Lewis Group Ltd

AUDITED SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

Review of the 2024 financial year

Merchandise sales increased by
4.7%
to R4.7 billion

Revenue increased by
9.8%
to R8.2 billion

Gross profit margin up
250 bps
to 43.1%

Satisfactory paid accounts at
81.3%

Debtors book growth of
15.6%

Operating profit up
13.1%

Earnings per share increased by
15.9%
to 806 cents

Headline earnings per share up
7.1%
to 925 cents

Total dividend increased by
21.1%
to 500 cents per share

Lewis Group Limited: Summary consolidated financial statements
COMMENTARY

INTRODUCTION

Lewis Group delivered a resilient performance in a weak retail trading environment, reporting continued strong credit sales, robust growth in the debtors book, record high customer payment metrics and improved returns to shareholders.

Pressure on consumers' disposable income from high energy, food, fuel and borrowing costs continued to constrain the Group's cash sales and adversely impacted on the performance of UFO, the Group's cash retail brand.

The board has shown its confidence in the Group's prospects and cash generating ability by increasing the total dividend by 21.1% to 500 cents per share. This is the third consecutive year that the Group has returned more than 100% of earnings to shareholders through dividend payments and share buybacks.

The Group adopted IFRS 17 Insurance Contracts in the reporting period with full retrospective application. There was no material impact on the earnings for the current or prior periods. The implementation of IFRS 17 required the restatement of comparatives from 1 April 2022, fully disclosed in note 1.2 of the audited financial statements.

TRADING AND FINANCIAL PERFORMANCE

After increasing by 4.2% for the first nine months of the 2024 financial year, merchandise sales, supported by new product ranges and good stock levels, grew by 6.7% during the challenging trading conditions in the fourth quarter, resulting in an overall sales growth of 4.7% to R4.7 billion for the year.

Merchandise sales in the traditional retail segment increased by 6.9%, with all the traditional brands performing well. Sales in UFO, however declined by 12.6%. Comparable store sales across all brands grew by 1.9%.

The strong credit sales growth trend continued, with credit sales increasing by 15.8% and cash sales declining by 11.8%. Credit sales have grown at a compound annual rate of 16.9% over the past three years and now account for 66.2% of total merchandise sales (2023: 59.9%). The Group has maintained its prudent credit granting criteria in the constrained spending environment and the credit application decline rate increased to 35.1% (2023: 34.7%).

The Group capitalised on opportunities to acquire well located trading space to accelerate the expansion of its store base. The Group opened a net 29 new stores, including 10 new Bedzone stores and a net 4 new traditional stores outside of South Africa. The total store base of 869 includes 138 stores outside of South Africa.

Other revenue, consisting of effective interest income and ancillary services income as well as insurance revenue (measured in terms of IFRS 17), benefited from the strong credit sales growth in recent years, increasing by 17.2%.

Total revenue, comprising merchandise sales and other revenue, increased by 9.8% to R8.2 billion (2023: R7.5 billion).

The gross profit margin benefited from effective margin management on new merchandise ranges introduced in the second half of the year and strengthened by 250 basis points to 43.1%.

Following the adoption of IFRS 17, insurance service expenses relating to the Group's insurance business are reported separately. Operating costs, including insurance service expenses, were well managed and grew by 5.0% in the high inflationary environment. The Group received insurance proceeds of R27.3 million, mainly relating to claims arising from the 2021 civil unrest, which has been included in operating profit.

The quality of the Group's debtors portfolio continued to improve with the level of satisfactory paying customers increasing to an all-time high of 81.3% (2023: 80.4%) and collection rates ending the year at 79.7% (2023: 80.8%). Net bad debts as a percentage of debtors at gross carrying value reduced to 11.2% from 13.1% in the prior year.

Despite the improvement in the quality of the debtors book, the forward-looking component of the debtors impairment provision, based on the macroeconomic outlook, resulted in an increase in the debtors impairment provision as a percentage of debtors at gross carrying value from 36.0% to 37.5%. Management believes this increased provision appropriately reflects the high levels of uncertainty and potential volatility in the South African economy for the forecast period. Debtor costs as a percentage of debtors at gross carrying value increased from 12.0% to 17.6%.

Impairments and capital items totalled R65.4 million compared to R102.2 million in the prior year. The remaining goodwill of UFO of R59.9 million was impaired.

Operating profit increased by 13.1% to R689.5 million.

Net finance costs increased by R60.5 million to R136.7 million mainly due to higher borrowing costs and a reduction of R21.1 million in foreign exchange gains relative to the prior year.

The Group's earnings were 6.2% higher at R436.4 million and earnings per share increased by 15.9% to 806 cents, supported by the positive leverage effect from the Group's share repurchase programme. Headline earnings were 1.9% lower while headline earnings per share increased by 7.1% to 925 cents.

The Group's balance sheet remains strong with a net asset value of R4.7 billion. The borrowings ratio (gearing ratio, excluding lease liabilities), increased to 11.7% from 4.0% mainly due to the ongoing investment in the growth of the debtors book.

SHARE REPURCHASE PROGRAMME

The Group repurchased 4.2 million shares at a cost of R170.0 million in the financial year, at an average price of R40.82 per share. Since the commencement of the current share repurchase programme in 2017, the Group has bought back 35.7 million shares at a cost of R1.3 billion and an average price of R35.67 per share.

At the annual general meeting in October 2023, shareholders granted management the authority to repurchase a further 10% of the issued share capital and the Group has acquired 3.3% to date.

OUTLOOK

Trading conditions are not expected to improve in the short to medium-term as consumer spending and confidence remain depressed. The risk of political uncertainty and social instability in the aftermath of the general elections poses a major threat to the trading environment. Interest rates are likely to remain higher for longer than originally forecast, while fuel and food inflation as well as unemployment remain at elevated levels.

Turbulent sea-freight markets, with ongoing operational constraints across South African ports and steep freight rate increases, are expected to remain challenging over the coming months and are likely to negatively impact economic growth.

Despite the mounting macroeconomic headwinds, the Group continues to invest in longer-term growth strategies to support revenue and margin. Twenty new stores are planned across the traditional retail brands in the 2025 financial year to further expand the Group's extensive footprint. As consumer demand for credit is expected to be maintained, the Group will continue to invest in the expansion of its debtors book, which is motivated by the proven history of effective credit practices and the quality of the debtors book.

DIVIDEND DECLARATION

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.

For and on behalf of the board

Hilton Saven
Independent non-executive chairman

Johan Enslin
Chief executive officer

Jacques Bestbier
Chief financial officer

Cape Town
31 May 2024

INDEPENDENT AUDITOR'S REPORT
ON THE SUMMARY GROUP FINANCIAL STATEMENTS

To the shareholders of Lewis Group Limited

INTRODUCTION

The summary consolidated financial statements of Lewis Group Limited, which comprise the summary consolidated balance sheet as at 31 March 2024, summary consolidated income statement, summary consolidated statements of comprehensive income, the summary consolidated statement of changes in equity and summary consolidated cash flow statement for the year then ended, and related notes set out on pages 5 to 26, are derived from the audited consolidated financial statements of Lewis Group Limited for the year ended 31 March 2024.

OPINION

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements, as set out in Note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 31 May 2024. That report also includes the communication of key audit matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements, set out in Note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Ernst & Young Inc.

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

31 May 2024

Lewis Group Limited: Summary consolidated financial statements

INCOME STATEMENT

for the year ended 31 March 2024

		Notes	2024 Audited Rm	2023 Audited Restated Rm
Revenue		3.1	**8 183.8**	7 456.4
Retail revenue		3.2	**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
Insurance revenue			**985.9**	854.4
Cost of merchandise sales		4	**(2 646.5)**	(2 637.0)
Operating costs			**(2 834.8)**	(2 712.8)
Debtor costs		2.2	**(1 225.1)**	(719.5)
Bad debts net of recoveries			**(781.5)**	(790.3)
Movement in debtors impairment provision			**(443.6)**	70.8
Insurance service expenses			**(722.5)**	(675.5)
Operating profit before impairments and capital items			**754.9**	711.6
Impairments and capital items		8	**(65.4)**	(102.2)
Operating profit			**689.5**	609.4
Investment income			**37.3**	33.5
Interest expense		5.3	**(161.2)**	(114.5)
Interest received		5.3	**23.7**	16.4
Foreign exchange gains		5.3	**0.8**	21.9
Profit before taxation			**590.1**	566.7
Taxation		11	**(153.7)**	(155.7)
Net profit attributable to ordinary shareholders			**436.4**	411.0
Earnings per share	(cents)	9	**806.3**	695.6
Diluted earnings per share	(cents)	9	**781.2**	672.5

Lewis Group Limited: Summary consolidated financial statements

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2024

	2024 Audited Rm	2023 Audited 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	**(7.8)**	(1.0)
Tax effect	**2.1**	0.3
Other comprehensive income	**(11.3)**	11.1
Total comprehensive income for the year attributable to equity shareholders	**425.1**	422.1

Lewis Group Limited: Summary consolidated financial statements

BALANCE SHEET

as at 31 March 2024

	Notes	2024 Audited Rm	2023 Audited Restated Rm	01 April 2022 Audited Restated Rm
Assets				
Non-current assets				
Property, plant and equipment		**442.3**	426.3	396.4
Right-of-use assets		**793.7**	760.0	747.1
Intangible assets		**110.4**	114.9	107.3
Goodwill		**–**	59.9	151.0
Deferred taxation		**64.4**	50.1	80.0
Retirement benefit asset		**109.0**	106.7	109.8
Financial assets – insurance investments	6	**242.5**	257.3	266.1
		1 762.3	1 775. 2	1 857.7
Current assets				
Inventories		**723.6**	869.3	1 018.8
Trade and other receivables	2.1	**4 483.2**	3 946.7	3 443.2
Insurance contract asset	7	**196.5**	125.5	97.9
Taxation		**8.6**	6.5	28.1
Financial assets – insurance investments	6	**134.9**	138.9	156.7
Cash-on-hand and deposits	5.1	**224.3**	183.0	308.1
		5 771.1	5 269.9	5 052.8
Total assets		**7 533.4**	7 045. 1	6 910.5
Equity and liabilities				
Capital and reserves				
Share capital and premium		**0.9**	0.9	0.9
Treasury shares		**(8.2)**	(8.3)	(3.7)
Other reserves		**42.6**	35.5	11.4
Retained earnings		**4 667.5**	4 664.5	4 787.2
		4 702.8	4 692.6	4 795.8
Non-current liabilities				
Lease liabilities		**699.4**	680.3	700.1
Long-term interest-bearing borrowings	5.1	**350.0**	–	–
Deferred taxation		**59.9**	67. 6	54.2
Retirement benefit liability		**78.6**	73.3	77.3
		1 187.9	821. 2	831.6
Current liabilities				
Trade and other payables		**698.5**	684.2	685.0
Payments in advance		**184.4**	189.6	181.1
Short-term interest-bearing borrowings	5.1	**425.6**	367.5	80.8
Lease liabilities		**240.9**	264.7	250.2
Taxation		**93.3**	25.3	86.0
		1 642.7	1 531.3	1 283.1
Total equity and liabilities		**7 533.4**	7 045. 1	6 910.5

Lewis Group Limited: Summary consolidated financial statements

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2024

	2024 Audited Rm	2023 Audited Restated Rm
Share capital and premium		
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
Treasury shares		
Opening balance	**(8.3)**	(3.7)
Share awards to employees	**51.6**	29.4
Cost of own shares acquired	**(51.5)**	(34.0)
	(8.2)	(8.3)
Other reserves		
Opening balance	**35.5**	11.4
Other comprehensive income:		
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)
	42.6	35.5
Retained earnings		
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)
	4 667.5	4 664.5
Balance as at 31 March	**4 702.8**	4 692.6

Lewis Group Limited: Summary consolidated financial statements

CASH FLOW STATEMENT

for the year ended 31 March 2024

	Notes	2024 Audited Rm	2023 Audited Restated Rm
Cash flow from operating activities			
Cash flow from trading	12.1	**1 714.8**	1 006.2
Changes in working capital	12.2	**(1 021.0)**	(264.3)
Cash flow from operations		**693.8**	741.9
Interest received other than from trade receivables	5.3	**23.7**	16.4
Interest paid		**(157.4)**	(105.7)
Foreign exchange gains		**0.1**	14.2
Taxation paid		**(101.5)**	(149.3)
		458.7	517.5
Cash utilised in investing activities			
Purchases of insurance investments		**(60.7)**	(32.1)
Disposals of insurance investments		**102.0**	83.3
Additions to property, plant and equipment and intangible assets		**(124.6)**	(142.9)
Proceeds on disposal and scrapping of property, plant and equipment		**6.3**	18.1
		(77.0)	(73.6)
Cash flow from financing activities			
Dividends paid		**(224.2)**	(241.4)
Payment of principal portion of lease liabilities		**(302.8)**	(304.6)
Borrowings		**350.0**	–
Advances		**600.0**	150.0
Repayments		**(250.0)**	(150.0)
Purchase of own shares		**(221.5)**	(309.7)
		(398.5)	(855.7)
Net decrease in cash and cash equivalents		**(16.8)**	(411.8)
Cash and cash equivalents at the beginning of the year		**(184.5)**	227.3
Cash and cash equivalents at the end of the year	5.1	**(201.3)**	(184.5)

1. BASIS OF REPORTING

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

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements except as disclosed in note 1.1.

These financial statements are a summary of the Group's audited annual financial statements for the year ended 31 March 2024. The audited annual financial statements were prepared by the Group's Finance Department under the supervision of Mr J Bestbier CA(SA). A copy of the full set of the audited financial statements is available on the Group's website, www.lewisgroup.co.za.

These summary consolidated financial statements for the year ended 31 March 2024 have been audited by Ernst & Young Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. The audited financial statements and the auditor's report thereon are available for inspection at the Company's registered office and on the Group's website, www.lewisgroup.co.za.

1.1 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.

1. BASIS OF REPORTING CONTINUED

1.1 Adoption of IFRS 17 continued

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

- The balance sheet includes the insurance contract asset and has been measured in terms of the PAA set out in IFRS 17. The insurance contract asset consists of the asset for remaining coverage and the liability for incurred claims. Previously disclosed items such as the Unearned Premium Reserve ("UPR") and Outstanding Claims and IBNR liabilities which were reflected in insurance liabilities, are incorporated into the asset for remaining coverage and liability for incurred claims respectively.
- The liability for incurred claims (previously the outstanding claims and IBNR reserve) is remeasured by applying a risk adjustment and a discounting factor.

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 asset for remaining coverage. 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 liability for incurred claims, the risk adjustment to the liability for incurred claims and the impact of amortising insurance acquisition expenses over the coverage period.

1. BASIS OF REPORTING CONTINUED

1.1 Adoption of IFRS 17 continued

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

		2023 Rm	2022 Rm
1.1.1	**Impact on Retained Earnings**		
	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
1.1.2	**Impact on Net Profit**		
	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	

For the full impact of the restatements on the Group's results, refer to the implementation report included as part of the interim results for the six months ended 30 September 2023 and the annual financial statements for the year ended 31 March 2024.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS

2.1 Trade and other receivables

		2024 Audited Rm	2023 Audited 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
Total trade and other receivables		**4 483.2**	3 946.7
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.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade and other receivables continued

Impairment modelling

In accordance with paragraph 5.5.15(a)(ii) of IFRS 9, the Group has elected to apply the simplified model and measures the impairment allowance at an amount equal to lifetime expected credit losses ("ECL"). This policy has been applied 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 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.

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade and other receivables 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).

Payment ratings

The customer's payment profile is managed by using payment ratings. Payment ratings are determined on an individual customer level and measure the customer's actual payments received over the lifetime of the account relative to the instalments due in terms of the contract. There are 13 payment ratings with customers being allocated to one of these 13 payment ratings in accordance with their payment behaviour. For the purpose of managing the business, the 13 payment ratings are summarised into three main groupings, namely:

- **Satisfactory paid**

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

- **Slow payers**

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

- **Non-performing accounts**

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

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade and other receivables continued

Combined impairment and contractual arrears table

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	Instalments in arrears >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**	**51.8**				
Slow payers	**84 615**	**1 034 860**	**738 066**	**71.3**	**611 937**	**216 922**	**395 015**
(%)	**13.2**	**14.9**	**28.3**				
Non-performing accounts	**35 416**	**585 036**	**517 024**	**88.4**	**398 403**	**102 071**	**296 332**
(%)	**5.5**	**8.4**	**19.9**				
Total	**640 543**	**6 948 588**	**2 606 110**	**37.5**	**1 705 502**	**780 615**	**924 887**

31 March 2023
Restated

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears ≤3 months R'000	Instalments in arrears >3 months R'000
Satisfactory paid	478 396	4 435 948	982 777	22.2	613 274	399 657	213 617
(%)	80.4	73.8	45.4				
Slow payers	74 964	889 198	577 491	64.9	530 574	180 355	350 219
(%)	12.6	14.8	26.7				
Non-performing accounts	41 444	688 046	602 229	87.5	526 586	111 509	415 077
(%)	7.0	11.4	27.9				
Total	594 804	6 013 192	2 162 497	36.0	1 670 434	691 521	978 913

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade and other receivables continued

Interest rate risk

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

The weighted average contractual interest rate on trade receivables is 23.4% (2023: 21.6%).

Fair value

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

2.2 Debtor costs

		2024 Audited Rm	2023 Audited 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)
Total debtor costs		**1 225.1**	719.5
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.

3. REVENUE

3.1 Revenue

	2024 Audited Rm	2023 Audited 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
	8 183.8	7 456.4

3.2 Retail revenue

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

4. GROSS PROFIT

		2024 Audited Rm	2023 Audited Rm
Merchandise sales		**4 652.7**	4 443.1
Cost of merchandise sales		**(2 646.5)**	(2 637.0)
Merchandise gross profit		**2 006.2**	1 806.1
Gross profit margin	(%)	**43.1**	40.6

5. BORROWINGS, CASH AND NET FINANCE COSTS

	2024 Audited Rm	2023 Audited Rm
5.1 Borrowings, banking facilities and cash		
Long-term interest-bearing borrowings	**(350.0)**	–
Short-term interest-bearing borrowings	**(425.6)**	(367.5)
Cash-on-hand and deposits	**224.3**	183.0
Cash and cash equivalents	**(201.3)**	(184.5)
Available facilities		
Banking facilities	**1 800.0**	950.0
Domestic Medium-Term Note programme	**2 000.0**	2 000.0
	3 800.0	2 950.0

Available facilities

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.

Interest rate profile

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%).

5. BORROWINGS, CASH AND NET FINANCE COSTS CONTINUED

		2024 Audited Rm	2023 Audited Restated Rm
5.2 Capital management			
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 borrowings ratio is calculated as net debt excluding lease liabilities, divided by equity capital.			
5.3 Net finance costs			
Interest expense		**(161.2)**	(114.5)
Borrowings		**(81.6)**	(34.4)
Lease liabilities		**(75.8)**	(69.6)
Liability for incurred claims		**(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.*

6. FINANCIAL ASSETS – INSURANCE INVESTMENTS

Fair value hierarchy

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

	Level 2 Rm	Total Rm
31 March 2024		
Insurance investments:		
Fixed income securities – FVOCI	**242.5**	**242.5**
Money market floating rate notes – FVTPL	**134.9**	**134.9**
	377.4	**377.4**
31 March 2023		
Insurance investments:		
Fixed income securities – FVOCI	257.3	257.3
Money market floating rate notes – FVTPL	138.9	138.9
	396.2	396.2

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

7. INSURANCE CONTRACT ASSET

The insurance contract asset relates to CPI contracts sold in South Africa, Botswana, Lesotho, Eswatini and Namibia.

	2024 Audited Rm	2023 Audited Rm
The insurance contract asset comprises of:		
Asset for remaining coverage	**275.2**	214.0
Liability for incurred claims	**(78.7)**	(88.5)
	196.5	125.5

8. IMPAIRMENTS AND CAPITAL ITEMS[1]

	Note	**2024 Audited Rm**	2023 Audited Rm
Impairment of right-of-use assets		**5.7**	22.9
Impairment of goodwill		**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	13	**–**	(9.9)
		65.4	102.2

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

9. EARNINGS AND DIVIDENDS PER SHARE

		2024 Audited	2023 Audited Restated
Weighted average number of shares			
Weighted average	('000)	**54 123**	59 082
Diluted weighted average	('000)	**55 860**	61 112
Headline earnings			
Attributable earnings	(Rm)	**436.4**	411.0
Profit on disposal of fixed assets	(Rm)	**(0.1)**	(1.5)
Impairment of right-of-use assets	(Rm)	**4.2**	16.8
Goodwill impairment	(Rm)	**59.9**	91.1
Profit on scrapping of fixed assets due to civil unrest	(Rm)	**–**	(7.2)
Headline earnings	(Rm)	**500.4**	510.2
Earnings per share			
Earnings per share	(cents)	**806.3**	695.6
Diluted earnings per share	(cents)	**781.2**	672.5
Headline earnings per share			
Headline earnings per share	(cents)	**924.6**	863.5
Diluted headline earnings per share	(cents)	**895.8**	834.9
Dividends per share			
Dividends paid per share			
Final dividend 2023 (2022)	(cents)	**218.0**	218.0
Interim dividend 2024 (2023)	(cents)	**200.0**	195.0
	(cents)	**418.0**	413.0
Dividends declared per share			
Interim dividend 2024 (2023)	(cents)	**200.0**	195.0
Final dividend 2024 (2023)	(cents)	**300.0**	218.0
	(cents)	**500.0**	413.0

10. REPORTABLE SEGMENTS

Primary	Note	Traditional Rm	Cash Rm	Group Rm
For the year ended 31 March 2024				
Revenue		**7 740.8**	**443.0**	**8 183.8**
Merchandise sales		**4 217.2**	**435.5**	**4 652.7**
Segment operating profit before impairments and capital items		**745.7**	**9.2**	**754.9**
Segment operating margin before impairments and capital items	(%)	**17.7**	**2.1**	**16.2**
Impairments and capital items	8	**27.5**	**(92.9)**	**(65.4)**
Segment operating profit/(loss)		**773.2**	**(83.7)**	**689.5**
Segment operating margin	(%)	**18.3**	**(19.2)**	**14.8**
Segment assets[(1)]		**4 933.1**	**133.0**	**5 066.1**
For the year ended 31 March 2023 Restated				
Revenue		6 950.6	505.8	7 456.4
Merchandise sales		3 945.0	498.1	4 443.1
Segment operating profit before impairments and capital items		707.2	4.4	711.6
Segment operating margin before impairments and capital items	(%)	17.9	0.9	16.0
Impairments and capital items	8	26.0	(128.2)	(102.2)
Segment operating profit/(loss)		733.2	(123.8)	609.4
Segment operating margin	(%)	18.6	(24.9)	13.7
Segment assets[(1)]		4 544.7	175.3	4 720.0

[(1)] *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).*

Geographical	South Africa Rm	Namibia Rm	BLE[(1)] Rm	Group Rm
For the year ended 31 March 2024				
Revenue	**6 941.3**	**610.5**	**632.0**	**8 183.8**
For the year ended 31 March 2023 Restated				
Revenue	6 288.7	587.3	580.4	7 456.4

[(1)] *Botswana, Lesotho and Eswatini.*

11. TAXATION

Tax rate reconciliation		2024 Audited Rm	2023 Audited Restated Rm
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		**35.6**	49.2
Exemptions		**(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		**153.7**	155.7
Effective tax rate	(%)	**26.0**	27.5

12. CASH FLOW FROM OPERATIONS

	Notes	2024 Audited Rm	2023 Audited Restated Rm
12.1 Cash flow from trading		**1 714.8**	1 006.2
Operating profit		**689.5**	609.4
Adjusted for:			
Share-based payments		**57.1**	55.2
Depreciation and amortisation		**368.8**	350.9
Impairment	8	**65.6**	114.0
Profit on disposal of fixed assets		**(0.2)**	(1.9)
Profit on scrapping of fixed assets due to civil unrest	13	**–**	(9.9)
Movement in debtors impairment provision	2.2	**443.6**	(70.8)
Movement in other provisions		**85.3**	(37.7)
Other non-cash flow movements		**5.1**	(3.0)

Included in cash flow from trading is interest earned on trade receivables of R1 749.1 million (2023: R1 425.7 million).

12. CASH FLOW FROM OPERATIONS CONTINUED

	2024 Audited Rm	2023 Audited Restated Rm
12.2 Changes in working capital	**(1 021.0)**	(264.3)
Decrease in inventories	**137.7**	154.1
Increase in trade and other receivables	**(976.9)**	(415.9)
Increase in insurance contract asset	**(86.5)**	(31.2)
(Decrease)/Increase in trade and other payables	**(90.1)**	20.2
(Decrease)/Increase in payments in advance	**(5.2)**	8.5

12.3 Lease liability payments

The total lease payments amount to R416.8 million (2023: R390.3 million), which include the capital portion of R302.8 million (2023: R304.6 million) reflected under financing activities, and the remaining balance included in cash flow from trading.

13. 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.

14. 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: Summary consolidated financial statements
KEY RATIOS

		2024 Unaudited	2023 Unaudited Restated
Operating efficiency ratios			
Gross profit margin	(%)	**43.1**	40.6
Operating margin before impairments and capital items	(%)	**16.2**	16.0
Operating margin	(%)	**14.8**	13.7
Number of stores		**869**	840
Number of permanent employees	(average)	**10 004**	9 524
Trading space	(sqm)	**255 162**	253 135
Inventory turn	(times)	**3.7**	3.0
Current ratio		**3.5**	3.4
Credit ratios			
Credit sales	(%)	**66.2**	59.9
Debtor costs as a % of debtors at gross carrying value	(%)	**17.6**	12.0
Debtors impairment provision as a % of debtors at gross carrying value	(%)	**37.5**	36.0
Arrear instalments on satisfactory paid accounts as a % of total debtors at gross carrying value	(%)	**10.0**	10.2
Arrear instalments on slow paying and non-performing accounts as a % of total debtors at gross carrying value	(%)	**14.5**	17.6
Credit applications decline rate	(%)	**35.1**	34.7
Collection rate	(%)	**79.7**	80.8
Shareholder ratios			
Net asset value per share	(cents)	**8 891**	8 220
Gearing ratio	(%)	**31.7**	24.1
Borrowings ratio	(%)	**11.7**	4.0
Dividend payout ratio	(%)	**61.3**	58.5
Return on average shareholders' funds (after-tax)	(%)	**9.3**	8.7
Return on average capital employed (after-tax)	(%)	**8.6**	7.9
Return on average assets managed (pre-tax)	(%)	**10.0**	9.2

Notes:
1. *All ratios are based on figures at the end of the period unless otherwise disclosed.*
2. *The net asset value has been calculated using 52 895 773 shares in issue (2023: 57 085 507).*
3. *The borrowings ratio is the gearing ratio excluding lease liabilities.*
4. *Total assets exclude the deferred tax asset.*

CORPORATE INFORMATION

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

Lewis Group Ltd

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