 Rm	2023 Rm
Opening net carrying value	29.6	15.5
Cost	96.8	73.2
Accumulated amortisation	(67.2)	(57.7)
Additions	8.8	23.6
Amortisation	(6.9)	(9.5)
Closing net carrying value	31.5	29.6
Cost	105.6	96.8
Accumulated amortisation	(74.1)	(67.2)

#### Accounting policy

Software is depreciated to their residual value, on a straight-line basis, over their estimated useful lives.

#### Significant accounting estimates and judgements

The estimated useful life of software is three years.



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

### 13. GOODWILL

	2024 Rm	2023 Rm
Opening net carrying value	59.9	151.0
Cost	182.4	182.4
Accumulated impairment	(122.5)	(31.4)
Impairment	(59.9)	(91.1)
Closing net carrying value	–	59.9
Cost	182.4	182.4
Accumulated impairment	(182.4)	(122.5)

#### Accounting policy

Goodwill arises at date of acquisition, being the excess of the purchase consideration and the fair value of the non-controlling interest, over the attributable fair value of the identifiable assets and liabilities, and is initially carried at cost. Goodwill is subject to an annual impairment test or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is written down to the recoverable amount, which is the higher of value-in-use and the fair value less costs to sell. This impairment is recognised immediately as an expense. The impairment of goodwill is not reversed. Gains and losses on disposal of an entity include the carrying value of goodwill relating to the entity sold.

A bargain purchase being an excess in the fair value of the identifiable assets and liabilities over the purchase consideration at the date of acquisition, is recognised immediately in the income statement.

#### Significant accounting estimates and judgements

The opening balance relates to goodwill that arose on the acquisition of UFO in 2018.

The UFO segment continued to underperform during the current financial year. The test for impairment of goodwill was performed by external valuers for the current and prior years. The recoverable amount of goodwill is the higher of fair value less costs to sell and value-in-use. The valuer used the fair value less costs to sell method in both the current and prior year.

Goodwill was assessed at both the interim and year end reporting periods. At the interim reporting period, no impairment of goodwill was required (2023: R24.6 million). The annual goodwill test was performed at year end and a write-off of R59.9 million was required (2023: R66.5 million). The assumptions below relate to the annual goodwill test performed at year end.

The fair value less costs to sell valuation approach includes the cash flows of the existing stores as well as the planned new store expansion over the forecast period of 10 years. Given the underperformance of the business over the past three years, utilising a forecast period of less than 10 years will result in a premature terminal value calculation as a more measured longer term growth strategy has been adopted.

The valuation to determine the recoverable amount of goodwill was performed at Level 3 (in accordance with IFRS 13) which means that the valuation was derived using the discounted cash flow method (“DCF method”). The assumptions underlying the DCF method are as follows:

- The 10-year cash flow projection for UFO is assessed based on forecast information that is informed by past experience of management, the expected performance of the segment and the execution of the store rollout programme.
- Average sales growth for the forecast period based on existing stores being 6.6% (2023: 6.2%) and planned store expansion with a 5.5% (2023: 5.5%) growth used in the terminal value.
- Earnings before interest, tax, depreciation and amortisation (“EBITDA”) margin of between -1.5% and 8.6% (2023: between -0.8% and 6.3%).
- Weighted average cost of capital (“WACC”) was calculated at 19.2% (2023: 17.1%).
- A further marketability discount of 5.0% (2023: 5.0%) was applied to arrive at the enterprise value.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

### 13. GOODWILL continued

#### Significant accounting estimates and judgements continued

The recoverable amount of goodwill was assessed as follows:

	2024 Rm	2023 Rm
Opening net carrying value	59.9	151.0
Impairment	(59.9)	(91.1)
Closing net carrying value	–	59.9

The opening carrying value of Goodwill for the current year was R59.9 million (2023: R151.0 million) and the annual goodwill test indicated that goodwill is not recoverable (2023 Recoverable Amount: R59.9 million), thus goodwill is fully impaired.

As the WACC rate and the terminal growth assumptions have a significant impact on the enterprise value, a 1% change upwards and downwards in both assumptions have been shown separately in the sensitivity analysis below.

Sensitivity of WACC rate assumption	WACC-1% R'000	WACC R'000	WACC+1% R'000
<b>2024</b>			
Enterprise value	159 659	143 701	121 531
Operating assets other than goodwill	(143 701)	(143 701)	(143 701)
Recoverable amount	15 958	–	(22 170)

<b>2023</b>			
Enterprise value	256 989	225 458	199 368
Operating assets other than goodwill	(165 562)	(165 562)	(165 562)
Recoverable amount	91 427	59 896	33 806

Sensitivity of terminal growth assumption	4.5% R'000	5.5% R'000	6.5% R'000
<b>2024</b>			
Enterprise value	133 494	143 701	145 285
Operating assets other than goodwill	(143 701)	(143 701)	(143 701)
Recoverable amount	(10 207)	–	1 584

<b>2023</b>			
Enterprise value	213 209	225 458	240 025
Operating assets other than goodwill	(165 562)	(165 562)	(165 562)
Recoverable amount	47 647	59 896	74 463

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 14. DEPRECIATION AND AMORTISATION

	Notes	2024 Rm	2023 Rm
Depreciation			
Right-of-use assets	7.2	261.8	251.8
Property, plant and equipment	11	93.7	83.1
Buildings		1.2	1.2
Vehicles		29.6	28.0
Furniture, fixtures and equipment		62.9	53.9
Amortisation			
Intangible assets	12	13.3	16.0
		<b>368.8</b>	<b>350.9</b>
Refer to below notes for the accounting policies and significant estimates and judgements:			
<b>Depreciation</b>			
Right-of-use assets	7		
Property, plant and equipment	11		
<b>Amortisation</b>			
Intangible assets	12		

## 15. IMPAIRMENTS AND CAPITAL ITEMS<sup>(1)</sup>

	Notes	2024 Rm	2023 Rm
Impairment of right-of-use assets	7.2	5.7	22.9
Impairment of goodwill	13	59.9	91.1
Total impairments		65.6	114.0
Profit on disposal of fixed assets		(0.2)	(1.9)
Profit on scrapping of fixed assets due to civil unrest	23	–	(9.9)
		<b>65.4</b>	<b>102.2</b>
Refer to below notes for the accounting policies and significant estimates and judgements:			
<b>Impairment</b>			
Right-of-use assets	7		
Goodwill	13		
Impairment of non-financial assets	26.1		

<sup>(1)</sup> 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 1/2023: Headline Earnings.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 16. CAPITAL MANAGEMENT

### 16.1 Earnings

	2024 Cents	2023 Restated Cents
<b>Earnings per share</b>		
Earnings per share	806.3	695.6
Diluted earnings per share	781.2	672.5
<b>Headline earnings per share</b>		
Headline earnings per share	924.6	863.5
Diluted headline earnings per share	895.8	834.9

	Gross Rm	Income tax effect Rm	Net Rm
<b>Headline earnings</b>			
<b>2024</b>			
Attributable earnings	436.4	–	436.4
Profit on disposal of fixed assets	(0.2)	0.1	(0.1)
Impairment of right-of-use assets	5.7	(1.5)	4.2
Goodwill impairment	59.9	–	59.9
Headline earnings	501.8	(1.4)	500.4
<b>2023</b>			
Restated			
Attributable earnings	411.0	–	411.0
Profit on disposal of fixed assets	(1.9)	0.4	(1.5)
Impairment of right-of-use assets	22.9	(6.1)	16.8
Goodwill impairment	91.1	–	91.1
Profit on scrapping of fixed assets due to civil unrest	(9.9)	2.7	(7.2)
Headline earnings	513.2	(3.0)	510.2

### 16.2 Dividends

	2024 Cents	2023 Cents
<b>Dividends paid per share</b>		
Final dividend 2023 (2022)	218.0	218.0
Interim dividend 2024 (2023)	200.0	195.0
	418.0	413.0
<b>Dividends declared per share</b>		
Interim dividend 2024 (2023)	200.0	195.0
Final dividend 2024 (2023)	300.0	218.0
	500.0	413.0

	2024 Rm	2023 Rm
<b>Dividends paid</b>		
Dividend number 36 declared on 26 May 2022 and paid on 25 July 2022	–	129.4
Dividend number 37 declared on 24 November 2022 and paid on 23 January 2023	–	112.4
Dividend number 38 declared on 25 May 2023 and paid on 24 July 2023	118.2	–
Dividend number 39 declared on 30 November 2023 and paid on 22 January 2024	107.4	–
<b>Dividends received on treasury shares</b>		
The Lewis Employee Incentive Scheme Trust	(1.4)	(0.4)
	224.2	241.4

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 16. CAPITAL MANAGEMENT continued

### 16.3 Number of shares

	2024 000s	2023 000s
<b>Weighted average number of shares</b>		
Weighted average shares for earnings and headline earnings per share	54 123	59 082
Dilution resulting from share awards outstanding	1 737	2 030
Weighted average shares for diluted earnings and headline earnings per share	55 860	61 112
Diluted earnings and diluted headline earnings per share is calculated by adjusting the weighted average number of ordinary shares assuming that all share options will be exercised. The dilution is determined by the number of shares that could have been acquired at fair value (determined as the average annual market price of the shares) less the number of shares that would be issued on the exercise of all the share options.		
<b>Number of ordinary shares in issue</b>		
Number of shares issued at the beginning of the year	57 259	62 780
Shares repurchased	(4 165)	(5 521)
Number of shares issued at the end of the year	53 094	57 259
Treasury shares held by:		
The Lewis Employee Incentive Scheme Trust	(198)	(174)
Effective number of shares in issue	52 896	57 085

### 16.4 Equity

	2024 Rm	2023 Rm
<b>Share capital and premium</b>		
Share capital	1.0	1.0
Share premium	1 118.0	1 288.0
Reverse acquisition reserve	(2 123.1)	(2 123.1)
Cost of cancelled shares	1 005.0	835.0
	0.9	0.9
Opening balance	0.9	0.9
Cost of own shares acquired	(170.0)	(275.7)
Transfer of cost of cancelled shares	170.0	275.7
	0.9	0.9
<b>Treasury shares</b>		
Opening balance	(8.3)	(3.7)
Cost of own shares acquired	(51.5)	(34.0)
Share awards to employees	51.6	29.4
	(8.2)	(8.3)
Treasury shares	8.2	8.3
The Lewis Employee Incentive Scheme Trust	8.2	8.3

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 16. CAPITAL MANAGEMENT continued

### 16.4 Equity continued

During the financial year, shares were repurchased in terms of section 48 of the Companies Act as follows:

	Number of shares repurchased	Average price R	Total value repurchased Rm
In terms of the general authority granted by shareholders at the annual general meeting held on 28 October 2022.	3 097 057	40.62	125.7
In terms of the general authority granted by shareholders at the annual general meeting held on 12 October 2023.	1 067 867	41.45	44.3
	4 164 924		170.0

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.

#### Reverse acquisition reserve

On listing, Lewis Group Limited ("Lewis Group") acquired the total shareholding of Lewis Stores Proprietary Limited ("Lewis Stores") through issuing shares to the shareholder at that date. In terms of IFRS 3 requirements for reverse acquisitions, Lewis Stores was the acquirer and Lewis Group the acquiree, although Lewis Group is the holding company and Lewis Stores the subsidiary. The Group financial statements were in substance a continuation of the operations of Lewis Stores from the date that the reverse acquisition took place.

#### Treasury shares

The Lewis Employee Incentive Scheme Trust effectively holds 198 355 shares (2023: 173 545 shares), all of which will be utilised to cover share awards granted to executives.

### 16.5 Beneficial shareholders

According to the Company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, the following entities owned in excess of 5% of the Company's shares:

	Number of shares Total	% holding
<b>2024</b>		
Coronation Fund Managers (SA)	7 326 018	13.80
Peresec Prime Brokers (SA)	4 583 301	8.63
<b>2023</b>		
Coronation Fund Managers (SA)	9 255 539	16.16
Peresec Prime Brokers (SA)	4 800 503	8.38

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 16. CAPITAL MANAGEMENT continued

### 16.6 Other reserves

	Fair value reserve Rm	Foreign currency translation reserve Rm	Share-based payments reserve Rm	Total Rm
<b>2024</b>				
<b>Opening balance</b>	(25.5)	19.7	41.3	35.5
Fair value adjustments of FVOCI debt investments	(10.8)			(10.8)
Movement in foreign currency translation reserve		5.2		5.2
Transfer of share-based payments reserve to retained earnings on vesting			(18.1)	(18.1)
Equity-settled share-based payments			30.8	30.8
<b>Closing balance</b>	<b>(36.3)</b>	<b>24.9</b>	<b>54.0</b>	<b>42.6</b>
<b>2023</b>				
Opening balance	(19.0)	1.4	29.0	11.4
Fair value adjustments of FVOCI debt investments	(6.5)			(6.5)
Movement in foreign currency translation reserve		18.3		18.3
Transfer of share-based payments reserve to retained earnings on vesting			(13.5)	(13.5)
Equity-settled share-based payments			25.8	25.8
Closing balance	(25.5)	19.7	41.3	35.5

### 16.7 Retained earnings

	2024 Rm	2023 Restated Rm
Opening balance previously reported	4 581.8	4 708.4
Restatement	82.7	78.8
Opening balance - revised	4 664.5	4 787.2
Net profit attributable to ordinary shareholders	436.4	411.0
Distribution to shareholders	(224.2)	(241.4)
Transfer of cost of cancelled shares	(170.0)	(275.7)
Transfer of share-based payments reserve to retained earnings on vesting	18.1	13.5
Retirement benefit remeasurements	(5.7)	(0.7)
Share awards to employees	(51.6)	(29.4)
Closing balance	4 667.5	4 664.5

Distribution by foreign subsidiaries of all their reserves at balance sheet date will potentially give rise to withholding taxes of R74.3 million (2023: R85.2 million).

#### Accounting policy

##### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including the costs attributable to the acquisition, is deducted from the Group's equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of transaction costs, is included in the Group's equity. The weighted average number of shares is reduced by the treasury shares for earnings per share purposes. Dividends received on treasury shares are eliminated on consolidation.

Where shares are cancelled, the consideration paid including the cost attributable to the acquisition will be applied to the share premium account and once the share premium account is fully utilised, then the excess will be allocated to retained earnings.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 17. REPORTABLE SEGMENTS

Primary	Note	Traditional Rm	Cash Rm	Group Rm
<b>2024</b>				
<b>Segment income statement</b>				
<b>Total revenue from external customers</b>		<b>7 740.8</b>	<b>443.0</b>	<b>8 183.8</b>
Retail revenue		5 100.3	443.0	5 543.3
Merchandise sales		4 217.2	435.5	4 652.7
Ancillary services		883.1	7.5	890.6
Effective interest income		1 654.6	–	1 654.6
Insurance revenue		985.9	–	985.9
Cost of merchandise sales		(2 375.3)	(271.2)	(2 646.5)
Operating costs (excluding insurance service expenses)		(2 672.2)	(162.6)	(2 834.8)
Debtor costs		(1 225.1)	–	(1 225.1)
Insurance service expenses		(722.5)	–	(722.5)
<b>Segment operating profit before impairments and capital items</b>		<b>745.7</b>	<b>9.2</b>	<b>754.9</b>
<b>Segment operating margin before impairments and capital items (%)</b>		<b>17.7</b>	<b>2.1</b>	<b>16.2</b>
<b>Impairments and capital items</b>	15	27.5	(92.9)	(65.4)
<b>Segment operating profit/(loss)</b>		<b>773.2</b>	<b>(83.7)</b>	<b>689.5</b>
<b>Segment operating margin (%)</b>		<b>18.3</b>	<b>(19.2)</b>	<b>14.8</b>
<b>Segment assets<sup>(1)</sup></b>		<b>4 933.1</b>	<b>133.0</b>	<b>5 066.1</b>
<b>Capital expenditure</b>		<b>123.8</b>	<b>0.8</b>	<b>124.6</b>
<b>Depreciation and amortisation</b>		<b>(341.1)</b>	<b>(27.7)</b>	<b>(368.8)</b>
<b>Reversal of impairment/(impairment)</b>		<b>27.1</b>	<b>(92.7)</b>	<b>(65.6)</b>
<b>2023</b>				
Restated				
Segment income statement				
Total revenue from external customers		6 950.6	505.8	7 456.4
Retail revenue		4 762.3	505.8	5 268.1
Merchandise sales		3 945.0	498.1	4 443.1
Ancillary services		817.3	7.7	825.0
Effective interest income		1 333.9	–	1 333.9
Insurance revenue		854.4	–	854.4
Cost of merchandise sales		(2 336.3)	(300.7)	(2 637.0)
Operating costs (excluding insurance service expenses)		(2 512.1)	(200.7)	(2 712.8)
Debtor costs		(719.5)	–	(719.5)
Insurance service expenses		(675.5)	–	(675.5)
<b>Segment operating profit before impairments and capital items</b>		<b>707.2</b>	<b>4.4</b>	<b>711.6</b>
<b>Segment operating margin before impairments and capital items (%)</b>		<b>17.9</b>	<b>0.9</b>	<b>16.0</b>
<b>Impairments and capital items</b>	15	26.0	(128.2)	(102.2)
<b>Segment operating profit/(loss)</b>		<b>733.2</b>	<b>(123.8)</b>	<b>609.4</b>
<b>Segment operating margin (%)</b>		<b>18.6</b>	<b>(24.9)</b>	<b>13.7</b>
<b>Segment assets<sup>(1)</sup></b>		<b>4 544.7</b>	<b>175.3</b>	<b>4 720.0</b>
<b>Capital expenditure</b>		<b>141.4</b>	<b>1.5</b>	<b>142.9</b>
<b>Depreciation and amortisation</b>		<b>(311.5)</b>	<b>(39.4)</b>	<b>(350.9)</b>
<b>Reversal of impairment/(impairment)</b>		<b>14.2</b>	<b>(128.2)</b>	<b>(114.0)</b>

<sup>(1)</sup> Segment assets include net trade receivables of R4 342.5 million (2023 Restated: R3 850.7 million) and inventory of R723.6 million (2023: R869.3 million).



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 17. REPORTABLE SEGMENTS continued

Geographical	South Africa Rm	Namibia Rm	BLE <sup>(2)</sup> Rm	Group Rm
<b>2024</b>				
Revenue	6 941.3	610.5	632.0	8 183.8
Non-current assets <sup>(3)</sup>	1 113.0	97.3	136.1	1 346.4
<b>2023</b>				
Restated				
Revenue	6 288.7	587.3	580.4	7 456.4
Non-current assets <sup>(3)</sup>	1 105.9	88.5	106.8	1 301.2

<sup>(2)</sup> Botswana, Lesotho and Eswatini.

<sup>(3)</sup> Non-current assets are defined as property, plant and equipment, intangible assets (excluding goodwill) and right-of-use assets.

### Accounting policy

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief executive officer and the Chief financial officer.

The Group has identified its operating segments based on the chains that it operates. These segments reflect how the Group's businesses are managed and reported to the chief operating decision-makers. All of the business segments operate in the furniture retail business. Set out below is a summary of the operations in each of the operating segments of the Group:

#### (i) Traditional

Traditional business consists of the credit-focused brands:

##### Lewis

Lewis sells a range of household furniture, electrical appliances and home electronics to customers in the LSM\* 4 to 7 categories.

##### Best Home and Electric

Best Home and Electric is a retailer of electrical appliances, sound and vision equipment and furniture, targeting the LSM\* 4 to 7 customer.

##### Beares

Beares is a retailer of upmarket furniture, electrical appliances and home electronics primarily serving customers in the LSM\* 7 to 9 categories.

##### Bedzone

Bedzone is a specialised retailer of beds and mattresses targeting customers in the LSM\* 4 to 9 categories.

#### (ii) Cash

This is the cash-focused brand of UFO which retails luxury furniture to customers in the LSM\* 9+ categories.

Information regarding the performance of each segment is disclosed in the segmental report. Performance is measured on the basis of the operating profit (which includes the insurance underwriting result), as management believes that this measure is useful in evaluating the results of the segments, both in relation to each other and in relation to their respective competition. Investment income, net finance costs and taxation (i.e. the items that reconcile total segment operating profit to profit attributable to ordinary shareholders) are reviewed on a Group basis. Segment assets only include trade receivables and inventories as these are the asset categories that are likely to drive strategic action and are therefore monitored by the chief operating decision-makers on a continuous basis.

\* Based on Living Standards Measure ("LSM"), a market research segmentation tool applied in South Africa to classify standard of living and disposable income.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 18. TRADE AND OTHER PAYABLES

	Note	2024 Rm	2023 Rm
Trade payables		202.5	221.8
Accruals and other payables		145.6	177.4
Employment accruals		171.2	140.9
Refund obligation		116.7	69.7
Restoration provision		27.2	26.0
Cash-settled share-based payments	20.3.2	35.3	48.4
		<b>698.5</b>	<b>684.2</b>

  

	Restoration provision Rm	Employment accruals Rm
<b>2024</b>		
<b>Opening balance</b>	26.0	140.9
Additions and modifications during the year	1.2	131.4
Utilised	–	(101.1)
Interest	–	–
<b>Closing balance</b>	<b>27.2</b>	<b>171.2</b>
<b>2023</b>		
Opening balance	35.8	176.8
Additions and modifications during the year	(12.7)	97.8
Utilised	–	(133.7)
Interest	2.9	–
Closing balance	26.0	140.9

### Accounting policies

#### Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as financial instruments in terms of IFRS.

The accounting policies for financial instruments are included in note 3.

#### Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

#### Employment accruals

Employee entitlements to annual leave and bonus are recognised as they accrue to employees when there is a legal or constructive obligation to make such payments as a result of past performance. An accrual is made for the estimated provision still owing as a result of services provided by employees up to the balance sheet date.

#### Refund obligation

Full details is set out in note 5.2 to the financial statements.

#### Restoration provision

A provision is recognised for the restoration costs associated with leased property. This is an estimate of costs to be incurred to restore the leased property back to its original state, as per the lease agreement. Restoration costs are provided for at the present value of expected future costs to settle the obligation and are recognised as part of the cost of the right-of-use asset. The future expected costs are based on past experience of management and is discounted at an appropriate discount rate. The estimated future costs of restoration are reviewed annually and adjusted accordingly.

#### Cash-settled share-based payments

Full details of the accounting policy is set out in note 20.3.2 to the financial statements.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 19. PAYMENTS IN ADVANCE

	2024 Rm	2023 Rm
Opening balance	189.6	181.1
Revenue recognised in the period previously included in the opening balance	(128.2)	(124.0)
Liability raised during the current period	123.0	132.5
Closing balance	184.4	189.6

Payments in advance arise:

- in the case of a maintenance contract (refer to note 5.2) where customers have settled their accounts or where customers have paid in advance of Lewis' performance obligations, which will typically be satisfied over a period of three years from the date of that maintenance contract; and
- in the case where customers have paid in advance for goods still to be delivered under the sales contract, which will be satisfied when those goods are delivered to the customer.

Management expects that R122.5 million (2023: R128.2 million) of the transaction price allocated to the unsatisfied contracts as at 31 March 2024 will be recognised as revenue during the next reporting period and the remaining R61.9 million (2023: R61.4 million) during the following reporting period.

## 20. DIRECTORS AND EMPLOYEES

### 20.1 Employment costs

	Notes	2024 Rm	2023 Rm
Salaries, wages, commissions and bonuses		1 356.7	1 235.0
Retirement benefit costs		85.4	73.7
Equity-settled share-based payments	20.3.1	30.8	25.8
Cash-settled share-based payments	20.3.2	26.3	29.4
Other employment costs		18.8	12.7
		1 518.0	1 376.6
<b>Remuneration of key executives</b>			
Salary		15.0	15.1
Bonus paid <sup>(1)</sup>		–	21.5
Retirement and medical contributions		2.7	2.7
Gains on share awards vested		46.8	44.9
Equity-settled <sup>(2)</sup>		46.8	16.4
Cash-settled			28.5
		64.5	84.2

Key executives comprise the directors of Lewis Stores Proprietary Limited, the main operating subsidiary. Non-executive fees are disclosed in note 20.2.

<sup>(1)</sup> The bonus paid reflects the bonus actually paid in June. In June 2023, no bonus was paid.

<sup>(2)</sup> The gain on shares vested is calculated with reference to the number of shares that vest and the price per share at the date of vesting less consideration payable (where applicable).

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.2 Directors' emoluments

<b>Non-executive directors – fees as directors</b>		<b>2024</b>	2023
		<b>R'000</b>	R'000
H Saven			
	- company	<b>1 398</b>	1 327
	- for subsidiary	<b>396</b>	370
Prof. F Abrahams			
	- company	<b>1 047</b>	993
	- for subsidiary	<b>397</b>	371
A Bodasing		<b>778</b>	737
B Deegan			
	- company	<b>778</b>	461
	- for subsidiary	<b>304</b>	178
D Motsepe		<b>1 147</b>	1 088
T Njzikizana		<b>778</b>	737
		<b>7 023</b>	6 262

	<b>2024</b>		2023	
	<b>R'000</b>		R'000	
<b>Executive directors</b>	<b>J Bestbier</b>	<b>J Enslin</b>	J Bestbier	J Enslin
All emoluments are paid by the subsidiary.				
Salary	<b>3 448</b>	<b>5 917</b>	3 216	5 510
Bonuses paid during the year	–	–	4 306	7 035
Contributions to pension scheme	<b>552</b>	<b>947</b>	514	833
Contributions to medical aid	–	<b>256</b>	–	208
Gains on share awards:				
Equity-settled	<b>12 993</b>	<b>21 027</b>	3 499	5 768
Cash-settled	–	–	5 650	9 109
	<b>16 993</b>	<b>28 147</b>	17 185	28 463

	<b>2024</b>		2023	
	<b>J Bestbier</b>	<b>J Enslin</b>	J Bestbier	J Enslin
<b>Gains on share awards</b>				
<b>Equity-settled</b>				
Share awards vested	<b>334 406</b>	<b>541 124</b>	70 256	115 816
Offer date	<b>28 August 2020</b>	<b>28 August 2020</b>	30 June 2019	30 June 2019
Date vested	<b>5 June 2023/ 28 August 2023</b>	<b>5 June 2023/ 28 August 2023</b>	30 June 2022	30 June 2022
Market value on date of vesting	<b>12 992 964</b>	<b>21 027 124</b>	3 498 749	5 767 637
Gain on share awards	<b>12 992 964</b>	<b>21 027 124</b>	3 498 749	5 767 637
<b>Cash-settled</b>				
Notional share awards vested			116 217	187 347
Offer date			28 June 2019	28 June 2019
Date vested			28 June 2022	28 June 2022
Value of notional shares paid			5 650 471	9 108 811

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.2 Directors' emoluments continued

Outstanding share awards – Equity-settled schemes	2024		2023	
	J Bestbier	J Enslin	J Bestbier	J Enslin
<b>Lewis 2019 Executive Performance Scheme</b>				
28 August 2020 – Short term award			270 771	438 977
9 June 2021	128 769	210 794	128 769	210 794
6 July 2022 – Short term award	98 898		98 898	
5 June 2023		150 670		
<b>Lewis 2021 Executive Performance Scheme</b>				
6 July 2022 – Short term award		226 518		226 518
6 July 2022 – Long term award	79 119	226 518	79 119	226 518
5 June 2023	131 180	150 669		
<b>Lewis 2019 Executive Retention Scheme</b>				
28 August 2020			63 635	102 147
9 June 2021	78 047	126 533	78 047	126 533
6 July 2022	88 469	144 536	88 469	144 536
	<b>604 482</b>	<b>1 236 238</b>	807 708	1 476 023

In terms of the following schemes, the Trust holds the following invested shares on behalf of the above directors by virtue of the investment of their bonuses into the scheme:

Invested Shares	2024	2023
Lewis 2019 Executive Retention Scheme	240 672	331 852

#### Directors' interests

The directors' interests are set out on page 10.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.3 Share-based payments

#### 20.3.1 Equity-settled

	2024 Rm	2023 Rm
<b>Value of services provided:</b>		
In respect of share awards granted.	<b>30.8</b>	25.8

For further details of the equity-settled scheme, refer note 20.4.1.

#### Accounting policy

The Group operates a number of equity-settled share incentive schemes under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of share awards and options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of share awards and options granted, excluding the impact of service and non-market performance vesting conditions. Non-market performance and service vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. The total amount expensed is recognised over the vesting period, which is the period over which all vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. Any accelerated vesting of the share awards and options requires immediate recognition of the remaining expense. On vesting, the attributable value of share awards is transferred from the share-based payment reserve to retained earnings.

Share awards granted by the Company over its equity instruments to the employees of subsidiary undertakings in the Group are treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary and a corresponding credit to equity.

#### Significant accounting estimates and judgements

As the fair value of the services received cannot be measured reliably, the services have been valued by reference to the fair value of shares granted. The fair value of such shares is measured at the grant date using the Black-Scholes model. The assumptions used in the Black-Scholes model are as follows:

		2024	2023
Weighted average share price	(R)	<b>42.16</b>	33.85
Weighted average expected volatility	(%)	<b>85.9</b>	97.5
Weighted average expected dividend yield	(%)	<b>7.3</b>	6.8
Weighted average risk-free rate (bond yield curve at date of grant)	(%)	<b>6.5</b>	6.9

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.3 Share-based payments continued

#### 20.3.2 Cash-settled

Two cash-settled schemes, namely the Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan and the Lewis 2022 Cash-Settled Executive Performance Plan, will operate on the identical basis as the Lewis Long-Term and Short-Term Executive Performance Scheme and the Lewis 2021 Executive Performance Scheme respectively, except notional shares will be issued and vesting will take place in cash. Awards under these schemes have been granted annually to qualifying executives since 2019.

	2024 Rm	2023 Rm
Opening balance	48.4	68.0
Income statement charge before revaluation of liability	17.2	16.2
Revaluation of liability	9.1	13.2
Payments made	(39.4)	(49.0)
Closing balance	35.3	48.4

For further details of the cash-settled scheme, refer note 20.4.2

#### Accounting policy

The Group recognises a liability for awards granted under the cash-settled scheme measured at fair value at the grant date. The fair value is expensed over the period until the vesting date, with a corresponding increase in the liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date. All changes in the fair value of the liability are recognised in employment costs.

#### Significant accounting estimates and judgements

As the fair value of the services received cannot be measured reliably, the services have been valued by reference to the fair value of shares granted as at year end. The fair value of such shares is measured at year end using the Black-Scholes model. The assumptions at year end used in the Black-Scholes model are as follows:

		2024	2023
Share price	(R)	43.50	41.00
Expected volatility	(%)	32.5	32.5
Expected dividend yield	(%)	7.4	7.6
Risk-free rate (bond yield curve at year end)	(%)	7.5	7.0

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.4 Share incentive schemes (Equity and Cash-Settled)

#### 20.4.1 Equity-settled Schemes

The following employee share incentive schemes are in operation during the current year for directors holding salaried employment office and executives.

Lewis 2023 Executive Performance Scheme	This was approved at the last annual general meeting held on 12 October 2023. No awards have been granted under this scheme yet and consequently the scheme has not been described below, however, it has materially the same terms and conditions as the Lewis 2021 Executive Performance Scheme.
Lewis 2022 Executive Retention Scheme	This was approved at the annual general meeting held on 28 October 2022. No awards have been granted under this scheme yet and consequently the scheme has not been described below.
Lewis 2019 Executive Retention Scheme	Approved at the annual general meeting on 25 October 2019. It has outstanding awards that were granted in 2021 and 2022.
Lewis 2021 Executive Performance Scheme	This scheme was approved at the annual general meeting on 22 October 2021. In 2022, the first awards were made under this scheme being both short term and long term awards. It currently has outstanding awards that were granted in 2022 and 2023.
Lewis 2019 Executive Performance Scheme	Approved at the annual general meeting on 25 October 2019. It has outstanding short term awards that were granted in 2021, 2022 and 2023.
Lewis Executive Retention Scheme	This was approved at the shareholders meeting on 24 June 2015. The last awards vested during the prior year. The scheme limits have been reached and no further awards will be made.
Lewis Long-Term and Short-Term Executive Performance Scheme	This was approved at the shareholders meeting on 24 June 2015. The last awards vested in 2021. As the scheme limits have been reached, no further awards will be made.

The Group is required to provide funding to the Lewis Employee Incentive Scheme Trust in terms of the Trust Deed and the Contribution Agreement.

	Lewis 2019 Executive Retention Scheme	Lewis 2021 Executive Performance Scheme	Lewis 2019 Executive Performance Scheme
<b>2024</b>			
Beginning of the year	1 213 734	637 196	1 681 104
Granted	–	425 709	150 670
Forfeited	–	–	–
Vested	(249 081)	–	(998 845)
End of the year	964 653	1 062 905	832 929
Maximum awards available over the life of the scheme	1 500 000	1 750 000	2 250 000
Utilised for the scheme to date	1 273 759	1 062 905	1 955 185
Invested shares	530 599		
<b>2023</b>			
Beginning of the year	774 927	–	1 697 870
Granted	579 241	690 979	257 722
Forfeited	(81 262)	(53 783)	(151 077)
Vested	(59 172)	–	(123 411)
End of the year	1 213 734	637 196	1 681 104
Maximum awards available over the life of the scheme	1 500 000	1 750 000	2 250 000
Utilised for the scheme to date	1 273 759	637 196	1 804 515
Invested shares	667 957		



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.4 Share incentive schemes (Equity and Cash-Settled) continued

#### 20.4.1 Equity-settled Schemes continued

	Lewis Executive Retention Scheme	Lewis Long-Term and Short-Term Executive Performance Scheme
2023		
Beginning of the year	433 538	–
Granted	–	–
Forfeited	–	–
Vested	(433 538)	–
End of the year	–	–
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	986 396	3 377 174
Invested shares	–	–

The weighted average share price at vesting date was R38.83 (2023: R49.80).

The weighted average remaining contractual life for share awards outstanding at the end of the period is 1.4 years (2023: 1.6 years).

Note: Invested shares are those shares paid through the investment of executives net bonuses.

#### Lewis 2019 Executive Retention Scheme

In terms of the scheme, senior executives have been offered the right to acquire shares of the Group for no consideration subject to the achievement of performance targets. The committee will select executives who have achieved the requisite performance targets during the previous financial year as eligible for the scheme. The shares will vest after three years and is conditional upon the executive still being in the employ of the Group other than in the event of death, ill-health, retirement or retrenchment.

The percentage of the cash-based performance bonus that can be invested in the scheme is at the discretion of the remuneration committee with the minimum percentage being 25% and the maximum percentage being 100%.

These shares (vested shares) are deferred for three years and matching shares equal to the before-tax bonus are awarded for no consideration at the end of the period. The matching share award will lapse, should the executive terminate his or her employment before the completion of the three-year period other than in the event of death, ill-health, retirement or retrenchment.

The Group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or equivalent in money where the shares have not been repurchased and cancelled where the executive:

- Is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and fails materially to perform his duties.
- Is accused of serious misconduct that would warrant dismissal, he or she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

**20. DIRECTORS AND EMPLOYEES** continued**20.4 Share incentive schemes (Equity and Cash-Settled)** continued**20.4.1 Equity-settled Schemes** continued**Lewis 2021 Executive Performance Scheme and the Lewis 2019 Executive Performance Scheme**

As these two schemes have materially the same requirements, terms and conditions, they will be detailed below on a consolidated basis.

Awards made under this scheme offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee. The vesting of shares is conditional upon the executive still being in the employ of the Group other than in the event of death, ill-health, retirement or retrenchment.

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

For purposes of determining the performance targets, awards are categorised as follows:

- short-term awards means three-year awards or alternative awards in respect of which all portions of the award vest on or before the third anniversary of the grant date; and
- long-term awards means the four-year awards, five-year awards and alternative awards of which any portion of the awards vests after the third anniversary of the grant date.

In respect of short-term targets, performance targets are set at the grant date for the entire period or for each financial year during the performance period. For long-term awards, the performance targets will be set for the entire performance period as at grant date.

The scheme allows for the vesting at certain percentages where the performance target has not been met. The table below sets out the percentages:

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

For short-term awards, the committee shall select all or any of the performance targets from the following:

- headline earnings per share;
- quality of debtors book being either level of satisfactory paid customers or debtor costs as a percentage of debtors at gross carrying value; and
- gross margin.

Current short-term awards under the scheme use all three performance measures.

For long-term awards, the committee must select the performance targets as follows:

- Headline earnings per share (mandatory) and at least one of the targets below:
  - Return on shareholders' equity.
  - After-tax return on average capital employed.
  - Before-tax return on average assets managed.
  - Gearing ratio.

In the prior year, long-term awards were issued under the Lewis 2021 Executive Performance Scheme. The performance measures used for purposes of these long-term awards was headline earnings (which is mandatory), return on shareholders equity and the gearing ratio.

The Group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or equivalent in money where the shares have not been repurchased and cancelled where the executive:

- Is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and fails materially to perform his duties.
- Is accused of serious misconduct that would warrant dismissal, he or she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.4 Share incentive schemes (Equity and Cash-Settled) continued

#### 20.4.1 Equity-settled Schemes continued

##### Lewis Executive Retention Scheme

The terms of this scheme are substantively the same as the Lewis 2019 Executive Retention Scheme except that the following clauses are not included:

- The percentage of the cash-based performance bonus that can be invested in the scheme is at the discretion of the remuneration committee with the minimum percentage being 25% and the maximum percentage being 100%. Under this scheme, 100% of the bonus can be invested by the selected participants.
- The Group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or equivalent in money where the shares have not been repurchased and cancelled where the executive:
  - Is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and fails materially to perform his duties.
  - Is accused of serious misconduct that would warrant dismissal, he or she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

Under the Lewis Executive Retention Scheme, the above clawback does not apply.

##### Lewis Long-Term and Short-Term Executive Performance Scheme

The terms of this scheme are substantively the same as the Lewis 2019 Executive Performance Scheme except for the following clause which is not included:

- The Group is entitled to a clawback of shares through the repurchase and cancellation of shares held by the participant and/or equivalent in money where the shares have not been repurchased and cancelled where the executive:
  - Is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and fails materially to perform his duties.
  - Is accused of serious misconduct that would warrant dismissal, he or she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

Under the Lewis Long-Term and Short-Term Executive Performance Scheme, the above clawback does not apply.

- The new scheme allows for the vesting at certain percentages where the performance target has not been met. The table below sets out the percentages:

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

Under the Lewis Long-Term and Short-Term Executive Performance Scheme, the performance target was either met resulting in full vesting or not which resulted in no vesting at all.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.4 Share incentive schemes (Equity and Cash-Settled) continued

#### 20.4.2 Cash-Settled Schemes

The cash-settled schemes adopted by the Company have been based on existing equity-settled schemes. Under these schemes, notional shares are allocated to participants and on date of vesting, the notional shares are settled in cash. Other than these cash-settled aspects, the terms and conditions of these schemes are almost identical to that of their corresponding equity-settled scheme.

The following cash-settled schemes are in operation during the current year for directors holding salaried employment office and executives.

Lewis 2022 Cash-Settled Executive Performance Plan This was approved by the remuneration committee on 5 July 2022. Awards under the scheme were granted in 2022 and 2023. This plan is based on the equity-settled Lewis 2021 Executive Performance Scheme and the Lewis 2019 Executive Performance Scheme.

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan This was approved by the remuneration committee on 17 May 2019. The plan is based on Lewis Long-Term and Short-Term Executive Performance Scheme. The first awards under this scheme were made in 2019. Outstanding awards under this scheme are those granted in 2021. It is the intention to terminate this plan once all the awards are vested.

For further details on the terms and conditions of the above plans, refer to the corresponding equity-settled scheme under note 20.4.1.

All awards are short-term awards and included all the performance criteria applicable to such awards. Below is a reconciliation of the notional shares granted under the various plans:

	Lewis Cash-Settled 2022 Executive Performance Plan – Notional Shares	Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan – Notional Shares
<b>2024</b>		
Beginning of the year	437 713	1 530 517
Granted	605 516	–
Forfeited	–	–
Vested	–	(1 001 078)
End of the year	<b>1 043 229</b>	<b>529 439</b>
<b>2023</b>		
Beginning of the year	–	2 522 635
Granted	437 713	–
Forfeited	–	(992 118)
Vested	–	–
End of the year	437 713	1 530 517

The weighted average share price at vesting date was R39.43 (2023: R48.62).

The weighted average remaining contractual life for share options (“notional shares”) outstanding at the end of the period is 1.3 years (2023: 1.1 years).

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.5 Retirement benefits

#### 20.5.1 Retirement plans and benefits

The Group operates a number of retirement funds. All retirement fund assets are held separate from the Group's assets.

The number of employees on these plans are as follows:	Type of fund	Number of employees	
		2024	2023
Lewis Stores Group Pension Fund <sup>(1)</sup>	Defined benefit fund	28	36
Lewis Stores Retirement Pension Fund <sup>(2)</sup>	Defined benefit fund	26	26
SACCAWU Provident Fund	Defined contribution fund	2 482	2 398
Lewis Stores Provident Fund	Defined contribution fund	5 116	4 348
Lewis Stores Namibia Orion Pension Fund	Defined contribution fund	739	713
Alexander Forbes Botswana Umbrella Pension Fund	Defined contribution fund	278	274
Alliance Lesotho Umbrella Pension Fund	Defined contribution fund	280	240
NMG Umbrella SmartFund	Defined contribution fund	44	48

<sup>(1)</sup> The Lewis Stores Group Pension Fund was closed to new members on 1 July 1997 and is registered under the Pension Funds Act No. 24 of 1956.

<sup>(2)</sup> The Lewis Stores Retirement Fund is used for executive management and is registered under the Pension Funds Act No. 24 of 1956.

The Group provides a subsidy of medical aid contributions to retired employees. Only those employees employed prior to 1 August 1997 qualify for this benefit. The liability was valued as at 31 March 2024 by a qualified actuary in accordance with the requirements of IAS 19. The Group has a commitment to meet these unfunded benefits.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.5 Retirement benefits continued

#### 20.5.2 Effects on comprehensive income

	Notes	2024 Rm	2023 Rm
Effect on income statement:			
Defined benefit retirement plans	20.5.4	(0.6)	2.4
Post-retirement healthcare plans	20.5.5	9.0	8.8
Defined contribution plans	20.5.6	77.0	62.5
		<b>85.4</b>	73.7
Actuarial gains and (losses) included in other comprehensive income:			
Defined benefit retirement plans		(5.8)	(7.2)
Post-retirement healthcare plans		(2.0)	6.2
		<b>(7.8)</b>	(1.0)
Actuarial gains and (losses) due to:			
Demographic assumptions		(5.6)	(8.9)
Financial and experience adjustments		(2.2)	7.9
		<b>(7.8)</b>	(1.0)
<b>20.5.3 Amounts recognised in the balance sheet</b>			
Retirement benefit asset	20.5.4	(109.0)	(106.7)
Present value of unfunded retirement obligations as a liability	20.5.4	0.6	0.6
Present value of post-retirement healthcare benefits	20.5.5	78.0	72.7
Retirement benefit liability		<b>78.6</b>	73.3
<b>20.5.4 Defined benefit retirement plans</b>			
Present value of funded obligations		542.9	501.6
Fair value of plan assets		(724.6)	(679.5)
Asset ceiling limit applied in terms of IAS 19		72.7	71.2
Retirement benefit asset		<b>(109.0)</b>	(106.7)
<b>Total movement in retirement benefit asset</b>			
Present value at the beginning of the year		(106.7)	(109.8)
Income statement charge		(0.6)	2.3
Current service cost		10.7	12.8
Risk and expenses		–	–
Net interest income		(11.3)	(10.5)
Actuarial (gains) and losses included in other comprehensive income		5.7	8.1
Contributions paid during the year		(7.4)	(7.3)
Present value at the end of the year		<b>(109.0)</b>	(106.7)
<b>Total movement in unfunded retirement obligations as a liability</b>			
Present value at the beginning of the year		0.6	1.5
Income statement charge - interest		–	0.1
Actuarial (gains) and losses included in other comprehensive income		0.1	(0.9)
Contributions paid during the year		(0.1)	(0.1)
Present value at the end of the year		<b>0.6</b>	0.6

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.5 Retirement benefits continued

#### 20.5.4 Defined benefit retirement plans continued

	2024 Rm	2023 Rm
<b>Total present value of defined benefit obligations</b>		
Beginning of the year	501.6	491.0
Current service cost	10.7	12.8
Interest cost	56.9	51.2
Employee contributions	0.4	0.4
Policy proceeds	1.2	-
Risk and expenses	(2.3)	(3.0)
Benefit payments	(26.7)	(26.2)
Actuarial (gains) and losses included in other comprehensive income	1.1	(24.6)
End of the year	542.9	501.6
<b>Fair value of defined benefit plan assets</b>		
Beginning of the year	679.5	684.9
Employee contributions	0.4	0.5
Employer contributions	7.4	7.2
Policy proceeds	1.2	-
Interest income	76.6	71.1
Risk and expenses	(2.3)	(3.0)
Benefit payments	(24.5)	(26.2)
Bonus pensions funded from surplus	(2.2)	-
Actuarial gains and (losses) included in other comprehensive income	(11.5)	(55.0)
End of the year	724.6	679.5
<b>Asset ceiling limit applied in terms of IAS 19</b>		
Beginning of the year	(71.2)	(84.1)
Interest income	(8.4)	(9.4)
Actuarial (gains) and losses included in other comprehensive income	6.9	22.3
End of the year	(72.7)	(71.2)

The defined benefit funds are final salary defined benefit plans. These schemes are valued by an independent actuary on an annual basis in terms of IAS 19 using the projected unit credit method. The latest valuation was carried out as at 31 December 2023.

The above defined benefit retirement plan asset was subject to the asset ceiling as determined in IFRIC 14 being the maximum economic benefit arising from a future unconditional right to a refund and from reductions in future contributions in excess of the minimum funding requirement. The effect of the application of the asset ceiling was to reduce the defined retirement plan asset by R72.7 million (2023: R71.2 million).

The employer's future contribution is set on an annual basis in consultation with the fund's actuary.

#### Plan assets

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

		2024	2023
Cash	(%)	5.8	5.0
Bonds - Listed	(%)	13.9	18.8
Equity - Listed	(%)	38.3	45.2
International equity - Listed	(%)	28.5	20.0
International bonds - Listed	(%)	9.3	7.0
Other	(%)	4.2	4.0
		100.0	100.0

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.5 Retirement benefits continued

#### 20.5.4 Defined benefit retirement plans continued

##### Accounting policy

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, dependent on factors such as age, years of service and compensation.

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. These plans are funded by payments from employees and group companies, taking into account the recommendations of independent, qualified actuaries. The defined benefit obligation is assessed annually by a qualified actuary, in terms of IAS 19, using the projected unit credit method.

The asset and liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the income statement.

##### Significant accounting estimates and judgements

The underlying actuarial assumptions of the retirement benefit asset and liability with a sensitivity analysis are set out below:

<b>Principal actuarial assumptions:</b>		<b>2024</b>	2023
Discount rate	(%)	<b>12.3</b>	11.4
Inflation rate	(%)	<b>6.5</b>	6.2
Future salary increases	(%)	<b>7.5</b>	7.2
Future pension increases	(%)	<b>6.5</b>	6.2

The weighted average duration of the actuarial liability is 10.2 years (2023: 10.7 years).



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.5 Retirement benefits continued

#### 20.5.4 Defined benefit retirement plans continued

#### Significant accounting estimates and judgements continued

##### Sensitivity analysis

The effect of an increase and decrease in the following assumptions on the present value of the obligation are shown in the table below:

Assumption	% Variation	% Change in present value of obligation	
		2024	2023
Discount rate	+1	(1.3)	(1.3)
	-1	3.5	3.5
Salary increases	+1	3.6	4.1
	-1	(1.4)	(3.6)
Pension increases	+1	4.5	9.3
	-1	(3.9)	(7.9)
Post-retirement mortality	+1 year	2.4	2.9
	-1 year	(2.5)	(2.9)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Assumptions regarding future mortality experience are based on advice, published statistics and experience. The average life expectancy in years of a pensioner retiring at age 65 on valuation date is as follows:

		2024	2023
Male	(years)	19.6	15.9
Female	(years)	21.5	19.8
Actual return on plan assets	(%)	10.2	2.7

	2024 Rm	2023 Rm
Expected contributions to the defined benefit plans for the next annual reporting period	7.8	8.1

#### Actuarial risks

The risks faced by Lewis as a result of the defined benefit retirement plans are set out below:

Investment risk is the risk of a fall in the asset values of the fund. This market risk to which the funds are exposed may affect the solvency level of the funds. This is reduced via an investment in a diverse portfolio of assets and a variety of asset managers.

Inflation risk is the risk that salary increases are higher than expected or that inflation itself is higher than expected which then impacts the pension increases, increasing the liabilities. The risk is mitigated via investment in real assets which in the long run are expected to match the increases in liabilities.

The funds have a mismatch risk as a change in the bond yields will have the effect on the liabilities of the fund which are not necessarily matched by an equivalent change in the assets. The risk is substantially covered by the surplus assets in the fund and establishment of a solvency reserve.

Liquidity risk is the risk of not having sufficient cash to pay for withdrawals, pensions and expenses of the fund. This may be a risk for the Lewis Stores Group Pension Fund due to it being a closed fund.

Longevity risk is the risk that pensioners live longer than expected. This risk has not been significant in the current membership profile.

The funds are exposed to legislative changes which are closely monitored by the fund's consultant to enable timeous action to be taken to mitigate any changes that emerge.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.5 Retirement benefits continued

#### 20.5.5 Post-retirement healthcare benefits

	2024 Rm	2023 Rm
Present value of post-retirement healthcare benefits liability	78.0	72.7
<b>Movement in post-retirement healthcare liability</b>		
Present value of liability at the beginning of the year	72.7	75.8
Charged to income statement	9.0	8.8
Current service cost	0.5	0.5
Interest cost	8.5	8.3
Actuarial (gains) and losses included in other comprehensive income	2.0	(6.2)
Employer benefit payments	(5.7)	(5.7)
Post-retirement healthcare benefits liability	78.0	72.7

The liability was valued as at 31 March 2024 by a qualified actuary in accordance with the requirements of IAS 19.

#### Accounting policy

The Group has an obligation to provide post-retirement medical aid benefits by subsidising medical aid contributions of certain retired employees and *ex-gratia* pensioners who joined the Group prior to August 1997.

The entitlement to these benefits is conditional on the employee remaining in service up to retirement age.

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

#### Significant accounting estimates and judgements

The underlying assumptions of the post-retirement healthcare benefit liability with a sensitivity analysis are set out below:

<b>Principal actuarial assumptions:</b>		2024	2023
Health care inflation rate	(%)	9.5	8.7
CPI inflation	(%)	7.5	6.7
Discount rate	(%)	13.6	12.2
Average retirement age	(years)	65	65

The weighted average duration of the actuarial liability is 10.4 years (2023: 10.7 years).

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 20. DIRECTORS AND EMPLOYEES continued

### 20.5 Retirement benefits continued

#### 20.5.5 Post-retirement healthcare benefits continued

#### Significant accounting estimates and judgements continued

##### Sensitivity analysis

The effect of an increase and decrease in the following assumptions on the present value of the obligation are shown in the table below:

Assumption	% Variation	% Change in present value of obligation	
		2024	2023
Discount rate	+1	(8.1)	(8.8)
	-1	9.6	10.4
Healthcare cost	+1	9.7	10.5
	-1	(8.3)	(8.9)
Expected retirement age	+1 year	(1.4)	(1.5)
	-1 year	1.6	1.6

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

#### Actuarial risks

The risks faced by Lewis as a result of the post-retirement healthcare obligation can be summarised as follows:

**Inflation:** The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.

**Longevity:** The risk that pensioners live longer than expected and thus their healthcare benefit is payable for longer than expected.

**Open-ended, long-term liability:** The risk that the liability may be volatile in the future and uncertain.

**Future changes in legislation:** The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for Lewis.

#### 20.5.6 Defined contribution plans

	2024 Rm	2023 Rm
Defined contribution plan costs	77.0	62.5

#### Accounting policy

For defined contribution plans, the Group pays contributions to these separately administered funds on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 21. TAXATION

	2024 Rm	2023 Restated Rm
<b>Taxation per income statement</b>		
South Africa	133.7	133.7
Foreign	20.0	22.0
	<b>153.7</b>	155.7
Comprising:		
Normal taxation	154.5	94.7
Current year	152.4	101.3
Prior year	2.1	(6.6)
Deferred taxation	(15.9)	46.0
Current year	(14.7)	57.8
Tax rate change	(1.1)	–
Prior year	(0.1)	(11.8)
Withholding tax	15.1	15.0
	<b>153.7</b>	155.7
<b>Tax rate reconciliation</b>		
Profit before taxation	590.1	566.7
Taxation calculated at a tax rate of 27%	159.3	153.0
Differing tax rates in foreign countries	4.8	3.0
Disallowances <sup>(1)</sup>	35.6	49.2
Exemptions <sup>(2)</sup>	(62.0)	(46.1)
Foreign withholding tax	15.1	15.0
Prior years	2.0	(18.4)
Tax rate change	(1.1)	–
Taxation per income statement	<b>153.7</b>	155.7
Effective tax rate	(%) 26.0	27.5
<sup>(1)</sup> Disallowances relate to goodwill impairment and share-based payments.		
<sup>(2)</sup> Exemptions include the Namibian insurance cell captive profit and employment allowances.		
Taxation disclosed as:		
<b>Current tax asset</b>	<b>(8.6)</b>	(6.5)
<b>Current tax liability</b>	<b>93.3</b>	25.3
	<b>84.7</b>	18.8

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 21. TAXATION continued

	2024 Rm	2023 Restated Rm
<b>Deferred taxation as per balance sheet</b>		
Balance at the beginning of the year	17.5	(25.8)
<i>Movement for the year attributable to:</i>		
Income statement (credit)/debit	(15.9)	46.0
Deferred tax on fair value adjustment in other comprehensive income	(4.0)	(2.4)
Deferred tax on retirement benefit remeasurements	(2.1)	(0.3)
<b>Balance at the end of the year</b>	<b>(4.5)</b>	17.5
<b>This balance comprises</b>		
Capital allowances (including right-of-use assets)	260.9	267.0
FVOCI debt investments	(13.5)	(9.5)
Lease liabilities	(261.5)	(264.7)
Debtors allowances	39.8	54.7
Income and expense recognition	(21.0)	(11.1)
Assessed loss	(2.6)	(4.4)
Other provisions	(6.6)	(14.5)
<b>Balance at the end of the year</b>	<b>(4.5)</b>	17.5
Disclosed as:		
<b>Deferred tax asset</b>	<b>(64.4)</b>	(50.1)
<b>Deferred tax liability</b>	<b>59.9</b>	67.6
	<b>(4.5)</b>	17.5

Deferred tax assets relate to provisions which are not deductible for tax purposes. The deferred tax asset will be reversed as these provisions are released. The Group has concluded that the deferred tax asset will be recoverable using estimated future taxable income based on approved budgets for the entities.

### Accounting policy

#### Current and deferred taxation

The tax expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. The Group evaluates positions taken in tax returns with respect to situations in which applicable legislation and regulations are subject to interpretation. Appropriate provisions are established on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation, using the liability method, is provided on temporary differences between the taxation base of an asset or liability and its carrying value. Deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is calculated at current or substantively enacted rates of taxation at balance sheet date. A deferred tax asset is raised to the extent that it is probable that sufficient taxable profit will arise in the foreseeable future against which the asset can be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same authority in the same taxable entity.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities on IFRS 16 right-of-use assets and lease liabilities are recognised on initial recognition.

### Significant accounting estimates and judgements

The tax and deferred tax liabilities and assets are calculated using considered interpretations of the tax laws of the jurisdictions in which the Group operates.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 22. CASH FLOW FROM OPERATIONS

	Notes	2024 Rm	2023 Restated Rm
<b>22.1 Cash flow from trading</b>		<b>1 714.8</b>	<b>1 006.2</b>
Operating profit		<b>689.5</b>	609.4
<i>Adjusted for:</i>			
Share-based payments		<b>57.1</b>	55.2
Depreciation and amortisation	14	<b>368.8</b>	350.9
Impairment	15	<b>65.6</b>	114.0
Profit on disposal of fixed assets		<b>(0.2)</b>	(1.9)
Profit on scrapping of fixed assets due to civil unrest	23	<b>–</b>	(9.9)
Movement in debtors impairment provision	4.2	<b>443.6</b>	(70.8)
Movement in other provisions		<b>85.3</b>	(37.7)
Other non-cash flow movements		<b>5.1</b>	(3.0)
Included in cash flow from trading is interest earned on trade receivables of R1 749.1 million (2023: R1 425.7 million) as set out in note 3.			
<b>22.2 Changes in working capital</b>		<b>(1 021.0)</b>	<b>(264.3)</b>
Decrease in inventories		<b>137.7</b>	154.1
Increase in trade and other receivables		<b>(976.9)</b>	(415.9)
Increase in insurance contract asset		<b>(86.5)</b>	(31.2)
(Decrease)/Increase in trade and other payables		<b>(90.1)</b>	20.2
(Decrease)/Increase in payments in advance		<b>(5.2)</b>	8.5
<b>22.3 Interest paid per cash flow statement</b>		<b>(157.4)</b>	<b>(105.7)</b>
Interest paid per the income statement		<b>(161.2)</b>	(114.5)
Non-cash flow movement		<b>3.8</b>	8.8
<b>22.4 Taxation paid per cash flow statement</b>		<b>(101.5)</b>	<b>(149.3)</b>
Amount payable at the beginning of the year		<b>(18.8)</b>	(57.9)
Amount charged to the income statement for normal tax and withholding tax		<b>(169.6)</b>	(109.7)
Non-cash flow movement		<b>2.2</b>	(0.5)
Amount payable at the end of the year		<b>84.7</b>	18.8
		<b>2024 Rm</b>	<b>2023 Rm</b>
<b>22.5 Liabilities from financing activities</b>			
Opening balance		<b>–</b>	–
Advances		<b>600.0</b>	150.0
Non-cash flow interest accrued		<b>25.8</b>	1.6
Interest repayments		<b>(25.8)</b>	(1.6)
Principal repayments		<b>(250.0)</b>	(150.0)
Closing balance		<b>350.0</b>	–

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 23. 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 a payment of approximately R27.3 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.

## 24. GROUP CONSOLIDATION

### Accounting policies

#### Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is applied for business combinations. The consideration for an acquisition is measured as the fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of the exchange. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration and the amount of the non-controlling interest, over the fair value of the net identifiable assets, is recorded as goodwill. If the amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the income statement as a bargain purchase.

The Group recognises a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the proportionate share of the acquiree's net identifiable assets.

Inter-company transactions, balances and unrealised gains and losses (unless the transaction provides evidence of an impairment of the transferred asset) between group companies are eliminated. The accounting policies and the year ends of material subsidiaries are consistent throughout the Group.

Common control transactions are business combinations in which the combining entities are ultimately controlled by the same entity prior to the combination. The assets and liabilities of the combining entities are not adjusted to fair value but reflected at their carrying amounts at the date of the transaction. The difference between the consideration paid/transferred and the net asset value acquired is accounted for in retained earnings. No additional goodwill will be recognised as a result of a common control transaction.

Employee share trusts are consolidated. Shares in Lewis Group Limited held by subsidiaries and the Lewis Employee Incentive Scheme Trust are classified as treasury shares.

In the Company's financial statements, investments in subsidiaries are carried at cost less impairment. Cost of investments includes directly attributable costs.

#### Functional and presentation currency

##### (a) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated and separate financial statements are presented in South African Rand, which is the Company's and Group's functional and presentation currency.

##### (b) Group companies

The results and financial position of foreign operations (none of which operate in a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- Income and expenses are translated at average exchange rates.
- Resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income. On the sale of a foreign operation, the associated exchange differences are reclassified to the income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 24. GROUP CONSOLIDATION continued

### Currency risk – Net investment in foreign subsidiaries (FCTR)

The currency exposure is limited to the net investment in Botswana of R220.5 million (2023: R225.2 million), which includes a long-term loan account. The currency exposure is managed by keeping the net investment at a minimum practical level by remitting cash to South Africa on a regular basis through loan repayments and dividends.

Below is a sensitivity analysis of the effect of currency movements of 10% on the year end value of our net investment in Botswana (foreign currency translation reserve):

	2024 Rm	2023 Rm
Currency appreciates by 10%	20.3	21.1
Currency depreciates by 10%	(20.3)	(21.1)

## 25. INTEREST IN SUBSIDIARY COMPANIES

	Nature of business	2024		2023	
		Carrying value of subsidiaries Rm	Percentage holding	Carrying value of subsidiaries Rm	Percentage holding
<b>Directly held</b>					
Lewis Stores (Pty) Ltd	F	2 800.0	100	2 800.0	100
<b>Indirectly held</b>					
<b>Incorporated in South Africa</b>					
Monarch Insurance Company Ltd	I				
Lifestyle Living (Pty) Ltd	D				
<b>Incorporated in Botswana</b>					
Lewis Stores (Botswana) (Pty) Ltd	F				
Lewis Insurance Services (Botswana) (Pty) Ltd	D				
<b>Incorporated in Eswatini</b>					
Lewis Stores (Eswatini) (Pty) Ltd	F				
<b>Incorporated in Namibia</b>					
Lewis Stores (Namibia) (Pty) Ltd	F				
<b>Incorporated in Lesotho</b>					
Lewis Stores (Lesotho) (Pty) Ltd	F				
<b>Cost of subsidiaries</b>		2 800.0		2 800.0	
<b>Capital contribution in respect of share-based payments</b>		316.2		285.4	
<b>Loans to subsidiaries:</b>					
Amounts due to subsidiary		(14.8)		(11.7)	
<b>Interest in subsidiaries</b>		3 101.4		3 073.7	

F Furniture retailer

I Insurance company

D Dormant company



## Lewis Group Limited:

# CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 26. OTHER NOTES

### 26.1 Other accounting policies

#### Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever circumstances indicate that the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

#### Current assets and liabilities

Assets and liabilities with maturity terms of less than 12 months, are classified as current unless they form part of a normal operating cycle, in which case, they are also classified as current.

### 26.2 New standards and interpretations not yet effective

#### 26.2.1 Amendments to IAS 1 – Classification of liabilities as Current or Non-current and Non-current Liabilities with Covenants

Effective for annual periods beginning on or after 1 January 2024. The amendments clarify how the classification of a liability is affected by conditions that the entity must comply with within 12 months after the reporting period.

#### 26.2.2 IFRS 18 – Presentation and disclosure in financial statements

Effective for annual periods beginning on or after 1 January 2027. IFRS 18 replaces IAS 1 and responds to investors' demand for better information about companies' financial performance. New requirements include new categories and subtotals in the statement of profit or loss, disclosure of management-defined performance measures and enhanced requirements for grouping information.

### 26.3 Auditors' remuneration

	2024 Rm	2023 Rm
Audit fees – current year	7.8	6.8
Other services		
– Audit-related	0.8	0.5
– Non-audit related	0.1	0.9
	8.7	8.2

### 26.4 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.

## Lewis Group Limited:

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2024

	Notes	2024 Rm	2023 Rm
Revenue – Investment income	2	389.8	466.2
Operating costs		(11.7)	(10.4)
<b>Profit before taxation</b>	3	<b>378.1</b>	455.8
Taxation	4	(0.3)	(0.5)
<b>Net profit and comprehensive income attributable to ordinary shareholders</b>		<b>377.8</b>	455.3

## COMPANY BALANCE SHEET

as at 31 March 2024

	Notes	2024 Rm	2023 Rm
<b>Assets</b>			
<b>Non-current assets</b>			
Interest in subsidiary	5	3 116.2	3 085.4
<b>Current assets</b>			
Cash-on-hand and deposits	8	3.3	18.2
<b>Total assets</b>		<b>3 119.5</b>	3 103.6
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital and premium	6	1 119.0	1 289.0
Share-based payments reserve		54.0	41.3
Retained earnings		1 929.4	1 759.1
		<b>3 102.4</b>	3 089.4
<b>Current liabilities</b>			
Trade and other payables		2.3	2.5
Amounts due to subsidiary	10	14.8	11.7
		<b>17.1</b>	14.2
<b>Total equity and liabilities</b>		<b>3 119.5</b>	3 103.6

## Lewis Group Limited:

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2024

	Share capital and premium Rm	Share-based payments reserve Rm	Retained earnings Rm	Total Rm
<b>Balance as at 1 April 2022</b>	1 564.7	29.0	1 532.1	3 125.8
Net profit attributable to ordinary shareholders			455.3	455.3
Dividends paid			(241.8)	(241.8)
Capital contribution in respect of share-based payments		25.8		25.8
Transfer to retained earnings on vesting of share awards		(13.5)	13.5	–
Share repurchase	(275.7)			(275.7)
<b>Balance as at 31 March 2023</b>	<b>1 289.0</b>	<b>41.3</b>	<b>1 759.1</b>	<b>3 089.4</b>
Net profit attributable to ordinary shareholders			377.8	377.8
Dividends paid			(225.6)	(225.6)
Capital contribution in respect of share-based payments		30.8		30.8
Transfer to retained earnings on vesting of share awards		(18.1)	18.1	–
Share repurchase	(170.0)			(170.0)
<b>Balance as at 31 March 2024</b>	<b>1 119.0</b>	<b>54.0</b>	<b>1 929.4</b>	<b>3 102.4</b>

# COMPANY CASH FLOW STATEMENT

for the year ended 31 March 2024

	Note	2024 Rm	2023 Rm
<b>Cash flow from operating activities</b>			
Cash utilised in operations	7	(8.8)	(10.0)
Dividends received		388.8	464.4
Interest received		1.0	1.8
Taxation paid		(0.3)	(0.5)
		<b>380.7</b>	<b>455.7</b>
<b>Cash flow from financing activities</b>			
Dividends paid		(225.6)	(241.8)
Proceeds on loan from subsidiary		–	2.2
Share repurchase		(170.0)	(275.7)
		<b>(395.6)</b>	<b>(515.3)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(14.9)</b>	<b>(59.6)</b>
Cash and cash equivalents at the beginning of the year		18.2	77.8
<b>Cash and cash equivalents at the end of the year</b>		<b>3.3</b>	<b>18.2</b>

## Lewis Group Limited:

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2024

## 1. ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis and in accordance with IFRS and the requirements of the Companies Act. The accounting policies used in the preparation of these financial statements are set out as follows in the consolidated annual financial statements:

	Note reference
Borrowings	8.1
Share capital and premium	16.4
Trade and other payables	18
Share-based payments	20.3
Taxation	21
Interest in subsidiary	24

The Company holds the following financial instruments:

	Note reference
Cash-on-hand and deposits	8
Trade payables and accruals	
Amounts due to subsidiary	10

## 2. REVENUE - INVESTMENT INCOME

	2024 Rm	2023 Rm
Dividends received from subsidiary - Lewis Stores Proprietary Limited	388.8	464.4
Interest received - Banks	1.0	1.8
	<b>389.8</b>	466.2

### Accounting policy

Investment income is recognised as follows:

- Interest on investments is recognised on a time proportion basis taking into account the effective interest rate method on the assets.
- Dividends are recognised when the right to receive payment is established.

## 3. OPERATING PROFIT

	2024 R'000	2023 R'000
Stated after:		
Audit fees - current year	132.5	120.0
Directors' fees (refer note 20.2 to the consolidated annual financial statements)	5 926.0	5 343.0

## 4. TAXATION

	2024 Rm	2023 Rm
Taxation	0.3	0.5
The rate of taxation on profit is reconciled as follows:		
Profit before taxation	378.1	455.8
Taxation calculated at a tax rate of 27%	102.1	123.1
Exempt income (dividends received)	(104.9)	(125.4)
Disallowed expenses	3.1	2.8
Taxation per statement of comprehensive income	<b>0.3</b>	0.5

## Lewis Group Limited:

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 5. INTEREST IN SUBSIDIARY

	2024 Rm	2023 Rm
Shares at cost	2 800.0	2 800.0
Capital contribution for share-based payments	316.2	285.4
	<b>3 116.2</b>	<b>3 085.4</b>

Full details are provided in note 25 in the consolidated annual financial statements.

## 6. SHARE CAPITAL AND PREMIUM

	2024 Rm	2023 Rm
<b>Authorised</b>		
150 000 000 (2023: 150 000 000) ordinary shares of 1c each	1.5	1.5
<b>Issued</b>		
53 094 128 (2023: 57 259 052) ordinary shares of 1c each	1.0	1.0
Share premium	1 118.0	1 288.0
<b>Total share capital and premium</b>	<b>1 119.0</b>	<b>1 289.0</b>

## 7. CASH UTILISED IN OPERATIONS

	2024 Rm	2023 Rm
Profit before taxation	378.1	455.8
Dividends received	(388.8)	(464.4)
Interest received - Banks	(1.0)	(1.8)
(Decrease)/Increase in trade and other payables	(0.2)	0.4
Increase in amounts due to subsidiary	3.1	-
	<b>(8.8)</b>	<b>(10.0)</b>

## 8. CASH-ON-HAND AND DEPOSITS

	2024 Rm	2023 Rm
At amortised cost	3.3	18.2

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit ratings of the financial institutions holding deposits on our behalf and those whose securities we hold are monitored on a regular basis. Deposits are placed with high-quality South African institutions.

The Moody's credit rating and maximum exposure to credit risk for deposits per institution is detailed in the table below:

Financial institutions	2024		2023		2024 Rm	2023 Rm
	Long-term	Short-term	Long-term	Short-term		
FirstRand Bank	Baa3	P-3	Ba2	NP	3.3	18.2
<b>Total</b>					<b>3.3</b>	<b>18.2</b>

Stage 1 with no movement between stages. No amount for 12-month expected credit loss has been recognised as the amount is immaterial.

### Fair value

The fair value of deposits approximates its carrying value as it is linked to market related interest rates.

## Lewis Group Limited:

# NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2024

## 9. GUARANTEES

The Company guarantees revolving credit facilities to the value of R700 million (2023: R250 million) for its subsidiaries at various financial institutions. Based on a review of the cash flows forecast for the 2025 and 2026 financial year, no expected credit loss was recognised on these guarantees. The guarantees have been disclosed as part of the Company's liquidity risk below.

### Credit risk

While the maximum credit risk is the full extent of the facilities that the company guarantees, there is no exposure at year end as the facilities are undrawn. Full details of the facilities are provided in note 8.1 in the consolidated annual financial statements.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying business, the Group maintains flexibility in funding through the use of committed facility lines. Management monitors the Group's cash flows through the monitoring of actual inflows and outflows against forecast cash flows and the utilisation of borrowing facilities. A quarterly analysis is presented to the audit committee. The Company's liquidity needs are catered for under the Group's central treasury function through the receipt of dividends declared from cash reserves by its subsidiaries.

### Maturity profile of financial liabilities

The maturity profiles of undiscounted financial liabilities are as follows:

	0 to 12 months Rm	1 to 2 years Rm	3 to 5 years Rm	>5 years Rm	Total Rm
<b>2024</b>					
Trade payables and accruals	(2.3)	–	–	–	(2.3)
Amounts due to subsidiary	(14.8)	–	–	–	(14.8)
Financial guarantees <sup>(1)</sup>	(700.0)	–	–	–	(700.0)
	(717.1)	–	–	–	(717.1)
<b>2023</b>					
Trade payables and accruals	(2.5)	–	–	–	(2.5)
Amounts due to subsidiary	(11.7)	–	–	–	(11.7)
Financial guarantees <sup>(1)</sup>	(250.0)	–	–	–	(250.0)
	(264.2)	–	–	–	(264.2)

<sup>(1)</sup> This represents the maximum potential exposure to credit risk under financial guarantee contracts. At year end, R350 million has been utilised (2023: Rnil)

## 10. RELATED PARTY

	2024 Rm	2023 Rm
<b>Amounts due to subsidiary</b>		
Lewis Stores (Pty) Ltd	14.8	11.7

Amounts due have no fixed terms of repayment and is interest free.

## Lewis Group Limited:

# SHAREHOLDERS' INFORMATION

as at 31 March 2024

### Shareholders' spread as at 31 March 2024

	Number of shareholders		Number of shares	
	Total	%	Total	%
1-1 000 shares	2 563	74.81	403 851	0.76
1 001-10 000 shares	553	16.14	1 861 011	3.51
10 001-100 000 shares	223	6.51	6 826 084	12.86
100 001-1 000 000 shares	76	2.22	21 642 724	40.76
1 000 001 shares and over	11	0.32	22 360 458	42.11
<b>Total</b>	<b>3 426</b>	<b>100.00</b>	<b>53 094 128</b>	<b>100.00</b>

### Distribution of shareholders as at 31 March 2024

	Number of shareholders		Number of shares	
	Total	%	Total	%
<b>Public:</b>	<b>3 420</b>	<b>99.82</b>	<b>51 172 810</b>	<b>96.38</b>
Banks and brokers	40	1.17	16 644 755	31.35
Unit Trusts/Mutual Funds	66	1.93	14 736 020	27.75
Retirement and Pension Funds	92	2.69	8 333 149	15.70
Other	3 222	94.03	11 458 886	21.58
<b>Non-public:</b>	<b>6</b>	<b>0.18</b>	<b>1 921 318</b>	<b>3.62</b>
The Lewis Employee Incentive Scheme Trust	1	0.03	198 355	0.37
Directors:				
Lewis Group Limited				
Direct	2	0.06	933 292	1.76
Indirect	3	0.09	260 672	0.49
Lewis Stores Proprietary Limited				
Direct	2	0.06	397 758	0.75
Indirect	2	0.06	131 241	0.25
<b>Total</b>	<b>3 426</b>	<b>100.00</b>	<b>53 094 128</b>	<b>100.00</b>

## Lewis Group Limited:

# SHAREHOLDERS' INFORMATION CONTINUED

as at 31 March 2024

### Major shareholdings as at 31 March 2024

According to the Company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 56 of the Companies Act of 2008, the following entities owned in excess of 5% of the Company's shares as at 31 March 2024:

	Number of shares	
	Total	%
<b>Beneficial shareholders:</b>		
Coronation Fund Managers (SA)	7 326 018	13.80
Peresec Prime Brokers (SA)	4 583 301	8.63
<b>By fund manager:</b>		
Coronation Fund Managers (SA)	12 088 759	22.77
Peresec Prime Brokers (SA)	4 583 301	8.63
Ninety One (SA)	3 071 347	5.78

Geographical analysis of shareholders:	Number of shareholders		Number of shares	
	Total	%	Total	%
<b>Beneficial shareholders:</b>				
South Africa	3 326	97.08	42 762 706	80.54
United States of America and Canada	18	0.53	3 957 793	7.45
United Kingdom	8	0.23	3 989 860	7.52
Europe	15	0.44	1 678 114	3.16
Rest of World	59	1.72	705 655	1.33
	<b>3 426</b>	<b>100.00</b>	<b>53 094 128</b>	<b>100.00</b>
<b>By fund manager:</b>				
South Africa	3 329	97.17	43 159 641	81.29
United States of America and Canada	21	0.61	4 181 278	7.88
United Kingdom	8	0.23	3 989 860	7.51
Europe	13	0.38	1 090 936	2.05
Rest of World	55	1.61	672 413	1.27
	<b>3 426</b>	<b>100.00</b>	<b>53 094 128</b>	<b>100.00</b>



## Appendix A

# AUDIT COMMITTEE PROFILES

### **DAPHNE MOTSEPE (67)**

BCompt, MBA

*Independent non-executive director*

Chairperson of the audit and risk committee; Member of the remuneration, nominations, and social, ethics and transformation committees.

Appointed as director on 1 June 2017.

#### **Directorships**

Kapela Holdings (Pty) Limited, NEC XON Holdings (Pty) Limited, Toyota Tsusho Africa, CFAO Motors South Africa (Pty) Limited.

#### **Experience and expertise**

Daphne is an experienced banking executive and company director. She was formerly the chief executive of Absa card and unsecured lending at Absa Bank and also served as managing director of Postbank. She previously served as a non-executive director of Investec Bank, Highveld Steel and Vanadium, Edcon, Mercantile Bank, Woolworths Financial Services, Rand Mutual Assurance and Thebe Investment Corporation.

#### **Specific contribution to the board**

Daphne's experience includes serving as chairperson of the remuneration as well as social, ethics and transformation committees of other boards and serving as a member of the audit, risk as well as nominations/directors affairs committees.

### **BRENDAN DEEGAN (62)**

B.Com, CA(SA), CA (Ireland)

*Independent non-executive director*

Member of the audit, risk, remuneration and nomination committees.

Appointed as director on 15 August 2022.

#### **Expertise and experience**

Brendan is a chartered accountant registered in Ireland and South Africa and is a former partner of PricewaterhouseCoopers (PwC) in South Africa. His roles at PwC included head of the South Africa and Africa audit/assurance practices, chair of the Africa governance board and head of the global internal audit practice. He was involved with and advised many large multinational companies over a number of years.

#### **Specific contribution to the board**

Brendan is an experienced accountant and former auditor with expertise in financial reporting, leadership and governance, and assurance and risk.

### **TAPIWA NJIKIZANA (48)**

CA(SA), JSE Registered IFRS Advisor

*Independent non-executive director*

(Zimbabwean)

Member of the audit, risk, remuneration and nominations committees.

Appointed as director on 19 August 2019.

#### **Directorships**

W.consulting SA (Pty) Ltd, Sasfin Holdings Limited and Sasfin Bank Limited.

#### **Experience and expertise**

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

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

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

#### **Specific contribution to the board**

Tapiwa is an experienced non-executive director with expertise in the financial services sector, including experience chairing audit and technology committees for other entities, as well as experience on the remuneration and nominations committees of the Company.

## Appendix B

# AUDIT COMMITTEE MEETING ATTENDANCE

The committee held five meetings during the year.

	2023/2024 Audit committee meeting attendance
<b>Non-executive directors</b>	
D Motsepe* <sup>(1)</sup>	5
Prof. F Abrahams <sup>(3)</sup>	5
A Bodasing <sup>(2)</sup>	5
B Deegan <sup>(1)</sup>	5
T Njikizana <sup>(1)</sup>	5
H Saven <sup>(2)</sup>	5
<b>Executive directors</b>	
J Enslin <sup>(2)</sup>	5
J Bestbier <sup>(2)</sup>	5

\* Chairperson

<sup>(1)</sup> Attended as a member throughout the year.

<sup>(2)</sup> Attended as an invitee throughout the year.

<sup>(3)</sup> Attended three committee meetings as a member and two as an invitee. Did not avail herself for re-election as a member at the AGM held 12 October 2023.

## Lewis Group Limited:

# CORPORATE INFORMATION

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



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

