Lewis Group Ltd

2024

INTEGRATED ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2024

Contents

ADDITIONAL ONLINE CONTENT

The Integrated Report is supplemented by additional financial and governance related reports which are available online at **www.lewisgroup.co.za**

- Annual financial statements 2024
- Five-year financial review
- Corporate governance report
- Application of King IV principles
- Social, ethics and transformation committee report
- Annual general meeting*
  - Notice to shareholders
  - Form of proxy

** To be issued in July.*

OVERVIEW

01

Lewis Group delivered a resilient performance in a weak retail trading environment

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

Introducing the 2024 Integrated Report

The resilience of the Group's business model was again evident in a year marked by sustained pressure on the disposable income of South Africans due to higher living and borrowing costs, while load shedding continued to negatively impact economic growth and erode confidence.

Against the background of these mounting headwinds, our 2024 Integrated Report aims to provide insight on how the Group has responded to these macroeconomic challenges to preserve and create value for our shareholders and other stakeholders, including our customers, colleagues and suppliers.

REPORTING SCOPE AND BOUNDARY

The report covers material information relating to the integrated performance and activities of the Group, which includes the main operating company, Lewis Stores (Proprietary) Limited, and its subsidiaries (the Group) for the period 1 April 2023 to 31 March 2024. The Group operates in South Africa, where 85% of the revenue is generated, as well as Namibia, Botswana, Eswatini and Lesotho.

The reportable segments are:

- **Traditional retail**, comprising Lewis, Best Home & Electric, Beares and Bedzone
- **Cash retail**, comprising the United Furniture Outlets (UFO) chain.

Forward-looking information in the report focuses on the strategic objectives, operating plans and outlook for the 2025 financial year as well as the Group's short- and medium-term financial and operating targets.

There have been no changes in the reporting scope and boundary over the past year.

The principle of materiality has again been applied in preparing the content and disclosure in this report. Materiality is determined by the board and is applied to internal and external issues that could positively or negatively affect the Group's ability to create value over time and are likely to have a material impact on revenue, profitability, assets and liabilities. This excludes the disclosure of price-sensitive information or detail that could compromise the Group's competitive position.

REPORTING GOVERNANCE AND COMPLIANCE

The Integrated Report reflects the Group's commitment to good corporate governance, underpinned by the reporting principles of accountability, transparency, balance and materiality.

Reporting complies with the requirements of the Companies Act 71 of 2008 (Companies Act) and the JSE Listings Requirements, while financial reporting complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The King Code on Corporate Governance (King IV) has been applied throughout the reporting period and the directors confirm that the Group has, in all material respects, applied the principles of King IV. *The Group's application of the principles of the code is outlined in the King IV Report available on https://www.lewisgroup.co.za/governance/king-iv/.*

INTEGRATED REPORTING FRAMEWORK

The guiding principles of the Integrated Reporting Framework of the IFRS Foundation have been applied in preparing this report.

The framework recommends reporting to shareholders in terms of the six capital resources applied in the creation, preservation or erosion of value which are as follows:

Financial capital relates to the financial resources received from providers of capital and deployed by the Group.

Manufactured capital is the physical infrastructure used in the selling of merchandise, including retail stores (rented and owned), online stores, storerooms and the Group's head office.

Human capital focuses on the competency, capability and experience of the board, management and employees.

Intellectual capital addresses the collective knowledge and expertise in the business as well as systems, processes, intellectual property and brands.

Social and relationship capital covers stakeholder relationships and engagement, corporate reputation and values.

Natural capital deals with the environmental resources applied and utilised by the Group.

The impact of the six capitals on the Group's operations and performance is addressed in the relevant sections throughout the report and detailed in the *Value creating business model report on page 12.*

FORWARD-LOOKING STATEMENTS

The Integrated Report includes forward-looking statements which relate to the possible future financial position and results of the Group's operations. These are not statements of fact but rather statements by management based on current estimates and expectations of future performance. No assurance can be provided that these forward-looking statements will prove to be correct, and shareholders are advised to exercise caution in this regard.

The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events. The forward-looking statements are the responsibility of the board and have not been reviewed or reported on by the Group's external auditor.

BOARD APPROVAL

The board acknowledges its responsibility to ensure the integrity of the Integrated Report. The directors collectively confirm that the Integrated Report addresses all material issues, strategy, integrated performance as well as the Group's prospects.

The audit committee has oversight of the preparation of the Integrated Report and recommended the report for approval by the board.
The 2024 Integrated Report was approved by the board on 27 June 2024.

Hilton Saven *Independent non-executive chairman*	**Johan Enslin** *Chief executive officer*	**Jacques Bestbier** *Chief financial officer*

INDEPENDENT ASSURANCE

REPORTING	ASSURANCE PROCESS
Annual financial statements	The Group's external auditor, Ernst & Young Inc. (EY), provided assurance on the annual financial statements and expressed an unqualified audit opinion.
Integrated Report	The Integrated Report was reviewed by the board and management. The report has not been independently assured. EY reviewed the summary consolidated financial statements that are included in the Integrated Report.
Sustainability information	The sustainability information disclosed in the report has been approved by the board's social, ethics and transformation committee. Independent, accredited service providers assisted with or verified selected non-financial indicators as follows: • Broad-based black economic empowerment (B-BBEE) rating: Reviewed and verified by AQRate • Carbon emissions: Assessed by The Green House sustainability consulting firm. Management verified the processes for measuring all other sustainability information.

Chairman's report

The Group overcame the challenges in South Africa's fragile consumer economy to deliver a competitive all-round performance for the year, with a particularly pleasing performance on the debtors book, and continued robust credit sales growth.

Total dividend increased to
500 cents

Attributable profit
100%
returned to shareholders

Average shareholder return over the past five years
19%
per annum

South Africa's retail landscape continued to be dominated by the pressure on consumer spending due to rising energy, fuel and food prices in the low growth economic environment, with limited prospects of a reversal in fortunes in the short to medium term.

Interest rates remained at elevated levels for longer than was originally expected, mainly due to inflationary pressures and the depreciation of the Rand, further impacting debt burdened consumers.

South Africa's unemployment rate for the first quarter of 2024 was 32.9%, with 8.2 million South Africans being jobless. The Group's customers in the lower to middle income segment are unfortunately the most vulnerable to job losses in the weak labour market. The current pressure on the agricultural sector impacts employment in the rural areas of the country where the Group has a strong store presence.

While the country enjoyed a welcome respite from electricity load shedding in the second quarter of 2024, renewed power outages remain a risk to trading and could further dampen sentiment and economic growth.

The shifting political landscape following the outcome of the general election in May inevitably leads to uncertainty. Responsible and accountable political leadership will therefore be critical to ensure a stable transition.

Globally, geopolitical conflicts and war have had a significant economic impact, while the Red Sea shipping crisis severely disrupted global supply chains and container trade through the Suez Canal. This resulted in sharp increases in freight rates, vessel and container shortages and the rerouting of shipping traffic, which is impacting the Group's merchandise imports. The situation has been compounded by crippling congestion and delays at our domestic ports, while rail transportation has failed due to lack of investment in maintenance.

CREATING SHAREHOLDER VALUE

The Group overcame the challenges in South Africa's fragile consumer economy to deliver a competitive all-round performance for the year, with a particularly pleasing performance on the debtors book and continued robust credit sales growth. The Group's earnings increased by 6.2% to R436 million and earnings per share increased by 15.9% to 806 cents, benefiting from the positive leverage from the Group's earnings-enhancing share repurchase programme. Headline earnings were 1.9% lower, while headline earnings per share increased by 7.1% to 925 cents.

The board again demonstrated its confidence in the Group's prospects and cash generating capability by increasing the total dividend by 21.1% to 500 cents per share. This represents an attractive dividend yield of 11.5% at the date of the dividend declaration. Over the past five years, the dividend yield has averaged 10.3% per annum.

Hilton Saven

Our capital management strategy continued to focus on funding the longer-term growth of the business, mainly through the investment in the debtors book and the store portfolio, and returning excess capital to shareholders through dividend payments and share repurchases. Over the past five years, which includes two years impacted by Covid-19, the Group returned R2.15 billion to shareholders. In this past year, R436 million was returned through dividend payments of R266 million and share buy-backs of R170 million. Since the start of the buy-back programme seven years ago, the Group repurchased 35.7 million shares at a cost of R1.3 billion and an average price of R35.67 per share.

This is the third consecutive year that the Group returned more than 100% of earnings to shareholders through dividend payments and share buy-backs.

The Group delivered an annual return to shareholders of 19.0% for the 2024 financial year, and an average return of 19.0% per annum over the past five years.

We are committed to continuing the share repurchase programme, confirming the opportunity that the board recognises to create value for investors, and we are grateful to shareholders for their support in voting to extend the buy-back authority.

The trading and financial performance is detailed in the Chief executive officer's report (pages 7 and 8) and the Chief financial officer's report (pages 50 to 52).

BOARD GOVERNANCE

Our board is stable and independent, with a healthy balance of more recently appointed and longer serving directors, which encourages debate and ensures continuity in our independent oversight. Furthermore, our board is committed and engaged, evidenced by the 100% attendance at board and committee meetings over the past year.

There were no changes in the board composition in the reporting period. During the year, I reached the mandatory retirement age for directors of 70. The board requested that I continue to hold office, based on my contribution, skills, expertise and experience, and I have gladly accepted their invitation to continue to serve on the board.

Diversity in the boardroom ensures that the interests of all stakeholder groups are addressed. We have maintained the voluntary targets contained in the board diversity policy of 30% female and black director representation. Currently 38% of our directors are female and 38% are black in terms of the B-BBEE Act. However, we adopt a broader approach to board diversity, striving to achieve a balance in terms of age, board tenure, culture, skills and experience.

CLIMATE CHANGE GOVERNANCE AND REPORTING

Our board recognises that climate change is a significant global systemic risk and the Group is committed to actively reducing its greenhouse gas emissions to assist in limiting its impact on global warming.

The Group's climate governance framework confirms the board's responsibility for climate-related strategy and oversight of climate-related risks and opportunities. The board is supported in its climate change mandate by the social, ethics and transformation committee and risk committee.

A critical element of climate governance is the transparent and consistent disclosure to stakeholders in line with best reporting practices. The Group continues to follow the voluntary JSE Sustainability and Climate Disclosure Guidance documents, which have considered the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

We also welcomed the release of the inaugural sustainability reporting standards by the IFRS Foundation's International Sustainability Standards Board. The introduction of IFRS S1, which addresses sustainability-related risks, opportunities and financial disclosures, and IFRS S2 on climate-related disclosures, will create a long-awaited international standard when introduced in 2025, although the adoption of the standards is not yet mandatory in South Africa.

The Group's climate change strategy continues to gain traction. We are well positioned to deliver on our commitment to shareholders to develop our material climate-related risks, opportunities and targets and for these to be adopted by the board in the 2025 financial year.

APPRECIATION

Thank you to my fellow non-executives for your active participation, strategic insight and commitment to ensuring that the Group aligns with the highest governance standards.

Our Chief executive officer, Johan Enslin, and his executive team are to be commended for their outstanding leadership of the Group in the adverse retail trading environment. I also extend my appreciation to our more than 10 000 employees across South Africa and the neighbouring countries for your support and hard work.

Thank you to our shareholders for your continued investment, and we welcome those who invested in the Group for the first time this year, and to our other external stakeholders for your ongoing support and engagement.

Hilton Saven
Independent non-executive chairman

Chief executive officer's report

Johan Enslin

Lewis Group again demonstrated its ability to seek opportunity in adversity and delivered a resilient performance in the prevailing weak retail trading environment.

Credit sales increased by **15.8%**

Satisfactory paying customers at a new record level of **81.3%**

Over the past two years, opening of net **50 new stores**

Lewis Group's performance was driven by strong credit sales growth, expanding margins and the quality of the debtors book, with the percentage of satisfactory paying customers increasing to a new record level of 81.3%.

The Group's commitment to longer term growth is reflected in the opening of a net 50 new stores in the past two years, with these stores contributing positively to revenue and profitability.

STRONG CREDIT SALES GROWTH

Merchandise sales increased by 4.7% to R4.7 billion for the year. After increasing by 4.2% for the first nine months, merchandise sales grew by 6.7% during the challenging trading conditions in the fourth quarter, supported by new product ranges.

The strong credit sales growth trend continued, with credit sales increasing by 15.8%, highlighting the resilience of the Group's business model. 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, compared to 59.9% last year.

Merchandise sales in the traditional retail segment comprising Lewis, Best Home & Electric, Beares and Bedzone increased by 6.9%, with all the traditional brands performing well.

However, pressure on consumers' disposable income from high energy, food, fuel and borrowing costs continued to constrain the Group's cash sales which declined by 11.8%, adversely impacting the performance of the cash retail brand UFO, which reported a 12.6% reduction in sales.

Sales in the stores outside South Africa, which represent 15.9% of the store base, increased by 2.9% and accounted for 17.9% of sales.

The Group's social media strategy is paying dividends as online and social media channels generated 7% of the Group's merchandise sales compared to 5% in the prior year. Active customer engagement through social media contributed to the Group growing its Facebook presence by 31% to more than 3 million followers.

The Group's total revenue, comprising merchandise sales and other revenue which grew by 17.2%, increased by 9.8% to R8.2 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%.

The financial performance is covered in the Chief financial officer's report on page 51.

IMPROVING DEBTORS BOOK QUALITY

The highlight of the past year was the performance of the Group's debtors book in the weak consumer economy. Prudent credit risk management and the appeal of the Group's merchandise offering contributed to the ongoing improvement in key debtor metrics.

The increase in the percentage of satisfactory paid accounts to the all-time high level of 81.3% has resulted in an additional 42 000 customers being rated as satisfactory paid. This is positive for repeat sales as further credit is extended to good paying customers.

Enhanced collection strategies, including the growing proportion of customers paying accounts by monthly debit order, contributed to instalment collections increasing by 10.9%. The collection rate ended the year on a solid 79.7%.

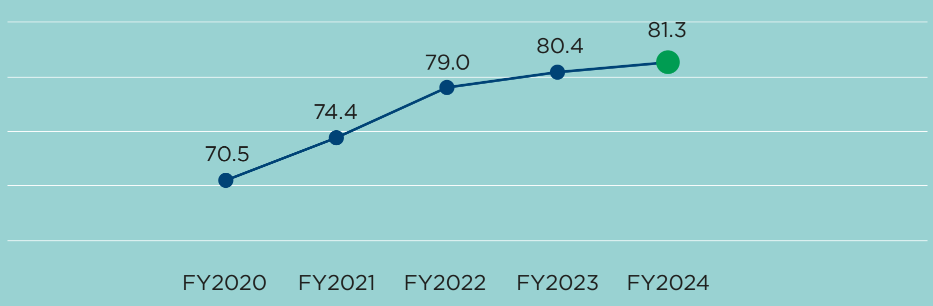
Net bad debts as a percentage of debtors at gross carrying value reduced to 11.2% from 13.1% in the prior year.

It is important to note that the Group maintained its conservative credit granting criteria in the constrained spending environment and the credit application decline rate increased to 35.1% from 34.7% a year earlier.

Owing to the high levels of uncertainty and potential volatility in the domestic economy in the year ahead, the debtors impairment provision increased from 36.0% to 37.5%. This is addressed in more detail in the *Chief financial officer's report on pages 50 to 52.* The higher impairment provision contributed to debtor costs as a percentage of debtors at gross carrying value increasing from 12.0% to 17.6%.

Refer to Managing credit risk report on page 47 for further analysis of the debtors book.

SATISFACTORY PAID ACCOUNTS (%)



EXPANDING STORE FOOTPRINT

Over the past year we continued to capitalise on opportunities to acquire well located trading space to accelerate the expansion of the store base, with a net 29 new stores opened.

The store footprint increased to 869 as new stores were opened across Lewis (net 6 stores), Best Home & Electric (net 16), Beares (net 1) and Bedzone (net 10). Four underperforming UFO stores were closed.

The store base outside South Africa in the neighbouring countries of Namibia, Botswana, Lesotho and Eswatini increased to 138 following the opening of a net 4 new stores.

Lewis continued its successful strategy of opening smaller format stores, which now comprise 52% or 259 of the brand's 498 stores. The smaller format stores enable the chain to gain sites in high foot traffic areas at more affordable rentals.

The Group's store refurbishment programme ensures that stores remain modern and appealing to promote merchandise, with stores being refurbished on average every five years. During the past year, 150 stores across the portfolio were refurbished, bringing the number of stores revamped in the past five years to 700.

OUTLOOK

Trading conditions are not expected to improve in the short to medium-term as consumer spending and confidence remain depressed. 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.

Political uncertainty and the risk of social instability in the aftermath of the outcome of the general election pose a major threat to the trading environment.

Port congestion, shipping delays and sharply rising sea freight rates are adversely affecting the Group's merchandise imports and are likely to continue to negatively impact economic growth. The crisis in the Red Sea and the diversion of shipping from the Suez Canal has resulted in a global shortage of containers while securing space on vessels is a major challenge. Certain shipping lines are being routed around Africa and smaller vessels are often deployed on this route, with a resultant lower container carrying capacity. The situation is being compounded by operational challenges at local ports where delays of up to 14 days are being experienced.

Addressing the underperformance of UFO remains a management priority. We are committed to the turnaround in the business as we believe UFO has a strategic role in the Group, targeting cash sales to higher income customers than the traditional retail brands. Ongoing strict cost management, sourcing new exclusive merchandise ranges and enhanced online and social media marketing strategies are aimed at driving a sustainable turnaround in performance.

Despite the macroeconomic headwinds, the Group continues to invest for the longer term through the growth of the debtors book and expansion of the store footprint, with 20 new stores planned across the traditional retail brands in the new financial year.

APPRECIATION

Thank you to our Chairman, Hilton Saven, for his decisive leadership and to my fellow directors for their guidance, counsel and oversight of the Group's affairs. Our stable and experienced executive team lead by example and I thank them for their support.

The management and staff at head office and the stores across southern Africa are committed to delivering outstanding service to our customers, and I thank everyone for their contribution to a highly successful year for the Group.

Johan Enslin
Chief executive officer

CREATING VALUE FOR STAKEHOLDERS

02

Group profile

Lewis Group is a leading retailer of furniture, home appliances, electronic goods and homeware through its trading brands Lewis, Best Home & Electric, Beares, Bedzone and UFO.

869
Stores

1934
Founded in Cape Town

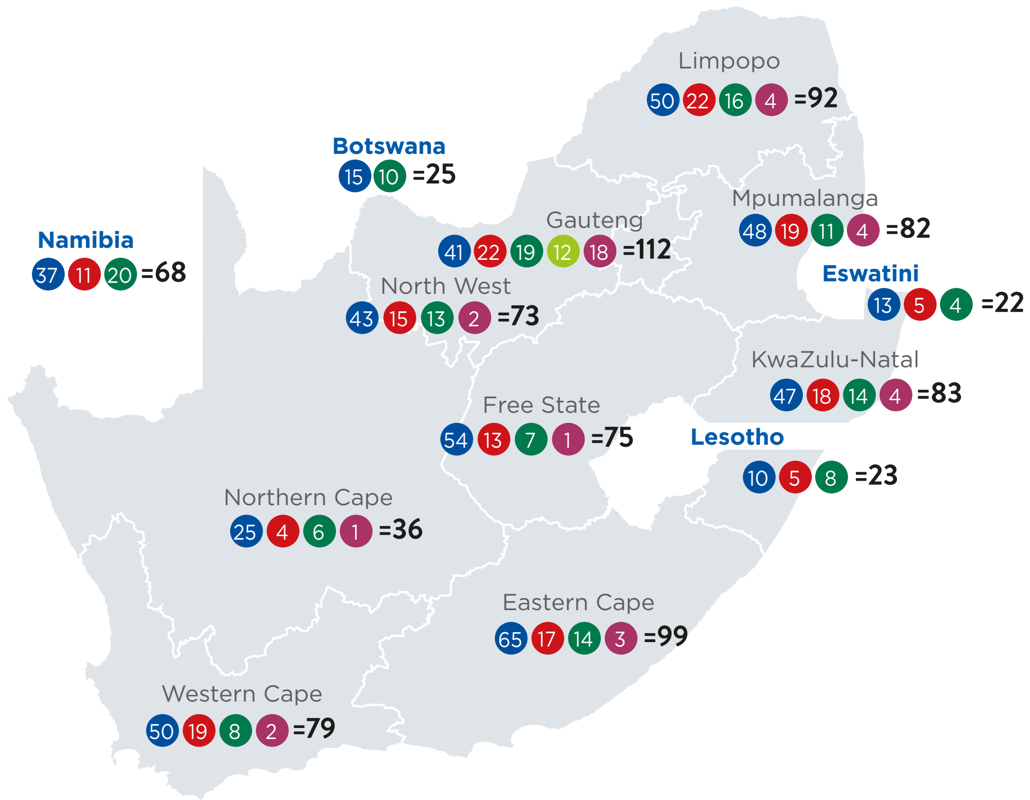
2004
Listed on the JSE

>10 000
Permanent staff

The Group is committed to promoting socio-economic change through its retail operations and supply chain, and is a strong supporter of the local furniture manufacturing sector.

EXPANDING BRAND PORTFOLIO

The Group has expanded its portfolio beyond the traditional Lewis chain by developing brands internally and acquiring established retail chains, while following a strategy of diversifying across income groups, market segments and product offering.



Presence outside South Africa

Lewis was one of the first South African retailers to expand into southern African countries as far back as the late 1960s. In 2016, the Group acquired a portfolio of 56 stores in Botswana, Lesotho, Namibia and Eswatini which at the time doubled its store presence outside of South Africa.

138
Stores outside SA

17.9%
of Group's sales

Sales contribution by brands

TRADITIONAL RETAIL
91%

CASH
9%

Lewis – South Africa's largest furniture chain which is synonymous with furniture retailing in the country.
LSM **4–7***
STORE FOOTPRINT
423 INSIDE SA | 75 OUTSIDE SA

Best Home and Electric – Established in 2008, selling home appliances as well as furniture ranges.
LSM **4–7***
STORE FOOTPRINT
149 INSIDE SA | 21 OUTSIDE SA

Beares – A furniture retailer established in 1930, was acquired in 2014 as the Group diversified into a higher income target market.
LSM **7–9***
STORE FOOTPRINT
108 INSIDE SA | 42 OUTSIDE SA

Bedzone – Established in 2022 as a specialist retailer of base sets.
LSM **4–9***
STORE FOOTPRINT
12 INSIDE SA | 0 OUTSIDE SA

UFO Furniture – A luxury furniture chain acquired in 2018, marked the Group's diversification into cash retailing and targeting the high income market.
LSM **9+***
STORE FOOTPRINT
39 INSIDE SA | 0 OUTSIDE SA

90% of merchandise deliveries are completed within 24 hours of the sale.

* *Based on Living Standards Measure (LSM), a market research segmentation tool applied in South Africa to classify standard of living and disposable income. The population is divided into 10 groups, where 10 is the highest living standard level and one is the lowest level. The LSM tool groups consumers according to criteria including ownership of assets and appliances, access to wealth, education, level of urbanisation as well as access to basic services.*

Group profile

Credit management

Lewis Group has extensive experience in managing credit risk in the lower to middle income market. Credit is offered to customers in the traditional retail brands of Lewis, Best Home & Electric, Beares and Bedzone. The Group has a credit customer base of over 640 000 active customers. Credit sales accounted for 66.2% of total sales in the reporting period. Credit is granted centrally at head office to ensure that credit risk policies are consistently applied and to remove subjectivity in the credit granting process. A compliance call centre ensures that governance and regulatory issues relating to credit contracts are explained to customers. Stores are responsible for cash collections and payment follow-up with customers, while the introduction of debit orders for account payments further supports the collection strategy.

Customers purchasing merchandise on credit are offered insurance cover by Monarch Insurance Company Ltd (Monarch), a subsidiary of Lewis Group, which offers direct insurance in South Africa and reinsurance in Botswana, Lesotho and Eswatini. The insurance product is optional for customers purchasing goods on an instalment sale basis and provides cover for death, disability, loss of income, or theft or damage to the goods.

Customer commitment

The Group is committed to offering quality, exclusive merchandise. The high levels of repeat sales to existing customers is evidence of service satisfaction, trust and customer loyalty. As part of the commitment to service excellence, Lewis strives to be an integral part of the communities in which it operates. Stores are responsible for managing all aspects of the customer relationship. Customers in the traditional retail brands are served by staff from their local communities in their own languages, with stores being located close to the places where customers live, work and shop. Convenient store locations make it easy for credit customers to pay their accounts in-store, and regular engagement with customers creates further sales opportunities.

Commitment to sustainability

Lewis Group recognises its responsibility as a business which not only has rights but responsibilities towards society and the environment in which it operates. The Group's activities undertaken in support of this commitment are detailed in the *Sustainability report on page 23.*

Value creating business model

INPUTS

Capital resources and relationships applied in the Group's business activities

FINANCIAL CAPITAL

Sh

- Equity of R4.7 billion (2023: R4.6 billion)
- Funding facilities of R1.8 billion (2023: R950 million)
- Net borrowings of R551 million (2023: R185 million)
- Borrowings ratio of 11.7% (2023: 4.0%)

MANUFACTURED CAPITAL

C S E

- 869 stores (2023: 840)
  - 138 stores outside SA (2023: 134)
  - 259 small format Lewis stores (2023: 250)
- Online platforms and social media sites

HUMAN CAPITAL

E

- 10 004 average permanent employees (2023: 9 524)
- Extensive investment in training and skills development
- Highly experienced, stable board and management

INTELLECTUAL CAPITAL

E C

- Decentralised, store-based business model
- Robust risk and governance framework
- Leading-edge credit risk management systems
- Brand equity and reputation

SOCIAL AND RELATIONSHIP CAPITAL

Sh C S E

- 640 543 active customers (2023: 594 804)
- 44% repeat customers (2023: 45%)
- Social media followers
  - 3.1 million Facebook followers (2023: 2.3 million)
  - 176 101 Instagram followers (2023: 157 851)
- Long-term relationships with offshore and local suppliers
- Commitment to corporate social investment

NATURAL CAPITAL

C E

- Materials used in products and packaging
- Fuel and electricity consumption in business activities
- Continued to report under the TCFD and initiated the process of engaging with climate scenario analysis

OPERATING ENVIRONMENT

- Weak economic environment
- Severe pressure on consumer spending
- Inflationary cost pressures with high interest rates and high unemployment
- Load shedding negatively impacting economic growth and consumer sentiment
- Local and international supply chain challenges

CUSTOMER-FOCUSED BUSINESS MODEL

OPERATING MODEL

SUPPLY CHAIN

- Merchandise delivered directly by local suppliers to stores
- No distribution centres or centralised warehouses for traditional retail brands
- Customers offered an optional delivery service
- Stores responsible for deliveries to traditional retail customers
- Third-party logistics providers undertake deliveries for cash retail customers

Refer to Merchandise, supply chain and stores report on pages 43 to 46

Capital resources are aligned with the following **Sustainable Development Goals**.

Refer to Sustainability report on pages 24 to 36

1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH | 13 CLIMATE ACTION

STORES

- Stores accountable for all aspects of customer relationship
- Traditional retail customers serviced by staff from their local communities in their own language
- Traditional retail stores located close to where customers live, work and shop

Refer to Merchandise, supply chain and stores report on pages 43 to 46

CREDIT

- Granted centrally to ensure credit policies are consistently applied
- Compliance call centre ensures that all critical elements of the contract have been explained to the customer
- Stores responsible for collections and follow-up of defaulting customers

Refer to Managing credit risk report on pages 47 to 48

Monarch Insurance

- Monarch, the Group's insurer, underwrites customer protection insurance offered to customers purchasing goods on an instalment sale basis
- The insurance product offered is optional and provides cover to the Group's credit customers in the event of death, disability, loss of income, or loss or damage to the goods purchased

OUTPUTS

R8.2 billion	R2.6 billion	R689.5 million	78 223 tonnes CO_2e
Revenue	Cost of merchandise sales	Operating profit	Carbon emissions

OUTCOMES

Value created for our stakeholders in the 2024 financial year

Sh SHAREHOLDERS

- Operating profit increased by 13.1% to R689.5 million
- Headline earnings per share increased by 7.1% to 925 cents
- R436 million returned to shareholders through share buy-back programme and dividends
- Total dividend per share 500 cents
- Return on equity 9.3%
- Cash generated from operations of R693.8 million

C CUSTOMERS

- Merchandise sales of R4.7 billion
- Opened a net 29 new stores; total stores now 869
- 150 stores refurbished
- 356 275 new customers
- Extensive social support in communities where customers live
- R49.5 million invested in back-up power solutions for SA stores to mitigate the impact of load shedding

E EMPLOYEES

- R1.5 billion paid to employees
- R59.5 million invested in training and development
- Over R1.2 million in educational assistance provided to employees and dependants of employees
- 29 151 staff training interventions
- 97.1% black and 58.6% female employees

S SUPPLIERS

- R5.1 billion paid to suppliers of goods and services
- Majority of merchandise procured locally

Strategy and targets

Lewis Group's strategy is to offer exclusive merchandise to customers across all market segments and income groups in southern Africa, focusing on the retailing of furniture, home appliances, electronic goods and homeware on credit and cash.

STRATEGIC OBJECTIVES

Medium-term growth strategies are developed by executive management and reviewed and approved by the board. These strategies are further supported by detailed business plans and budgets, information technology (IT) solutions, human capital requirements and operational policies and procedures.

Medium-term targets are determined to measure the Group's progress in the implementation of its strategies.

Material issues and risks that could impact on the Group's strategy, its stakeholders and its ability to sustain growth are reviewed annually as part of the strategic planning process *(refer to Material issues and risks report on pages 15 to 18)*.

Strategic objectives are developed to deliver the medium-term strategies and manage material impacts on the Group.

Plans to deliver on strategic objectives in 2025

01 EXPAND THE CREDIT CUSTOMER BASE

- Capitalise on the increased consumer demand and appetite for credit
- Maintain strict credit granting criteria
- Expand opportunities for customer engagement through social media and online channels

02 REFINE CREDIT COLLECTION PROCESSES TO ENHANCE COLLECTION RATES

- Increase the number of customers paying instalments on monthly debit orders
- Improve collections on failed debit orders
- Increase capacity to follow up with customers paying instalments in the store

03 ATTRACT CUSTOMERS THROUGH NEW MERCHANDISE RANGES AND ENSURE HIGH LEVELS OF STOCK AVAILABILITY

- Invest in strong marketing campaigns
- Maintain focus on quality, exclusivity and differentiation of merchandise
- Introduce new merchandise ranges
- Increase sales of higher margin furniture and appliance product categories

04 EXPAND RETAIL PRESENCE THROUGH NEW STORE OPENINGS

- Open a net 20 new stores across the traditional retail brands
- Continue to expand the Bedzone brand
- Expand the footprint of smaller format Lewis stores
- Continue to refurbish stores

Strategy and targets

05 IMPROVE UFO'S PERFORMANCE

- Ongoing strict cost management
- Introduce exclusive merchandise offerings
- Improve social media marketing strategies

06 ENHANCE SHAREHOLDER RETURNS THROUGH EFFICIENT CAPITAL MANAGEMENT

- Ongoing investment in the growth of the debtors book through credit sales growth
- Continue to return funds to shareholders through dividend payments and the share repurchase programme
- Seek shareholder approval at the annual general meeting (AGM) for renewal of the share repurchase mandate

07 CAPITALISE ON THE EXPERIENCED AND MOTIVATED MANAGEMENT TEAM AND WORKFORCE TO UNLOCK VALUE FOR STAKEHOLDERS

- Capitalise on the Group's positioning and customer loyalty to gain market share
- Maintain momentum in credit sales and collections to support future earnings

08 SUPPORT THE SUSTAINABILITY OF THE BUSINESS THROUGH ROBUST ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

- Maintain an efficient governance and compliance framework
- Ongoing alignment of the sustainability programme with Sustainable Development Goals
- Improve B-BBEE rating
- Deliver on commitment to improve climate related reporting, utilising the guidance of the TCFD framework, by 2025

FINANCIAL AND OPERATING TARGETS

			TARGETS		
STRATEGIC FOCUS AREAS	**PERFORMANCE INDICATORS**	**(%) ACHIEVED 2024**	**2024**	**2025**	**MEDIUM-TERM**
Merchandising and supply chain	Gross profit margin	**43.1**	**40 – 42**	**40 – 42**	**41 – 43**
Credit management	Satisfactory paid customers	**81.3**	**77 – 80**	**77 – 80**	**77 – 80**
	Debtor costs as a percentage of debtors at gross carrying value	**17.6**	**12 – 16**	**13 – 17**	**12 – 15**
Operational management	Operating margin	**14.8**	**12 – 16**	**12 – 16**	**16 – 20**
	Increase in operating costs	**5.0**	**6 – 10**	**6 – 10**	**4 – 8**
Capital management	Borrowings ratio (gearing excluding lease liabilities)	**11.7**	**<10**	**<25**	**<25**
	Gearing ratio – including lease liabilities	**31.7**	**<30**	**<50**	**<50**

Material issues and risks

Material issues have been identified which could significantly impact the Group's ability to deliver its strategy and create and preserve sustainable value for stakeholders.

These material issues are reviewed by the board and executive management annually as part of the Group's strategic planning process, while the key risks are monitored by the board's risk committee.

The material issues are unchanged for the 2025 financial year.

01 Retail trading environment

02 Global and local supply chain challenges

03 Credit risk management

04 Capital management

05 Cyber risk

06 People risk

07 Regulation

FACTORS INFLUENCING MATERIAL ISSUES

In determining these material issues, the directors consider several internal and external factors, including the following:

Group's strategic objectives
+
Economic and trading environment
+
Competitor landscape
+
Industry trends and consumer behaviour
+
External opportunities and threats
+
Key Group risks
+
Business threats and weaknesses
+
Legislation and regulation
+
Needs, expectations and concerns of primary stakeholders

Material issues and risks

MATERIAL ISSUE

01 RETAIL TRADING ENVIRONMENT

The macroeconomic environment in South Africa has a significant impact on the Group's operations, and the weak trading conditions impact both sales and collections across the trading brands.

RELATED RISKS

- Constrained consumer spending and fragile consumer sentiment as a result of weak economic conditions, including higher borrowing costs
- Consumer spending declining further due to persistently high unemployment rates which impact the Group's target market
- Load shedding and constrained utility supply limiting the ability of stores to trade and adversely impacting economic growth
- Political uncertainty and social instability in the aftermath of the general elections poses a major threat to trading, while related civil unrest could impact the safety of customers and employees
- Civil disruption causing damage to property which results in physical and business interruption losses

RISK MITIGATION

- The Group's business model has proven resilient through all economic cycles, while the current executive team has led the business through several downturns and disruptive events
- The Group's robust balance sheet provides protection against the current economic headwinds
- Back-up and alternate power solutions at stores limit the impact of load shedding on trading
- Business continuity across the Group is reviewed and enhanced on an ongoing basis
- The wide geographic distribution of the store base mitigates the negative impact on trading that could result from civil unrest
- Adequate business insurance cover which is reviewed annually

MATERIAL ISSUE

02 GLOBAL AND LOCAL SUPPLY CHAIN CHALLENGES

Global and local supply chain challenges can impact the production and transportation of merchandise and the consistency of supply to stores and customers, while higher supply chain costs can adversely impact margins.

RELATED RISKS

- Climate change, including the increase in extreme weather events and water scarcity, impacting continuity of supply
- Increased working capital costs to hold higher levels of stock as a buffer against supply chain disruptions
- Load shedding impacting on the ability of suppliers to meet their order obligations
- Lack of availability of raw materials impacting imports and locally produced merchandise
- Volatility in sea freight costs affecting imports and rail freight costs impacting transport from local ports
- Industrial action or civil unrest affecting the production, warehousing and transportation of merchandise

RISK MITIGATION

- The Group adopted a strategy of holding higher stock levels when necessary to counter ongoing challenges in the supply chain and ensure adequate stock to meet customer demand
- Earlier placement of orders to enable timeous delivery of imported and local merchandise
- Products are sourced from a wide range of local and international suppliers which enables the Group to increase localisation if required
- Broader range of shipping lines and service providers used in the supply chain
- Financial support, in the form of supplier development loans, provided to local suppliers to assist with increased costs of production

MATERIAL ISSUE

03 CREDIT RISK MANAGEMENT

Effective credit risk management aims to optimise the quality of the debtors book by reducing debtor costs through improved collections and lower bad debts.

RELATED RISKS

- Inability to manage credit risk effectively could result in higher bad debts, slower collections, limited new account growth and fewer customers being able to buy on credit
- External factors including weak economic conditions in the countries of operation, high levels of unemployment, industrial action and civil unrest impact on the Group's ability to maintain the optimal quality of the debtors book

RISK MITIGATION

- Refining credit risk policies and rules to mitigate risks
- Ensuring continued focus on collections productivity and efficiency to increase collection rates and reduce bad debts
- Strategy to convert more customers to the debit order payment platform supports collections
- Focus on increasing the number of satisfactory paying customers
- The Group introduced the compliance call centre to further improve compliance with the credit application process. *Refer Managing credit risk report on pages 47 and 48 for further detail*

Material issues and risks

MATERIAL ISSUE

04

CAPITAL MANAGEMENT

Efficient management of capital, financial risks and liquidity is key to the Group's financial stability and to improving returns to shareholders.

RELATED RISKS

- Inefficient capital management could impact on profitability and returns to shareholders
- Volatility of exchange rate impacting on margin, pricing and merchandise planning

RISK MITIGATION

- Ensure efficient allocation of and access to capital at all times
- Continued investment in organic growth and in the debtors book
- Return capital to shareholders through dividend payments
- Continue the share buy-back programme
- Manage borrowing levels within risk appetite, and within the targeted range communicated to shareholders
- Manage currency exposure and risk, and hedge against currency fluctuations

MATERIAL ISSUE

05

CYBER RISK

Leading information technology systems are critical to protect the Group against the threat of cyber crime and limit the risk of breaches of data security and customer privacy, and avoid business interruption due to the unavailability of key operating systems.

RELATED RISKS

- Cyber crime could result in the breach of personal information, identity theft, loss of intellectual property and financial loss
- Legal liability and reputational damage arising from breaches in cyber security
- Business interruption owing to the unavailability of main operating systems and disruption to critical services could impact on revenue and profitability
- Loss of data as a result of the exposure of systems to mobile devices and other interfacing systems
- Unauthorised access to sensitive corporate data and customers' personal information
- Increased security risk from remote working and learning

RISK MITIGATION

- Monitor IT governance processes across the business through the IT steering committee
- Regularly update the risk committee on IT-related risks and mitigation plans
- Continued investment in cyber security
- Maintain and enhance the Group's information security management system
- Implement policies to address data security risks and cyber security solutions
- Implement advanced artificial intelligence and machine learning technology to allow for the detection of irregular human and machine behaviour which may indicate a possible security event
- Implement autonomous response technology that determines the appropriate response to attacks
- Ongoing, proactive penetration testing and vulnerability scanning of both internal and externally facing network security devices and applications
- Ongoing information security awareness campaign for staff to raise awareness of evolving cyber threats
- Adequate cyber insurance cover
- Continuously review and enhance disaster recovery plans across the Group

Material issues and risks

MATERIAL ISSUE

06

PEOPLE RISK – ATTRACTION AND RETENTION OF HUMAN CAPITAL

Attracting, motivating and retaining scarce and skilled retail and financial services talent is key to the sustainability of the Group and the delivery of its strategic objectives.

RELATED RISKS

- Inability to attract, motivate, develop and retain competent people
- Skills shortage in retail and financial services sectors increases employee mobility
- Loss of key people and challenge of attracting and retaining staff in current climate
- Incentive schemes not attractive owing to share price underperformance affecting the value of long-term incentive schemes
- High levels of staff turnover

RISK MITIGATION

- Ensure remuneration packages for key staff are competitive and externally benchmarked
- Improved recruitment and selection practices and appoint internal succession candidates to vacant posts where possible
- Enhance transformation through the development of black employees to further improve diversity at all levels in the Group
- Continued investment in training and development as well as leadership development for employment equity candidates
- Enhance mentoring and coaching programmes

MATERIAL ISSUE

07

REGULATION

Ensuring compliance with relevant legislation and regulation and limit impact of legislative changes on margins and profitability.

RELATED RISKS

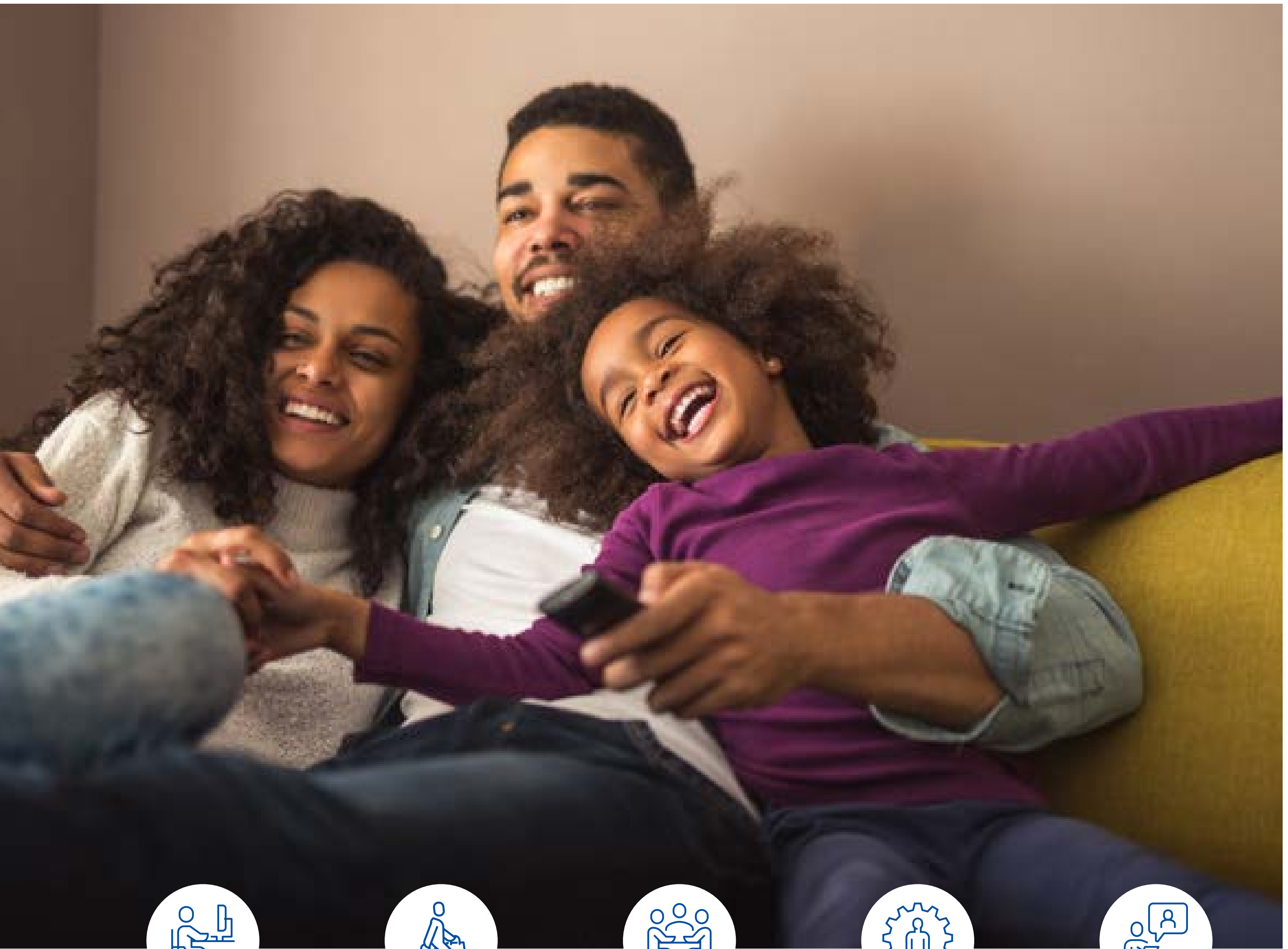
- Legal sanctions for regulatory non-compliance could result in material financial loss and reputational damage
- Changes in legislation and regulation could adversely affect margins and profitability
- Inability to respond effectively to ongoing regulatory changes

RISK MITIGATION

- Monitor compliance with regulations and legislation through in-house legal and compliance teams
- Implement mitigation measures and disciplinary processes to ensure regulatory compliance
- Engage with regulators on proposed legislative changes
- Ensure business is operating efficiently and identify alternate sources of revenue should legislative changes impact margins and profitability
- Focus on complying with licencing and related requirements of applicable legislation

Stakeholder engagement

The stakeholder engagement programme focuses mainly on the five primary stakeholders that management believes are most likely to influence the Group's ability to create value in the short, medium and long term. Proactive and transparent relationships enable the Group to identify and address the needs and expectations of these stakeholder groups and respond appropriately.



Employees at head office and stores across the Group

Customers of the five trading brands

Shareholders and the broader investment community

Regulators in all countries of operation

Suppliers of merchandise and services

Employees

NEEDS AND EXPECTATIONS

Competitive remuneration and benefits

Effective **personal development**

Investment in training and skills development

Career advancement opportunities

Protection of labour and human rights

Working environment which embraces **transformation and diversity**

Promote an ethical working culture

Employees
10 004

Female
58.6%

Male
41.4%

Black
97.1%

White
2.9%

KEY ENGAGEMENT ISSUES IN 2024

- Employee wellness
- Training and development
- Labour and human rights
- Transformation and diversity
- Succession planning
- Ethics training

OUR RESPONSE TO ENGAGEMENT ISSUES

- Wellness counselling available to all employees
- Continued focus on leadership and skills development programmes, with more than 80% of nominated employees from previously disadvantaged backgrounds
- Bursary programme and education assistance for children of qualifying employees
- Ensured that the Group is positioned to meet the revised targets in the Employment Equity Amendment Act when implemented and maintain B-BBEE compliance
- Remuneration regularly reviewed against industry benchmarks
- Incentives offered across occupational categories to encourage high performance culture
- Continuous ethics training and encouraging employees to report unethical behaviour in the organisation
- Commit to investigate and resolve ethics complaints within 30 days

OUR APPROACH TO ENGAGEMENT

WHY WE ENGAGE:
The Group's performance and success is determined by the contribution of its employees who provide their talent, skills and experience.

HOW WE ENGAGE:
Through daily, weekly and monthly in-store review meetings, induction and training courses, feedback through performance management, electronic media channels in stores, as well as ongoing engagement with labour unions.

Stakeholder engagement

Customers

NEEDS AND EXPECTATIONS

Exclusive and differentiated merchandise

High-quality products

Competitive and **value-for-money** pricing

Responsible lending **practices**

Excellent customer service

Appealing store **environment**

Conveniently located stores

Active credit customers over

640 000

Over

3.2 million

social media followers across platforms

KEY ENGAGEMENT ISSUES IN 2024

- Stock availability
- Online presence

OUR RESPONSE TO ENGAGEMENT ISSUES

- Ensure stores are well stocked to meet customer demand through effective stock management
- Continuous website updates to ensure stock availability is aligned to in-store stock position
- Customer-friendly online credit application process
- Continued store footprint expansion and refurbishment programme

OUR APPROACH TO ENGAGEMENT

WHY WE ENGAGE:
Customers are the Group's main source of revenue through merchandise sales and related credit offerings, and cover credit and cash customers in South Africa, Botswana, Eswatini, Lesotho and Namibia.

HOW WE ENGAGE:
Primarily through direct engagement with customers in stores, traditional and social media advertising, in-store promotions, call centres, online channels and through market research.

Shareholders

NEEDS AND EXPECTATIONS

Business model and strategy and its impact on sustainable, **long-term returns**

Transparent, relevant and regular communications

Clearly articulated **growth strategy**

Strong balance sheet

Quality management team

Robust corporate governance structures

Shareholders

3 426

Issued share capital held outside South Africa

19.5%

KEY ENGAGEMENT ISSUES IN 2024

- Challenging consumer spending environment
- Impact of load shedding
- Supply chain challenges
- Trading and financial performance
- Capital management and share buy-back programme
- Trading outlook and earnings growth prospects

OUR RESPONSE TO ENGAGEMENT ISSUES

- Management addresses all the key engagement issues directly with investors through the interim and annual results presentations, post results meetings, broker conferences and one-on-one meetings, trading updates on SENS and the Integrated Report

OUR APPROACH TO ENGAGEMENT

WHY WE ENGAGE:
Shareholders are the Group's primary providers of financial capital. Engagement with shareholders is the responsibility of the Chief executive officer and Chief financial officer and is mainly focused on local and international institutional fund managers and private investors.

HOW WE ENGAGE:
Direct and indirect engagement through results presentations, meetings with local and international investors, shareholder meetings, investor conferences, SENS announcements, the Integrated Report and investor website.

Stakeholder engagement

Regulators

NEEDS AND EXPECTATIONS

Legislative and regulatory **compliance**

Tax compliance

Submission of **statutory returns**

Ethical business practices

Protection of consumer, human and environmental **rights**

Adherence to **occupational health and safety**

Commitment to B-BBEE and transformation

KEY ENGAGEMENT ISSUES IN 2024

- Anti-money laundering and counter terrorist financing preventative measures and reporting within the insurance business of the Group
- Talent management and succession planning
- B-BBEE compliance
- Cyber security readiness

OUR RESPONSE TO ENGAGEMENT ISSUES

- Enhancement of anti-money laundering and counter terrorist measures including training programmes, awareness and reporting within the Group's insurance subsidiary
- Engagement with the Prudential Authority in relation to talent management and succession planning processes for continuity of management at all levels and in all departments
- Adequate controls in place to mitigate cyber security risk

OUR APPROACH TO ENGAGEMENT

WHY WE ENGAGE:
Regulatory compliance ensures the Group is licensed to trade. The key regulators are the National Credit Regulator, JSE Limited, South African Revenue Service, Prudential Authority of the South African Reserve Bank and the Financial Sector Conduct Authority, government departments including Department of Trade, Industry and Competition, and Department of Employment and Labour, and regulatory authorities in all countries of operation.

HOW WE ENGAGE:
Primarily through statutory reporting, regulatory submissions, liaison with regulators and membership of industry bodies and forums.

Suppliers

NEEDS AND EXPECTATIONS

Fair and equitable **business practices**

Meeting contractual **terms and obligations**

Long-term beneficial **relationships**

Preferential procurement aligned with B-BBEE legislation

Long-term **sustainability of suppliers**

Majority of merchandise
manufactured in South Africa

Main countries where merchandise is sourced (outside of South Africa) are
China, Malaysia and Brazil

KEY ENGAGEMENT ISSUES IN 2024

- Consistency of supply due to weak economic conditions
- Security of supply due to global shipping challenges and port delays
- Impact of load shedding on the supply chain
- Factory sustainability owing to increased operational costs and required funding
- Ensuring consistent supply and orders during periods of low and peak demand
- Growth in the local supplier base
- Inflationary pressures on product sustainability
- Lease renewal negotiations as well as assessing new store opportunities with property landlords

OUR RESPONSE TO ENGAGEMENT ISSUES

- Secured contractual agreements with freight forwarding companies to ensure consistent supply of imported products. Third-party logistics provider assists in minimising the impact of local port delays
- Relationships with multiple forwarding companies
- Orders with suppliers are placed well in advance to allow for sufficient planning and execution time
- Regular engagement with suppliers, and financial and operational support provided in certain cases
- Diversification of supply base
- Strategic decision to increase stock levels, when necessary, to ensure sufficient stock on hand to meet customer demands and store base growth
- New leases and lease renewals concluded at market related rates
- Ongoing financial risk and viability assessment of suppliers

OUR APPROACH TO ENGAGEMENT

WHY WE ENGAGE:
Suppliers provide merchandise and other goods and services, and include local and international manufacturers, sales agents, property landlords and professional services providers.

HOW WE ENGAGE:
Regular supplier meetings, factory visits, supplier audits, quality control checks and service level agreements.

Investment case

This investment case should be read together with the Strategy and targets report on pages 13 and 14.

Lewis Group offers investors exposure across southern Africa's retail customer markets through its portfolio of well-established traditional brands operating in the lower to middle income credit market and upper income cash customers through UFO.

While the challenging macroeconomic conditions in the country will impact growth in the short term, the directors believe the investment case should support competitive longer-term returns for shareholders.

1

- Highly experienced, stable executive team with average of **19 years' service** with the Group
- **Good balance** of company and industry experience
- Current leadership team has **led the business successfully** through previous economic downturns
- Executive incentive schemes closely **aligned with shareholder interests**

2

- Decentralised, store-based business model continues to prove **resilient** in the current constrained retail trading environment
- Store-based collections process supported by **enhanced debit order strategy** resulted in improved collection rates

3

- Brands are well positioned to **gain market share** across all market segments through the extensive retail footprint and merchandise offering
- Credit offering and expertise is a **strategic advantage**, particularly in the current economic downturn

4

- Deep penetration of retail market with **731 stores** across urban and rural areas in South Africa
- **Expansion into the higher income segment** in the past six years with the UFO chain which comprises **39 stores**
- **Strong presence in neighbouring African markets**, with 138 stores across Namibia, Botswana, Lesotho and Eswatini
- Continued investment for growth with **ongoing expansion of store base**
- Establishing the **Bedzone brand** as a specialist retailer of base sets

5

- Lewis, Best Home & Electric and Bedzone **target lower to middle income** credit and cash customers
- Beares **targets middle income** credit and cash customers
- Cash retailer, UFO, targets the **higher income market segment**

6

- **Differentiated, exclusive and quality** product ranges across all brands
- Focus on **selling higher margin** furniture and appliance product categories
- Products **sourced locally and offshore** that appeal to the needs of the specific income target markets serviced by the Group's brands
- Opportunity to expand offering into **new specialist product categories**, including the Bedzone brand
- Strong supplier relationships and merchandise planning ensure **optimal stock levels**

7

- **Loyal customer base** with a significant volume of sales generated from existing credit customers through repeat sales
- High levels of brand awareness and trust with customers, supported by **extensive social media following**
- Traditional retail stores **conveniently located** close to areas where target customers live, work and shop
- UFO stores located in **high footfall areas** servicing higher end customers

8

- Credit offered across traditional retail brands to **facilitate sales growth**
- **Extensive experience in managing credit risk** in the lower to middle income market
- Centralised credit approval and granting ensures **consistent credit risk management**

9

- Robust balance sheet with **gearing levels maintained** within board appetite
- Average return to shareholders, in the form of share buy-backs and dividend payments, **in excess of 110% of attributable profit over the past five years**

Sustainability report

OUR COMMITMENT TO SUSTAINABILITY

Lewis Group recognises its role as a business with responsibilities towards society and the environment in which it operates. At Lewis, sustainability means creating value for stakeholders. We have done this over the last 90 years by:

Offering affordable, exclusive and quality household goods for customers
Supporting employees, customers and communities
Creating long-term value for shareholders
Ensuring that the business model remains sustainable
Meeting our responsibilities in sustaining the environment

The Group has committed to adhere to sustainable business practices by ensuring appropriate sustainability governance practices are embedded in the organisation.

We have a social, ethics and transformation committee reporting directly to the board of directors, as well as a social, ethics, and transformation working group reporting to the Chief executive officer. Both committees are responsible for our key focus areas.

SUSTAINABILITY GOVERNANCE

BOARD OF DIRECTORS

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Three independent non-executive directors, including the Board Chairman as well as the Chief executive officer

SOCIAL, ETHICS AND TRANSFORMATION WORKING GROUP

- Chief financial officer
- Chief risk officer
- Human resources director
- Operations director
- Human resources manager
- Company secretary

KEY FOCUS AREAS IN 2024

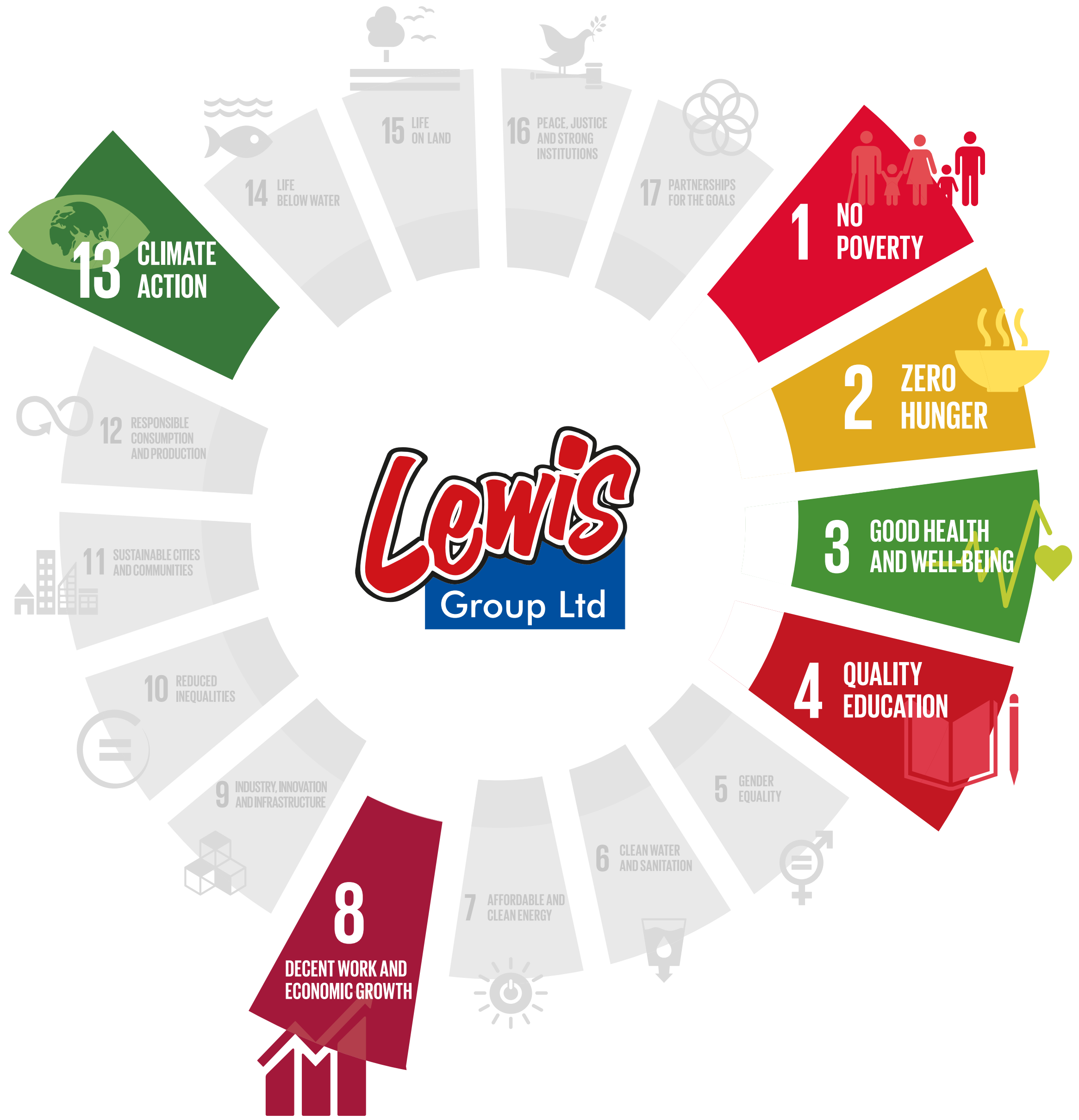
- Continued monitoring of code of ethics, including values and ethics awareness
- Monitoring customer relationships and compliance with consumer laws
- Increasing focus on environmental, social and governance (ESG) reporting, including implementation of the recommendations of the TCFD
- Monitoring employee training and leadership programmes
- Continuing support for initiates aimed at improving retention rates of branch managers and regional controllers
- Promoting enterprise and supplier development, including assisting suppliers to ensure the sustainability of their businesses and securing current and new suppliers
- Continuing support for socio-economic development programmes
- Increasing focus on transformation and diversity

Sustainability report

ALIGNMENT WITH THE SDGs

The Group supports the Sustainable Development Goals (SDGs), the global objectives developed by the United Nations to achieve a better and more sustainable future for all. This report focuses on the environmental and social aspects of sustainability, aligned with the SDGs where we believe the Group is making a meaningful contribution.

The Group's sustainability commitments are aligned with the following SDGs:

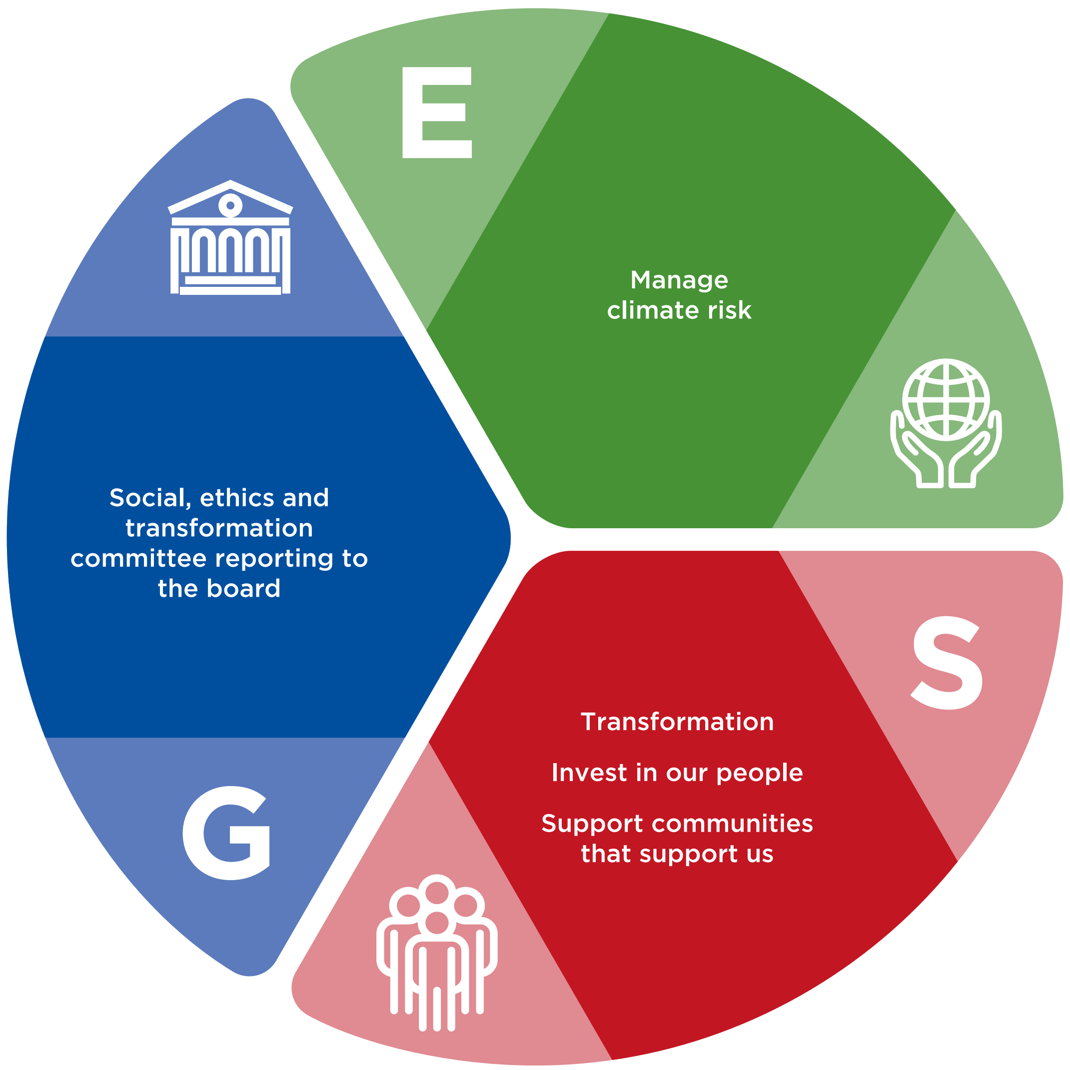


ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In today's business landscape, stakeholders are increasingly interested in a company's financial performance alongside their wider impact on society and the environment.

We recognise that our responsibilities extend beyond traditional financial metrics and have chosen to incorporate ESG criteria into our reporting framework.

By measuring and reporting on our ESG performance, we aim to build trust, mitigate risks, drive innovation, and ultimately contribute positively to the well-being of our stakeholders and the planet.



Sustainability report

ENVIRONMENTAL

The Environmental aspect of ESG focuses on how the Group manages its impact on the natural environment, including issues such as climate change.

What we achieved this year

Lewis Group recognises its responsibility to conduct business in a way that mitigates or minimises detrimental impacts on the environment.

HEAD OFFICE SOLAR PANEL PROJECT APPROVED AND INSTALLATION UNDERWAY

(The Group's single largest contributor to electricity usage)

270 Solar panels being installed

Solar panel capacity of 155 250Wp estimated energy generation of **240MWh per year**

Conducted scenario-based climate risk and opportunity identification and assessment

Identified **2** appropriate scenarios from the Network for Greening the Financial System (NGFS) to assess our transition and physical risks

Climate governance

Addressing climate change is not just about environmental stewardship, it is a global imperative that intersects with society and the economy. The Group is dedicated to curbing greenhouse gas emissions to mitigate the impacts of global warming, aligning with the urgent need to limit temperature rise to 1.5°C above pre-industrial levels.

In our commitment to the ever-evolving reporting landscape, we have followed the guidelines established by the TCFD. The TCFD provided a solid foundation for assessing climate-related risks and opportunities within our operations.

Recently, the TCFD has been disbanded and absorbed into the International Sustainability Standards Board (ISSB). The ISSB expands upon the TCFD's recommendations and aims to harmonise global sustainability reporting practices.

We continue to follow the voluntary JSE Sustainability and Climate Disclosure Guidance documents, which have considered the recommendations of the TCFD and provide the necessary local context for the South African market and society. Furthermore, the General Sustainability and Climate-related Disclosure Standards (S1 and S2) which have been issued by the ISSB fully incorporate the TCFD recommendations. As such, we continue to apply and incorporate the TCFD recommendations into our climate strategy and reporting.

The Group's Climate Governance Framework, set out below, indicates the dynamic relationship between:

BOARD
Responsible for the oversight of the company's climate-related risks and opportunities

EXECUTIVE COMMITTEE
Tasked with assessing and managing the material climate-related risks and opportunities

The board is supported in their climate-related mandate by the social, ethics and transformation, and the risk committees, respectively. The executive committee has delegated the day-to-day implementation of the climate strategy to the TCFD working group.

Sustainability report

Lewis Group climate governance framework

Climate leadership

BOARD

Mandate

- Sets the direction and drives a climate-conscious culture
- Provides overall guidance to management on the climate-related strategy and implementation through an annual risk review

Climate management

EXECUTIVE COMMITTEE

Mandate

- Identification, assessment, mitigation and management of material climate-related risks and opportunities
- Review of TCFD working group implementation

Social, ethics and transformation committee

Three independent non-executive directors and the Chief executive officer.

Mandate

- Delegated responsibility to oversee TCFD-aligned climate implementation and continual improvement of climate performance

Risk committee

Six independent non-executive directors, Chief executive officer and the Chief financial officer

Mandate

- Risk management oversight and monitoring of the impact of material climate-related risks and opportunities

TCFD working group

Chief financial officer, Chief risk officer and the General manager finance

Mandate

- Engaging with specialist carbon consultants, GCX, to assist with the implementation of the TCFD recommendations
- Driving implementation of TCFD recommendations

Lewis Group's climate change journey and strategic pathway

2021	2022	2023	2024	2025
Developed a strategic TCFD-aligned implementation pathway	First TCFD-aligned report published	Commenced with climate-related risk and opportunity identification	Scenario-based climate risk identification and assessment	Board-approved risks, opportunities and targets, with advanced reporting on first full scenario analysis

Our climate change commitments

2024 marks the third year of our four-year TCFD-aligned disclosure pathway. During 2023, we commenced with three strategic commitments in line with our initial planning conducted in 2021:

01 **Start to quantify risks and opportunities**

02 **Set qualitative and quantitative targets**

03 **Initiate the process of engaging with scenario analysis**

Our planning included commitments for action during 2024 to provide additional detail on risks, opportunities and targets, as well as conducting an initial scenario analysis. This analysis is predominantly a qualitative assessment and is used to define parameters for a more detailed exercise in the future.

Well placed to meet our commitments for 2025

The Group progressed well in 2024, building on the solid foundation established during the preceding years. We are well placed to meet our 2025 commitments of having our material climate-related risks, opportunities and targets determined and adopted by the board of directors, as well as providing our stakeholders with transparent disclosure about the outcomes of our first complete scenario analysis.

Being cognisant of the significance of risks in the supply chain, we have embarked on a supplier engagement plan, with implementation estimated for 2025. The plan will initially focus on gaining a better understanding of the perspectives around climate change within our upstream supply chain.

Sustainability report

Scenario analysis

Following from the risk identification process, Lewis Group wanted to understand the impact of these risks against two plausible scenarios. We selected the NGFS scenarios as a basis for the scenario analysis we conducted, which consists of a set of seven plausible future scenarios from which we chose the Hot House World and Disorderly Transition scenarios. These scenarios cover a wide range of physical and transition risks and are categorised according to the increasing level of transition risk on the one hand, and physical risk on the other.

We chose the two scenarios which we believe are the most likely representations of what the future may entail, considering physical and transition risks.

Scenario	Disorderly Transition Delayed Transition	Hot House World Nationally Determined Contributions (NDCs)
Risk spectrum	Higher transition risks because of abrupt requirement to decarbonise	Higher physical risks because of slower implementation of decarbonisation
Physical risks: Temperature increase	1.6°C	2.6°C
Transition risk: Global policy reaction	Delayed policy reaction	NDC of countries
Transition risk: Technology change	Slow, and then fast rate of technology change	Slow rate of technology change

Climate risk and opportunity assessment

We are currently assessing the impact and likelihood of all the climate risks identified against the two selected scenarios over the time horizons, as defined below, using the Lewis Group risk management processes, and specifically the Lewis Group Standard Risk Rating Methodology.

Our assessment time horizon

We aim to complete this process by the end of the financial year 2025, with the intention of integrating climate risk into our enterprise risk management process.

Sustainability report

Material climate change risks and opportunities

The table below follows the risk classification methodology of the TCFD and classifies the risks and opportunities as either physical or transitional, or in one instance the combination of both.

The risks and opportunities are grouped according to the *Material issues and risks report set out on pages 15 to 18*. The dimension indicates where the risk implication may manifest or the opportunity be leveraged (this may relate to our core operations or within our upstream and downstream supply chain).

PHYSICAL RISKS

Material issues	Dimension	Risk description	Risk implication	Mitigating measures
Global and local supply chain challenges **Retail trading environment**	Upstream supply chain	Extreme weather events: flooding, high rainfall, wildfires	• Disruption in distribution channels, particularly shipping delays, both at sea and at port with inability to offload • Shortages of raw material production, especially for furniture manufacturing – supply of wood for chipboard, resulting in increased cost of production • Infrastructure damage leading to delayed delivery of products by road	• The Group has a proven ability to adopt a strategy of holding higher stock levels during periods of supply chain disruption • Earlier placement of orders to enable timeous delivery of imported and local merchandise • Financial support, in the form of supplier development loans, provided to local suppliers to assist with increased costs of production
	Core operations	Extreme weather events: flooding and storm damage	• Reduced store accessibility leading to reduced sales revenue and the inability to collect debt from customers	• Alternative payment mechanisms have been introduced • Business continuity plans in place

TRANSITION RISKS

Material issues	Dimension	Risk description	Risk implication	Mitigating measures
Regulation	Core operations	Policy and legal Increased reporting requirements	• More onerous environmental reporting requirements can have an impact on the Group's operations	• Stay abreast of evolving sustainability and environmental reporting requirements and legislation
		Policy and legal Carbon pricing	• Increased carbon pricing leading to increased electricity costs as part of operational costs	• Investment in renewable energy and energy efficient initiatives
		Reputational	• Decreased shareholder sentiment and support due to perceived lack of urgency to participate in the low carbon economy	• Maintain regular communication with stakeholders to manage expectations and provide transparency
Retail trading environment	Core operations	Technology	• Inability or higher costs to transition to lower emissions technologies	• Investment in renewable energy and energy efficient initiatives
	Upstream and downstream supply chain	Market risk Decarbonising commodities	• Increased product costs and margin pressures due to embedded carbon costings of high carbon goods and carbon border tax adjustments	• Products are sourced from a wide range of local and international suppliers which allows the opportunity to increase localisation, if required

Sustainability report

PHYSICAL AND TRANSITION RISKS

Material issues	Dimension	Risk description	Risk implication	Mitigating measures
Retail trading environment	Downstream supply chain	Compounded macroeconomic climate-related impacts	• Customers having lower disposable income and thus leading to lower revenues	• The Group's store-based business model has proven resilient through all economic cycles and other disruptive events

OPPORTUNITIES

Material issues	Dimension	Opportunity description	Opportunity implication	Benefit
Retail trading environment	Upstream supply chain	Markets	• Investment opportunities in the supply chain	• Improved business resilience
	Core operations and downstream supply chain	Products and services	• Provision of low energy efficient products	• Customers will benefit from operational cost savings
	Core operations	Products and services	• Establish alternative payment mechanisms	• Improved debt collection
		Resilience	• Installation of backup power technologies at all our stores	• Energy security and long-term energy resilience
		Energy source and energy efficiency	• Energy efficiency across all facilities, whether owned or rented	• Improved energy efficiency and reduced operational costs
		Markets	• Longer term opportunities for sustainability-linked loans	• Additional source of funding and lower cost of capital
		Energy source	• Solar PV electricity installations at our warehousing facilities • Solar PV electricity installations at our head office during 2024, following a successful viability assessment	• Improved carbon footprint, energy security and energy costs
Global and local supply chain challenges	Upstream supply chain	Energy source and energy efficiency	• Ability to make purchasing decisions on fuel efficient vehicles, and provision of efficient driver training	• Improved fuel and operational cost efficiency and lower carbon footprint

Sustainability report

OUR PERFORMANCE AND PROGRESS

The Group has measured and calculated its carbon footprint according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), which includes Scope 1 and 2 emissions and certain Scope 3 emissions, since 2018. We continue to improve the accuracy and completeness of the measurement of our carbon footprint.

Total Scope 1, 2 and 3

78 223 tCO_2e

(2023: 74 592)

SCOPE 01

Source	2024 tCO_2e	2023* tCO_2e
South African fuel	**18 400**	17 506
International fuel	**2 595**	2 623
Total Scope 1	**20 995**	20 129

Commentary

Scope 1 emissions result from fuel consumption by company owned vehicles as well as diesel generators.

While the Group's increased store footprint (a net 29 new stores were opened in the current year) has contributed to the 6.9% increase in emissions, part of this movement is attributable to the increased generator diesel consumption as a result of persistent load shedding experienced during the financial year.

SCOPE 02

Source	2024 tCO_2e	2023* tCO_2e
South African electricity	**19 800**	19 644
International electricity	**3 313**	3 246
Total Scope 2	**23 113**	22 890

Commentary

Scope 2 emissions result from the generation of purchased electricity by the company.

Owing to our extensive store footprint as well as the reliance on landlords and municipalities to provide consumption data, data quality and completeness remains an ongoing challenge for the Group. As reported in the prior year, a data gathering exercise was undertaken to improve the quality of reporting and reduce the need for the use of estimation techniques. This exercise continued in the 2024 financial year, with consumption data now available for most months at approximately 80% of our stores.

The overall increase of 0.97% in emissions is mainly a result of our increased store footprint. The average electricity consumption per store decreased in the current year.

SCOPE 03

Source	2024 tCO_2e	2023* tCO_2e	
Fuel and energy-related activities	**16 960**	16 135	**Commentary** **This takes into account the emissions from the South African fuel and electricity supply.** The increase of 5.1% is primarily due to the movement in our Scope 1 and 2 emissions.
Upstream transportation and distribution	**7 156**	6 479	**Commentary** **Emissions associated with upstream transportation and distribution for the Group could only be calculated for road distribution.** Road distribution is outsourced mainly to one large service provider. Although international shipping from suppliers to South African ports as well as local furniture manufacturing would also contribute to this category, quantifying the emissions from our supply chain remains a challenge. We intend to engage with both our global and local suppliers on this in the upcoming year. The 10% increase in emissions is as a result of higher fuel consumption driven by business operational requirements as well as the increased store footprint.
Business travel	**3 565**	2 455	**Commentary** **Business travel emissions include domestic, regional and international travel.** Higher emissions driven by operational business requirements including management store visits and international buying trips.
Employee commuting	**6 434**	6 504	**Commentary** **Emissions associated with staff travel to work.** Slight decrease of approximately 1% in the current year.
Total scope 3	**34 115**	31 573	

** Emissions from 2023 were restated based on updated AR6 global warming potentials and updated calculation methodology.*

270

Solar panels are being installed which is estimated to generate 240MWh of power and avoid 235 616 kgs of CO_2 emissions per year.

INVESTMENT IN ALTERNATIVE ENERGY SUPPLY

To reduce carbon emissions, the Group has invested in a solar power system for the head office building which is the single largest contributor to Scope 2 emissions.

The location of most of our stores, together with the fact that most stores are rented and not owned by the Group, preclude us from installing renewable energy solutions. However, we will continue to investigate ways of reducing our overall carbon emissions across our store network.

Our load shedding response

To limit the trading disruption caused by electricity load shedding and to ensure seamless trading, **the Group invested in backup power solutions at all South African stores**.

Sustainability report

SOCIAL

The Group strives to take all stakeholder interests into consideration during business decision-making processes, ensuring that our operations not only meet regulatory requirements, but also prioritise the well-being of our employees, support the communities in which we operate through active engagement, support initiatives and maintain ethical practices in all our engagements and interactions.

What we achieved this year

Intake of **350** **learners** as part of unemployed learnership initiative (including 250 disabled learners)

81 (2023: 172) **interns/learnerships** offered full-time positions

40 **bursaries** awarded to staff and **27 bursaries** awarded to qualifying dependants

Black staff account for **97%** (2023: 98%) of the **staff complement**

Black female staff comprise **58%** **(2023: 57%) of total staff**

Zero **reports in terms of health and safety non-compliance**

Employment equity targets exceeded across all employment categories

Achieved **B-BBEE level 5** **rating**

Provided over **300 000** **meals to children** through our association with the Peninsula School Feeding Association

Support **138** **children** in meeting all their basic needs through sponsoring Children of the Dawn

Since the beginning of our partnership with TSIBA, **we invested** **R12.3m** by funding **150 full tuition** and subsistence scholarships

Assisted SAEP with **extensive renovations** of the Nomaxabiso Centre for Disabled Children and Aftercare, preventing them from closure

Funding for **upgrades** to the **Bill Hoffenberg Seminar Room** at UCT Medical School

Sustainability report

TRANSFORMATION

Employment equity

The Group's employment equity plan focuses on increasing the representation of designated groups, mainly in the senior management and professionally qualified areas.

Strategies have been developed to achieve internal employment equity targets, including the implementation of a comprehensive learning and development plan, in-service training of retail management students, granting bursaries, job profiling and performance assessments.

Management is also committed to ensuring that the Group's employee profile is representative of the customer base it serves and the communities in which it trades.

Equity targets across all employment categories exceeded.

EMPLOYMENT EQUITY - MARCH 2024

	Top Management	Senior Management	Professionally Qualified, and Mid-Management	Skilled Technical and Academically Qualified Workers, Junior Management	Semi-Skilled and Discretionary Decision Making	Unskilled and Defined Decision Making
% Black employees	50.00%	63.89%	80.41%	97.33%	99.85%	100.00%
Target 2024	40.00%	56.00%	75.00%	88.00%	98.00%	100.00%

Black economic empowerment

The Group supports the principles and objectives of B-BBEE contained in the 2015 Amended Codes of Good Practice on B-BBEE. The board acknowledges its oversight role in driving transformation and empowerment across all elements of the B-BBEE scorecard.

The Group remains focused on improving its rating to meet the objectives of the B-BBEE Act 46 of 2013 and in 2024, achieved an **improved Level 5 rating**. This rating was verified by AQRate, an accredited empowerment rating agency.

B-BBEE Element	Weighting	2024	2023	2022
Equity ownership	25	**6.50**	5.95	5.96
Management control	19	**12.14**	11.39	11.77
Skills development	20	**20.77**	19.21	15.95
Enterprise and supplier development	42	**37.18**	36.01	25.44
Socio-economic development	5	**5.00**	5.00	5.00
Total score		**81.59**	77.56	64.12
B-BBEE rating		**Level 5**	Level 6	Level 8

Enterprise and supplier development

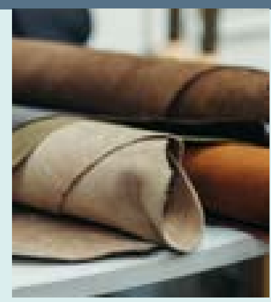
During the past year, Lewis focused on increasing its local supplier base and continued to support the local furniture industry through a focused enterprise development strategy to stimulate job creation in the domestic economy.

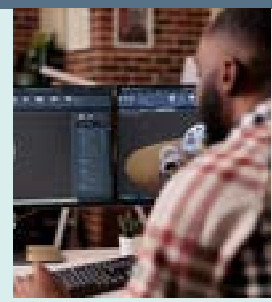
Refer to our Strategy and targets report on pages 13 and 14.

Large volumes of locally sourced merchandise, goods and services are purchased from small businesses which are mainly black-owned.

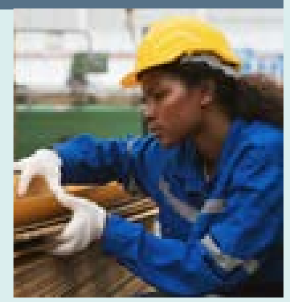
How we support our enterprise development partners


Financial administrative business support


Raw material sourcing


Product development


Design


Quality control

Our supplier agreements are aligned with and supportive of the 10 principles of the United Nations Global Compact. These set out core values in:

- human rights
- labour standards
- the environment
- anti-corruption for companies.

Sustainability report

INVESTING IN OUR PEOPLE

Training, talent and skills development

The Group's training and development programmes are geared towards creating opportunities for all employees from basic sales and product knowledge, to training key talent for branch managers and management positions over time. The Group's training department is accredited with the Wholesale and Retail Sector Education and Training Authority and offers a range of classroom-based and e-learning programmes in all aspects of retail, management and leadership training.

As part of the commitment to staff development, a central learning and development facility is used for the development of management for store operations in the five countries in which the Group operates.

Employee Recognition

The Great Employee Movement (GEM)

The GEM campaign was initiated to encourage and reward employees who are committed to service excellence.

Our goal is to create and enforce a strong sense of excellent customer service in all employees.

Our management team is committed to customer care and satisfaction and expect the same commitment from every employee.

Our head office service excellence team assesses service standards and manages reward programmes that recognise and provide incentives to employees who deliver outstanding service to our customers.

What we achieved this year

29 151
training interventions
(2023: 16 111)

97%
(2023: 96%) of **total training spend** on previously disadvantages employees

R59.5m
invested in employee training (2023: R47.8m)

Leadership programmes
completed for senior management levels

Sustainability report

SUPPORTING COMMUNITIES THAT SUPPORT US

Lewis strives to improve the quality of life of all our stakeholders by positively impacting their lives. We seek to be an integral part of the community, recognised by the communities in which we operate as a dependable, caring and an ethical corporate citizen.

Our core socio-economic strategy is reflected in our motto: **Supporting communities that support us.**

Click here to see our CSI initiatives on https://www.lewiscsi.co.za.

01 Our strategy goals and objectives:

02 Identify opportunities that are in line with our goals and objectives

03 Show measurable results in the short-, medium- and long-term

04 Create a win/win relationship between us and our beneficiaries

Provide the greatest social impact and value for the society we work and live in.

The majority of our support goes towards education and nutrition followed by health and social development, particularly towards the plight of children at risk in our society.

We work with selected large-scale projects that are based in the communities where our employees and customers live. The ultimate outcome objective is to create working models that can be replicated which create sustainable, independent community projects in the long-term. This is achieved through:

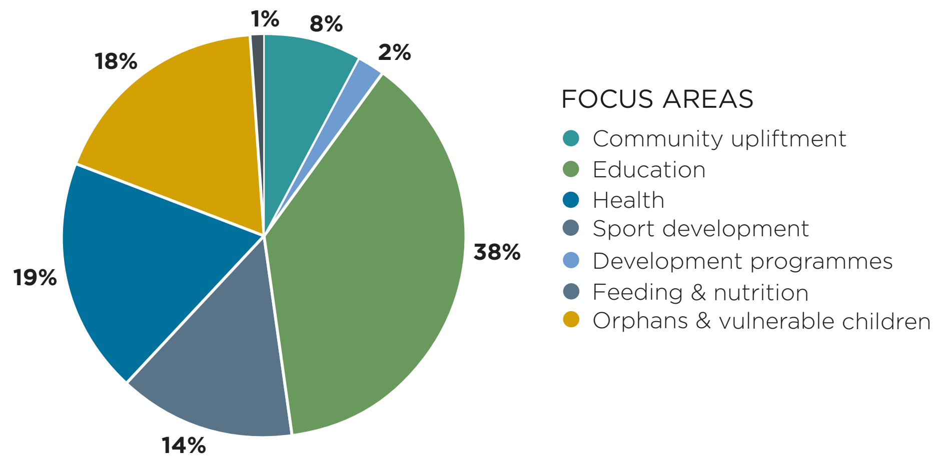
- **Engaging in socio-economic participation from every level of the organisation by actively seeking employee community involvement opportunities**
- **Communicating these projects through our internal communication channels**
- **Encouraging stakeholders to get involved**
- **Actively pursue our integrated socio-economic development strategy in a transparent manner**

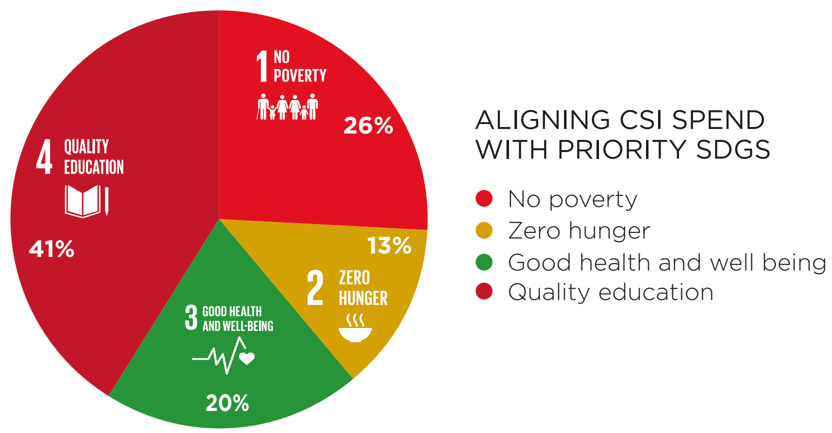
Although primarily focused in South Africa, the programme includes communities in the neighbouring countries of Botswana, Lesotho, Namibia and Eswatini where the Group has a retail presence.

The Group is committed to direct and indirect financial investment in socially responsible initiatives and activities and allocates funds throughout each financial year for this specific purpose.

DIRECT	Finance approved projects
INDIRECT	Contribution in kind for a project (e.g. resources, merchandise, materials)

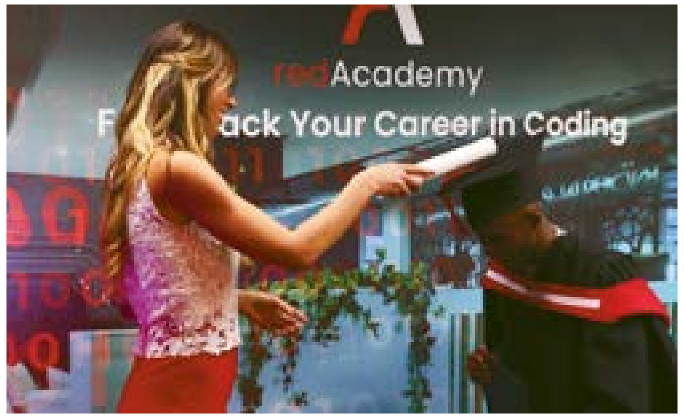
We aim to invest 1% of our Group after-tax profits on socio-economic development initiatives. This spend is reviewed and approved annually and the Group has a proven history of achieving 100% for this element on the B-BBEE scorecard.





Sustainability report

CASE STUDY



LEARNERSHIPS – A SUCCESSFUL PARTNERSHIP WITH redACADEMY

Lewis is committed to supporting and uplifting young people who may not have the opportunity to study in formal tertiary education. The Group sees strategic value for the country in fast-tracking young people onto the career ladder.

Based in Cape Town, redAcademy is hosted by redPanda Software, an enterprise software developer and technology partner of the Group.

As part of the partnership for the one-year Career Sprint, candidates known as "Sprinters", spend a six-month period engaging with software project development and delivering real-world tech solutions for the Group as a whole.

By developing solutions based on the organisation's operational process and with their IT needs in mind, the Sprinters acquire invaluable knowledge and skills that prepare them to enter a career in the tech industry and has made a meaningful difference in their lives.

Celebrating bright futures

On 31 May 2023, redAcademy celebrated the successful graduation of its first cohort of Sprinters as Junior Software Developers, all with permanent roles within a software development organisation.

Jessica Hawkey, Managing Director of redAcademy expressed her gratitude to Lewis Stores (Pty) Ltd for their visionary leadership and steadfast commitment to investing in the future talent of South Africa. She also acknowledged the invaluable contribution of redPanda Software, for hosting the academy and providing ongoing mentorship to the Sprinters.

"Lewis Stores (Pty) Ltd's partnership with redAcademy goes beyond mere collaboration; it is a testament to their shared mission of empowering South Africa's youth and transforming the country's tech landscape," said Hawkey.

Simbongile Dyi's story

I am grateful to organisations like the Lewis Group for investing in the South African youth like me who come from a disadvantaged background. Through their support I was able to complete the learnership and successfully transition from being a construction worker into being a skilled employee.

I am most appreciative of the opportunity to study, and to be able to work on and deliver real world projects while in training. I was given the chance to grow and show my skills by working on a project that was implemented at the stores.

To be part of this exciting industry and the technological change that is taking place worldwide is a great privilege.

Sustainability report

Key projects

South African Education Project (SAEP) works with 135 educare centres to assist them in becoming self-sustainable and allowing them to deliver quality early learning services to children in the Western Cape township of Philippi. In 2023, the Nomaxabiso Educare for Disabled Children and Aftercare Centre lost an entire section of their roof due to storm damage, leading to various external and internal structural damages. The Group partnered with SAEP to rebuild the facility and save them from deregistration and possible closure.

Through the **Peninsula School Feeding Association**, the Group continues to support 11 adopted schools in the Western Cape where meals for approximately 1 200 children are provided each school day.

The Group assisted with the refurbishment at the prestigious **Bill Hoffenberg Seminar Room at Groote Schuur Hospital**. The upgrades have introduced the capacity to function as a hybrid resource offering online and in-person training and research, multiplying its outreach through tertiary and professional training.

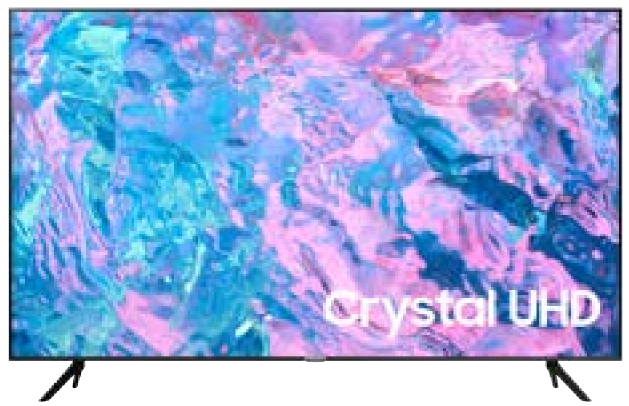
Lewis Group annually supports **TSIBA Business School**, an accredited higher education institution offering undergraduate and postgraduate business qualifications as well as informal short courses in leadership, entrepreneurship, and commerce. This year full bursaries are provided to 10 students. To date we have provided employment to 28 sponsored TSIBA students within the Group.

The **Alan Smart scholarships** honouring the memory and legacy of the Group's late chief executive officer funded two scholarships this year.

The Group's support provides 138 children with essential basic requirements through its association with **Children of the Dawn (COTD)**. These include educational support, food, clothing, hygiene products, transport, aftercare, emotional and moral support, health matters including management of HIV/AIDS symptoms and other *ad-hoc* projects. This programme benefits children across Limpopo, Mpumalanga, Eastern Cape, KwaZulu-Natal and the Free State.

Sibusiso Madonsela, a beneficiary of such support, completed his BSc (Honours) degree in Mining Engineering at Wits University and is currently employed as a mining management trainee.

"I strongly believe that the sponsorship provided to COTD should continue to grow, as it enables children from disadvantaged backgrounds to realise their dreams. Many professionals, including myself, have emerged from COTD's programmes, showcasing the organisation's transformative impact. In conclusion, COTD's work in empowering children from disadvantaged backgrounds and nurturing their aspirations is truly remarkable. I am testament to the organisation's impact, and I am immensely grateful to everyone, including the Lewis Group, who has contributed to my growth and success thus far."



03

LEADERSHIP

Directors and executive management

Hilton Saven | **Daphne Motsepe** | **Tapiwa Njikizana** | **Fatima Abrahams** | **Jacques Bestbier** | **Adheera Bodasing** | **Brendan Deegan** | **Johan Enslin** | **Rinus Oliphant** | **Waleed Achmat** | **Marisha Gibbons**

Board of directors

Hilton Saven (71)

BCom, CA(SA)

C B, INV AC, RC, REM, C NOM, SET

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Appointed 2004

Expertise and experience

CORPORATE GOVERNANCE, STRATEGY AND FINANCE

Hilton is an experienced company director and chartered accountant. He is the former chairman of Mazars South Africa, an international accounting firm, as well as the former chairman of Praxity Alliance, an international alliance of accounting firms.

Specific contribution to the board

Hilton serves as the non-executive Chairman of Lewis Group as well as the non-executive Chairman of Monarch Insurance Company Limited, the Group's insurance subsidiary.
His extensive experience in corporate governance, strategy, accounting and finance supports the board in fulfilling its statutory obligations and financial oversight responsibilities. He performed these roles over a number of years for both listed and large private companies.

Directorships:

Truworths International Limited (Chairman)
Balwin Properties Limited (Chairman)
Monarch Insurance Company Limited (Chairman)

Fatima Abrahams (61)

BEcon (Hons), MCom, DCom

INV AC, RC, C REM, NOM, C SET

INDEPENDENT NON-EXECUTIVE DIRECTOR AND LEAD INDEPENDENT DIRECTOR

Appointed 2005
Appointed as lead independent director in 2021

Expertise and experience

HUMAN RESOURCES AND REMUNERATION

Fatima is an academic, experienced company director and a registered industrial psychologist. She is an emeritus professor at the University of the Western Cape, having also served as Dean of the Faculty of economic and management sciences.

Specific contribution to the board

Fatima served as a non-executive director on the board of large listed companies, particularly in the retail sector. She built up extensive business experience over the years, particularly in the areas of remuneration, human capital and ESG, and has added substantial value to the board in these areas. Her strong academic qualifications and experience provided her with extensive expertise in these areas. Fatima is also a non-executive director of Monarch Insurance Company Limited.

She performed similar roles for other listed and unlisted entities over a number of years.

Directorships:

The Foschini Group Limited
Monarch Insurance Company Limited

Jacques Bestbier (51)

CA(SA)

INV AC, RC

EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Appointed to the board 2018

Expertise and experience

ACCOUNTING AND FINANCE

Jacques is an experienced chartered accountant with a background in short-term insurance, banking and retail.
He joined the Group in 2012 and served as general manager: administration prior to his appointment as Chief financial officer.

Specific contribution to the board

Jacques is the Chief financial officer and an executive director of the Group.

Directorship:

Lewis Stores (Pty) Limited

Adheera Bodasing (50)

BA, LLB

INV AC, RC, REM, NOM

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 2017

Expertise and experience

LEGAL AND COMPLIANCE

Adheera practised at two of South Africa's leading law firms where she specialised in intellectual property law, gambling law and financial sector law and policy. She headed the legal division of the National Treasury before starting Polarity Consulting which provides legal guidance and advisory services to local and international businesses in highly regulated industries.

Specific contribution to the board

Adheera engages regularly with parliament and the various financial sector regulators which allows her to advise the board on future and existing regulations and policies impacting the business. Her broad understanding of the business' legal and regulatory framework also enables her to contribute on matters relating to regulatory compliance as well as other legal aspects.

Directorship:

Polarity Consulting (Pty) Limited

B BOARD
C CHAIRPERSON
INV BY INVITATION

COMMITTEE KEY
AC AUDIT
RC RISK
REM REMUNERATION
NOM NOMINATIONS
SET SOCIAL, ETHICS AND TRANSFORMATION

Board of directors

Brendan Deegan (62)

BCom, CA(SA)

AC RC REM NOM

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 2022

Expertise and experience

ACCOUNTING, FINANCE, GOVERNANCE, ASSURANCE AND RISK

Brendan 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 serves as a non-executive director of Lewis Group and Monarch Insurance Company Limited. Brendan is an experienced accountant and former auditor with expertise in financial reporting, leadership and governance, and assurance and risk.

Directorship:

Monarch Insurance Company Limited

Johan Enslin (50)

INV AC, RC, INV REM, INV NOM, SET

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Appointed to the board 2009

Expertise and experience

OPERATIONS, STRATEGY AND GOVERNANCE

Johan has 30 years credit furniture retail experience. He joined Lewis Group as a salesman in 1993 and rose rapidly through the ranks, holding positions including branch manager, regional controller, divisional general manager, general manager: operations and operations director of Lewis Stores. He was the Chief operating officer responsible for the retail operations of the Group prior to his appointment as Chief executive officer.

Specific contribution to the board

Johan is the Chief executive officer and an executive director of the Group, and has a wealth of retail experience gained through all stages of the economic cycle.

Directorship:

Lewis Stores (Pty) Limited

Daphne Motsepe (67)

BCompt, MBA

C AC, C RC, REM, NOM, SET

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 2017

Expertise and experience

FINANCE, BANKING, GOVERNANCE AND LEADERSHIP

Daphne was formerly the chief executive of 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 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.

Directorships:

Truworths International Limited
Kapela Holdings (Pty) Limited
NEC XON Holdings (Pty) Limited
Toyota Tsusho Africa
CFAO Motors South Africa (Pty) Limited

Tapiwa Njikizana (48)

CA(SA), JSE Registered IFRS Advisor

AC RC REM NOM

INDEPENDENT NON-EXECUTIVE DIRECTOR (ZIMBABWEAN)

Appointed 2019

Expertise and experience

ACCOUNTING, FINANCIAL REPORTING AND CONSULTING

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 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.

Directorships:

W.consulting SA (Pty) Limited
Sasfin Holdings Limited
Sasfin Bank Limited

Marisha Gibbons (33)

LLB, LLM

COMPANY SECRETARY

Appointed 2022

Expertise and experience

LEGAL AND CORPORATE GOVERNANCE

Marisha is an admitted attorney. She joined the Group from Quantum Foods Holdings Limited where she worked as the company secretary and head of legal for four years. She completed her articles in the corporate commercial department at ENSafrica and practised as a legal advisor for two years at Lactalis SA (formerly Parmalat SA).

B BOARD
C CHAIRPERSON
INV BY INVITATION

COMMITTEE KEY
AC AUDIT
RC RISK
REM REMUNERATION
NOM NOMINATIONS
SET SOCIAL, ETHICS AND TRANSFORMATION

Executive management

Johan Enslin (50)

CHIEF EXECUTIVE OFFICER

Expertise and experience

30 years of service

Johan has 30 years credit furniture retail experience. He joined Lewis Group as a salesman in 1993 and rose rapidly through the ranks, holding positions including branch manager, regional controller, divisional general manager, general manager: operations and operations director of Lewis Stores. He was the Chief operating officer responsible for the retail operations of the Group prior to his appointment as Chief executive officer.

Waleed Achmat (61)

BA Hons (Industrial Psychology)

HUMAN RESOURCES DIRECTOR

Expertise and experience

7 years of service

Waleed is responsible for driving and managing the implementation of both strategic and operational human resources throughout the business.

Jacques Bestbier (51)

CA(SA)

CHIEF FINANCIAL OFFICER

Expertise and experience

12 years of service

Jacques is an experienced chartered accountant with a background in short-term insurance, banking and retail.
He joined the Group in 2012 and served as general manager: administration prior to his appointment as Chief financial officer.

Rinus Oliphant (49)

OPERATIONS DIRECTOR

Expertise and experience

26 years of service

Rinus is responsible for the retail operations of the Group.

04

OPERATIONS REVIEW

Merchandise, supply chain and stores

MERCHANDISE STRATEGY

The Group's merchandise strategy is aimed at offering customers differentiated product ranges through innovative sourcing and capitalising on the strength of long-term relationships with local and international suppliers.

New merchandise ranges are launched frequently across all brands to offer customers ongoing newness. Added-value features and components ensure differentiation and enhance the value of the merchandise.

In the traditional retail brands which target the lower to middle income groups, the focus is on offering quality, value-for-money merchandise ranges. Products are sourced to meet the specific needs of this customer base.

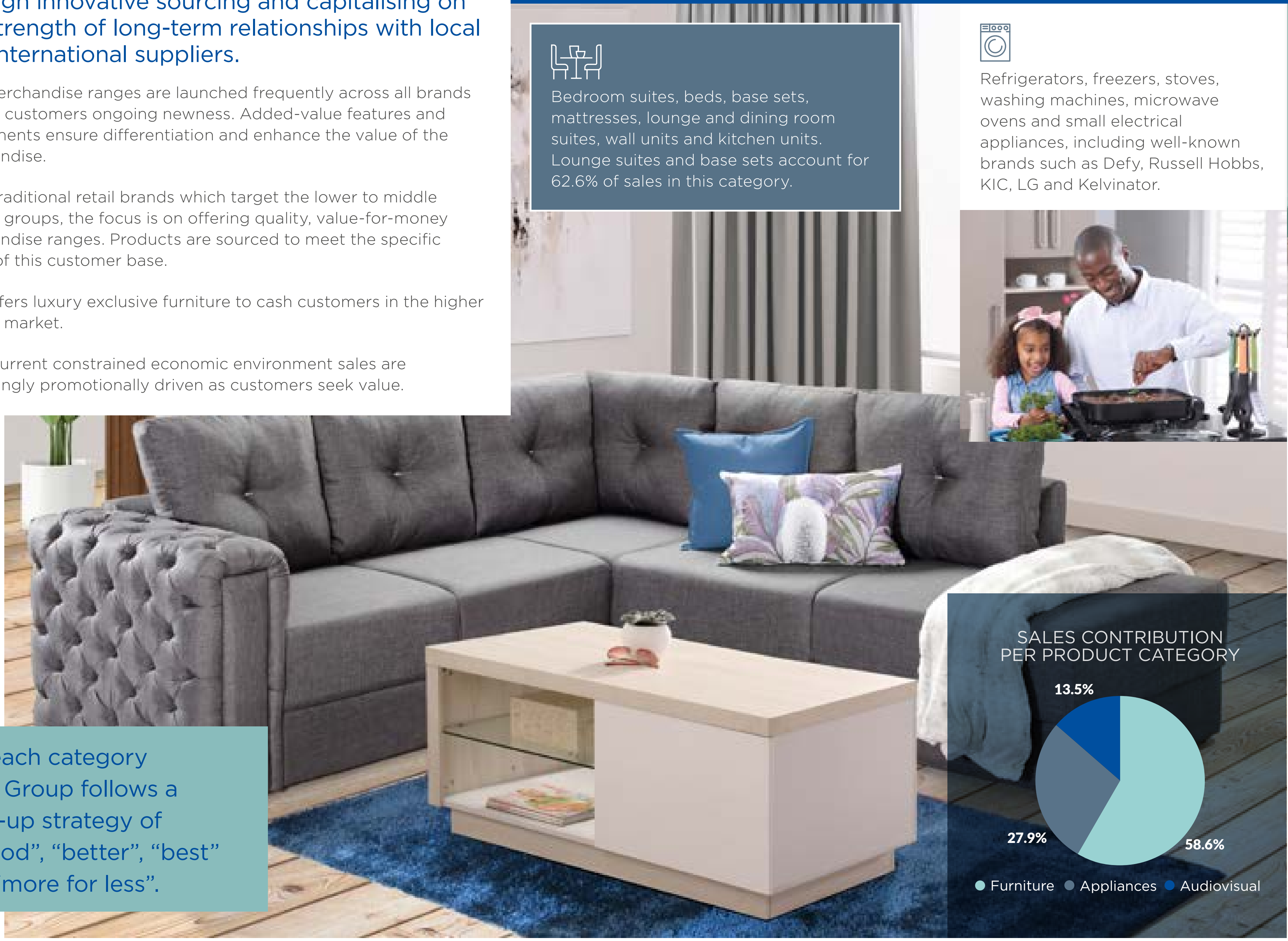
UFO offers luxury exclusive furniture to cash customers in the higher income market.

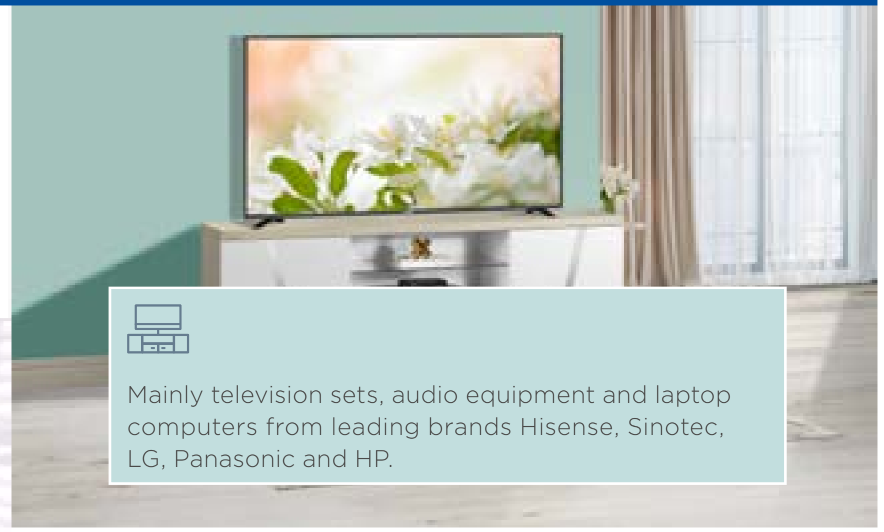
In the current constrained economic environment sales are increasingly promotionally driven as customers seek value.

MERCHANDISE OFFERING

The merchandise offering covers three core product categories:

Furniture	Appliances	Audiovisual
Bedroom suites, beds, base sets, mattresses, lounge and dining room suites, wall units and kitchen units. Lounge suites and base sets account for 62.6% of sales in this category.	Refrigerators, freezers, stoves, washing machines, microwave ovens and small electrical appliances, including well-known brands such as Defy, Russell Hobbs, KIC, LG and Kelvinator.	Mainly television sets, audio equipment and laptop computers from leading brands Hisense, Sinotec, LG, Panasonic and HP.





In each category the Group follows a sell-up strategy of "good", "better", "best" or "more for less".

Management continues to focus on increasing sales of the higher margin furniture and appliance product categories, while more contemporary lines are offered in each furniture sub-category to attract younger customers.

The Group's gross profit margin benefited from effective margin management on new merchandise ranges introduced in the second half of the financial year, increasing by 250 basis points to 43.1%.

MERCHANDISE SOURCING

Products are sourced from a wide range of local and international suppliers to ensure that customers are offered exclusive merchandise ranges. Local supply accounted for the majority of the stock purchases in the reporting period.

As a member of Proudly South African, the Group is committed to promoting social and economic change. The Group sources locally by investing and partnering with local manufacturers, making a meaningful contribution to building a better South African economy, alleviating unemployment and retaining existing employment opportunities.

Products are supported by local and international after-sales service to ensure quality standards are maintained. Prior to consignments being dispatched from international suppliers, samples of all imported products are assembled and tested for quality purposes.

Merchandise, supply chain and stores

ELECTRONIC MERCHANDISE CATALOGUE

An electronic merchandise catalogue is used in all traditional retail stores, providing customers with access to the complete merchandise range, despite space limitations in stores.

The full product range, including all available colour and fabric options, is displayed on a large touch screen.

SUPPLY CHAIN AND DISTRIBUTION

The Group's supply chain model is based on merchandise being delivered directly by suppliers to stores, supported by leading shipping and logistics providers for imported stock.

As the Group does not operate distribution centres or centralised warehouses for the traditional retail brands, each store has a storage facility which is located close to the store, generally in areas with lower rentals than retail space. This strategy limits the build-up of obsolete stock and reduces markdowns.

Traditional retail stores have dedicated delivery vehicles which enables an average of 90% of deliveries to be completed within 24 hours.

After holding higher inventory levels over the past two years to ensure that the business had adequate stock cover to counter supply chain disruptions and meet customer demand, inventory levels were reduced by 16.1% and returned to traditional levels.

STORES

The Group's store base increased to 869 following the opening of 41 stores and the closure of 12 stores in the past financial year. This includes 138 stores in the neighbouring countries of Namibia, Botswana, Lesotho and Eswatini.

Merchandise, supply chain and stores

Traditional retail

The traditional retail stores are generally located in main streets and town centres, close to places where target customers live, work and shop. Customers are serviced by staff from their own communities, in their own language.

The flagship brand, Lewis, carries a comprehensive range of merchandise and caters for specific markets and regional differences. Stores have an average trading space of 305m^2 and the smaller format stores are approximately 250m^2. The smaller format store allows the chain to gain access to high traffic areas at more affordable rentals. This store format offers customers key merchandise lines, with the full range available on the electronic catalogue and display screens in-store. Lewis now has 259 (2023: 250) small format stores in its portfolio.

An active store refurbishment programme ensures that stores remain relevant and modern, with stores being refurbished on average every five years. During the reporting period, 150 (2023: 150) stores across the portfolio were refurbished, bringing to 700 the number of stores revamped in the past five years.

Stores are responsible for all aspects of managing the customer relationship. The personal and relationship-based interaction with customers in the stores creates trust and confidence while ensuring high levels of customer loyalty.

In the traditional retail brands a significant volume of credit sales are generated from existing customers. This is largely attributable to the success of the customer re-serve programme which identifies existing customers for potential further credit, based on their payment history.

Cash retail

UFO stores are located in high-end malls and shopping centres, with the chain's flagship store in Marlboro, Johannesburg, recognised as a destination shopping location.

Lewis

TOTAL STORES
498
423 stores in SA
+
75 stores outside SA
+
151 739 m^2 trading space
+
Average store size **305 m^2**

Best Home and Electric

TOTAL STORES
170
149 stores in SA
+
21 stores outside SA
+
21 887 m^2 trading space
+
Average store size **129 m^2**

Beares

TOTAL STORES
150
108 stores in SA
+
42 stores outside SA
+
53 438 m^2 trading space
+
Average store size **356 m^2**

UFO

TOTAL STORES
39
39 stores in SA
+
25 246 m^2 trading space
+
Average store size **647 m^2**

Bedzone was established in **2022** as a specialist retailer of base sets. By year-end, the brand was trading from **12 stores** and the operating model will continue to be refined in the new financial year.

Merchandise, supply chain and stores

CUSTOMER ENGAGEMENT VIA SOCIAL MEDIA

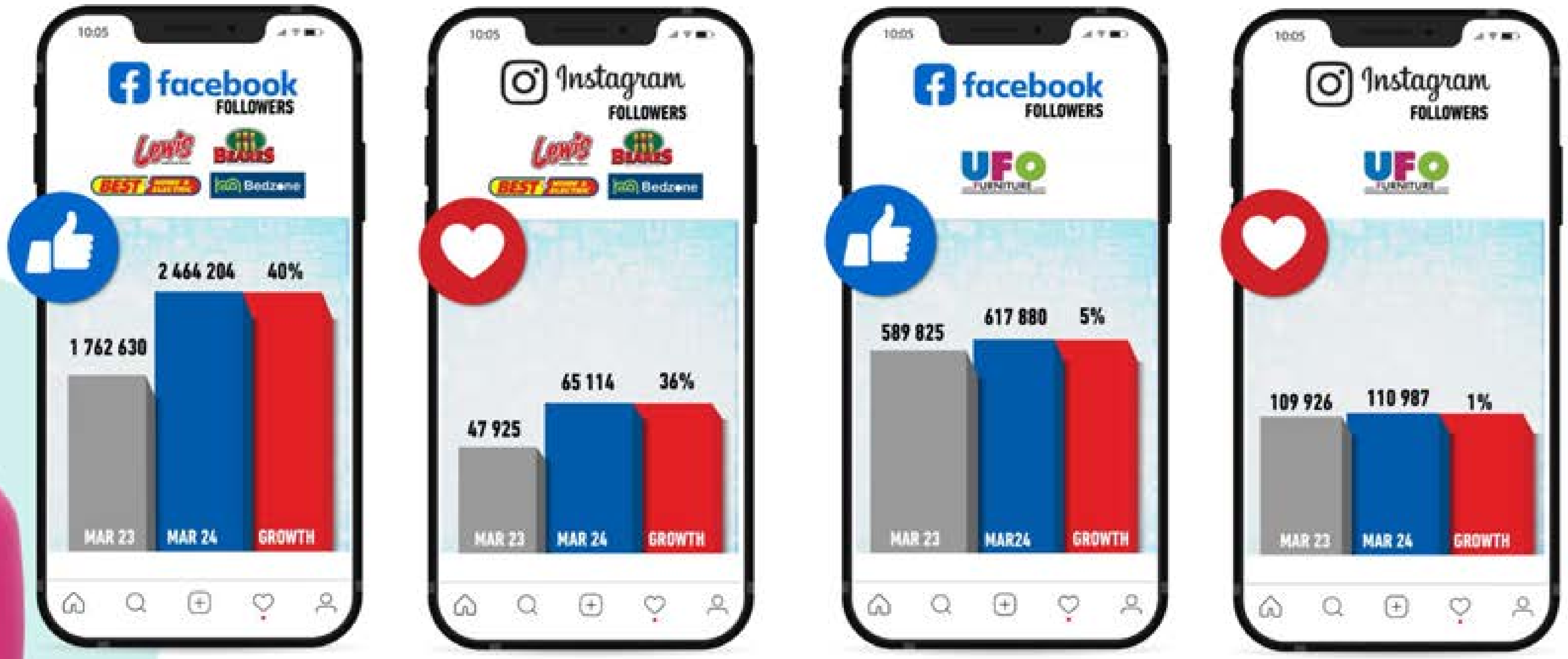
Digital marketing channels are a highly efficient and cost-effective means of engaging with customers and generating sales leads to support stores in attracting new customers.

Lewis, Best Home & Electric, Beares and Bedzone have attracted a strong social media following and are now well established on Facebook and Instagram. During the past financial year, nearly 800 000 additional Facebook followers joined the Group's Facebook pages, increasing the followers of the traditional retail brands to 2.4 million (2023: 1.7 million), equating to a year on year growth of 40%. The Group now enjoys over 3 million Facebook followers.

Instagram followers grew by 36% across the traditional brands, from 47 900 to over 65 000.

The Group uses the direct marketing channel to engage, generate sales and foster loyalty, enabling customers to access brochures and apply for credit at no cost.

Leads generated from social media accounted for approximately 7% (2023: 5%) of the Group's merchandise sales in the past year.



The Group now enjoys over 3 million Facebook followers

Managing credit risk

Despite the constrained economic environment, the robust growth in the debtors book and record high customer payment metrics has been a significant achievement for the Group.

IMPROVING QUALITY OF THE DEBTORS BOOK

The quality of the Group's debtors' portfolio continued to improve and gross debtors increased by 15.6% to R6.9 billion. The level of satisfactory paying customers increased to an all-time high of 81.3% (2023: 80.4%) and collection rates ended 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%.

The debtor performance and further explanation of the debtors impairment provision is covered in the *Chief financial officer's report on page 51.*

Credit ratios and statistics		2024	2023
Credit sales as a percentage of total sales	%	**66.2**	59.9
Gross debtors	Rm	**6 949**	6 013*
Increase in gross debtors	%	**15.6**	7.5
Collection rates from instalment sales	%	**79.7**	80.8
Total collections from instalment sales	Rm	**5 282**	4 762
Debtor impairment provision	Rm	**2 606**	2 162*
Debtor impairment provision as a percentage of gross debtors at carrying value	%	**37.5**	36.0*
Debtor costs	Rm	**1 225**	720*
Debtor costs as a percentage of debtors at gross carrying value	%	**17.6**	12.0*
Net bad debts as a percentage of debtors at gross carrying value	%	**11.2**	13.1*
Satisfactory paid accounts as a percentage of total customers	%	**81.3**	80.4
Credit application decline rate	%	**35.1**	34.7
Active credit customer base		**640 543**	594 804

** Change in measurement as a result of adoption of IFRS 17 which resulted in the reclassification of the insurance receivable and related impairment.*

CREDIT OFFERING

In the traditional retail brands credit contracts are offered over 12, 24, 30 or 36 months.

The credit offering is supported by Monarch, the Group's insurer, which offers a range of optional microinsurance products to customers purchasing merchandise on credit. Insurance cover is offered in the event of death, disability, retrenchment, and accidental loss of goods. Monarch is registered with the Financial Sector Conduct Authority and operates under a microinsurance licence.

CREDIT RISK MANAGEMENT

Credit is granted centrally to ensure that credit risk policies are consistently applied, removing any subjectivity in the credit granting process. As a responsible credit provider, an important factor in granting credit is the level of indebtedness of an applicant as this impacts directly on their ability to service debt. A comprehensive affordability assessment is undertaken for all credit applications which includes assessing Lewis' data, credit bureau information as well as the customer's priority living expenses.

Advanced credit granting systems are used to assess the customer through the credit underwriting process summarised below:

Credit scoring: Information is gathered on the customer from credit bureaus and third parties, including employers, and processed through credit scorecards. For new customers, application risk scorecards predict the risk based on the information from these external parties. For existing customers, behavioural scorecards assess the risk through predictive behaviour based mainly on the customer's payment record with Lewis, taking account of credit bureau and third-party data.

Assessing customer affordability: Information is collected on the applicants' income, expenses and current debt obligations. Lewis uses its own priority expense model as well as the National Credit Regulator's expense table in determining the customer's minimum living expense.

Credit limit: The applicants' risk score determined by the scorecard, together with the expense assessment and outstanding obligations, are used to calculate a credit limit within the customer's affordability level.

These credit granting scorecards are used to determine the Group's appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the potential revenue using the predictive behavioural models inherent in the credit granting system. The Group monitors any variances from the level of risk that has been adopted and refines the scorecards, as necessary.

CREDIT GRANTING COMPLIANCE

When entering into credit agreements, customers are interviewed by the store manager and all the salient terms of the credit sale, as well as the benefits of the optional products and services, are explained to the customer.

Prior to completing the transaction, the store manager ensures that the customer speaks to a compliance call centre agent, in one of the nine official languages of their choice. This call centre was introduced in 2016 to further improve compliance, transparency and oversight of the in-store sales and credit application process as well as limit potential misunderstandings of the cost of credit, services offered and fees to be paid by customers. The call centre is housed at the Group's head office and employs approximately 60 permanent staff, increasing to 150 agents during peak periods.

The call centre agent needs to establish that the store manager conducted the interview to explain the contract to the customer. Furthermore, the agent must ensure that the customer understands all critical elements of the contract, including which services are optional, the initiation fees, service fees, delivery fees, maintenance contract and insurance. The total cost of credit, monthly instalment, interest amount, interest rate and credit multiple are reconfirmed, and the customer is asked to confirm that they can afford the monthly instalment. The employment status of the customer is confirmed as well as the insurance options selected.

Managing credit risk

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

Customers can interrupt the call at any time and if it becomes evident to the call centre agent that the customer does not understand any element of the contract, the call will be ended and referred back to the store manager who will have to explain the issue to the customer. Once completed, the call centre will engage the customer again.

All calls are recorded and stored to protect the interests of the customer and the Lewis Group. Only once the call centre agent has successfully completed the interview with the customer will the transaction be approved by the call centre. Without this approval, no transaction exists, and the goods cannot be delivered or invoiced.

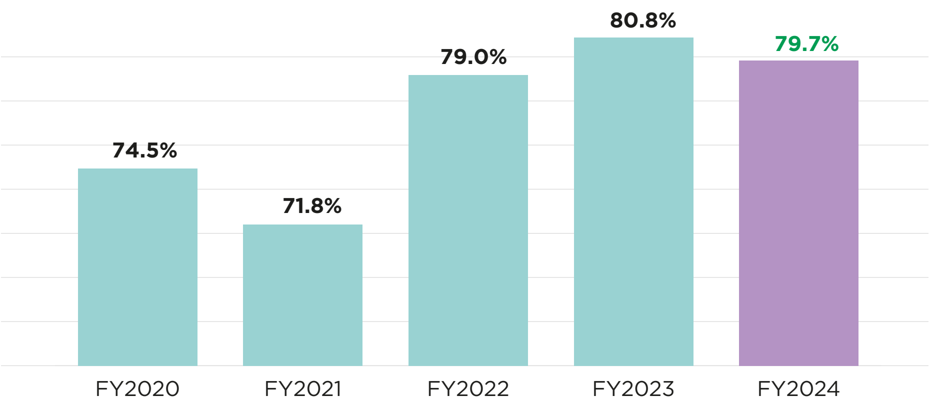
INSTALMENT COLLECTIONS

Lewis operates a hybrid credit collection process, with both store-based follow-up and cash collections as well as customers paying monthly instalments via debit order.

The store-based collections model has proven to be highly effective as stores are located close to where customers live, work and shop. Store collection staff are often from the same community and can communicate in the language of the customer, which benefits collection rates.

The introduction of the debit order strategy has further supported collections and created more capacity allowing staff to focus on following up with customers who pay instalments in the store.

Collections rates



BAD DEBTS

Accounts in default are written off where the customer's payment behaviour cannot be rehabilitated after all reasonable collection methods have been exhausted. Bad debts arise where the customer's account balance has been written off. The decision to write off accounts considers the customer's payment rating, recent payment behaviour, whether the customer has exceeded the contractual term and the age of the account.

Refer to note 2 to the summary consolidated financial statements on pages 59 to 61 for detail on the determination of the impairment provision and the calculation of contractual arrears, as well as the combined impairment and contractual arrears tables.

FINANCIAL REVIEW

05

Chief financial officer's report

The Group overcame significant headwinds in the domestic economy to post a solid financial and operational performance. This was marked by the continued improvement in the quality of the debtors book in the constrained credit environment as well as highly competitive returns for shareholders.

Debtors book growth of
15.8%

Earnings per share increased by
15.9%

Dividend yield of
11.5%

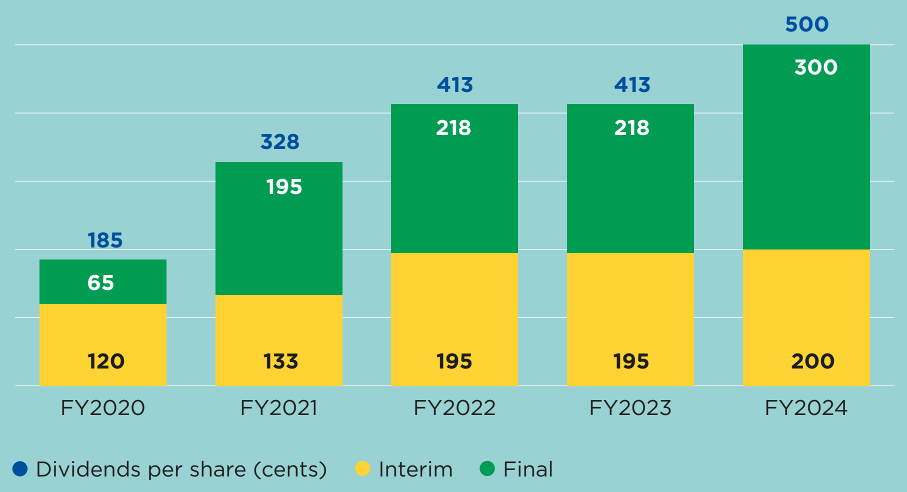
Earnings increased by 6.2% to R436.4 million (2023: R411.0 million) and earnings per share rose by 15.9% to 806 cents (2023: 696 cents), supported by the positive leverage effect from the Group's share repurchase programme. Headline earnings were 1.9% lower at R500.4 million (2023: R510.2 million), while headline earnings per share increased by 7.1% to 925 cents (2023: 864 cents).

The total dividend increased by 21.1% to 500 cents per share (2023: 413 cents per share), equating an earnings payout ratio of 61.3% (2023: 58.5%).

During the year, the Group returned R436 million to shareholders through share buy-backs of R170 million and dividend payments of R266 million, providing an annual return to shareholders of 19.0%. Over the past five years, which includes the period impacted by Covid-19, the Group delivered an average shareholder return of 19.0%.

The Group's balance sheet remains strong and the net asset value increased by 8.2% to R88.91 per share (2023: R82.20).

DIVIDENDS



Jacques Bestbier

FINANCIAL PERFORMANCE

Shareholders will note that 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, and comparatives have been restated.

The following review of the Group's financial performance should be read together with the audited summary financial statements on pages 55 to 65.

Revenue

Merchandise sales increased by 4.7% to R4 653 million (2023: R4 443 million).

Sales in the traditional retail segment increased by 6.9%, while the cash retailer UFO reported a decline of 12.6%. Comparable store sales across all brands grew by 1.9%.

Credit sales grew by 15.8% and cash sales declined by 11.8%. Credit sales accounted for 66.2% of total merchandise sales compared to 59.9% in the prior year.

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

Total revenue, comprising merchandise sales and other revenue, increased by 9.8% to R8 184 million (2023: R7 456 million).

Gross profit

The gross profit margin strengthened by 250 basis points to 43.1% (2023: 40.6%), benefiting from effective margin management on new merchandise ranges introduced in the second half of the year.

Operating costs

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.

Debtor performance

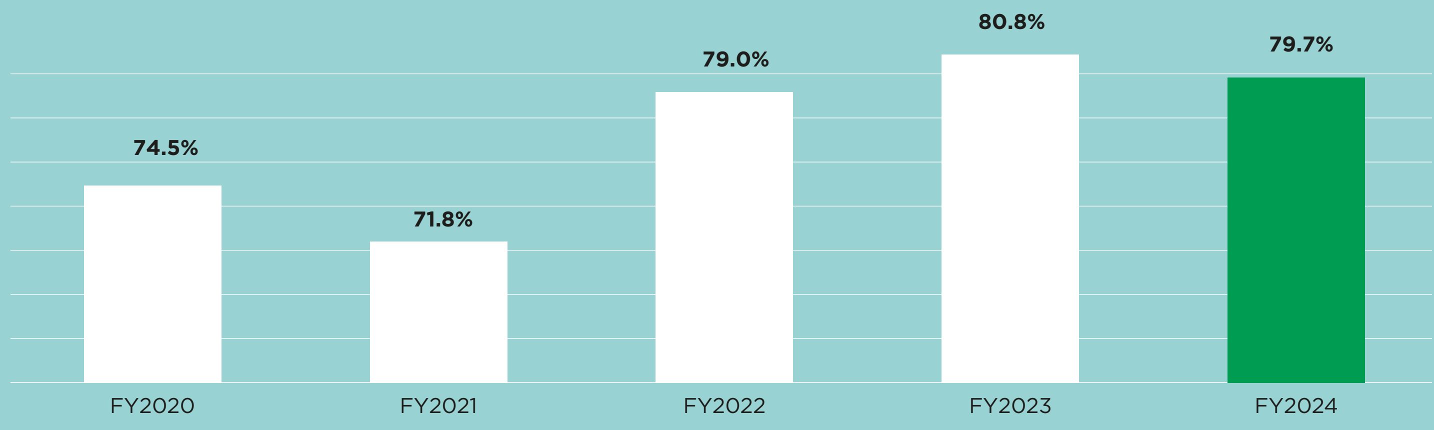
	2024	2023*
Collections (Rm)		
Collections from instalment sales (+10.9%)	5 282	4 762
Contractual arrears (Rm)	1 706	1 670
% of debtors at gross carrying value	24.5%	27.8%
Debtor costs (Rm)		
Debtor costs (+70.3%)	1 225	720
• Net bad debts written off	782	791
• Debtors impairment provision	443	(71)
Debtor costs as a % of debtors at gross carrying value	17.6%	12.0%

** The 2023 figures were restated for IFRS 17.*

The quality of the Group's debtors' portfolio continued to improve and the debtors book grew by 15.6% over the prior year.

Satisfactory paying customers increased to a record level of 81.3% (2023: 80.4%). Collections from instalment sales increased by 10.9% or R520 million over the prior year and collection rates ended 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.

Instalment collections



Despite the improvement in the quality of the debtors book, the economic overlay provision, which is 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%.

	2024	% of debtors	2023*	% of debtors	% movement
Gross debtors (Rm)	6 949		6 013		15.6%
Net bad debts	782		790		(1.1%)
Impairment model provision	2 259	32.5%	1 994	33.2%	13.3%
Economic overlay provision	347	5.0%	169	2.8%	105.4%
Total impairment provision	2 606	37.5%	2 163	36.0%	20.5%
Debtors' impairment provision movement	443		(71)		
Total debtors costs (Rm)	1 225		720		70.3%
Debtors Cost %	17.6%		12.0%		

** The 2023 figures were restated for IFRS 17.*

Operating profit

Operating profit increased by 13.1% to R689.5 million (2023: R609.4 million). 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.

Finance costs

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.

SEGMENTAL PERFORMANCE

The operational performance of the Group is reported for the traditional segment, comprising the Lewis, Best Home & Electric, Beares and Bedzone brands, and the cash segment which houses the UFO brand. Further detail on the operational performance of the brands is included in the *Merchandise, supply chain and stores report on pages 43 to 46.*

	Group		Traditional		Cash	
	2024	2023*	**2024**	2023*	**2024**	2023
Revenue (Rm)	**8 184**	7 456	**7 741**	6 950	**443**	506
Merchandise Sales (Rm)	**4 653**	4 443	**4 217**	3 945	**436**	498
Total operating costs (Rm)	**3 558**	3 389	**3 395**	3 188	**163**	201
Operating profit/(loss) before impairments and capital items (Rm)	**755**	712	**746**	708	**9**	4
Operating profit/(loss) (Rm)	**690**	609	**773**	733	**(83)**	(124)
Operating margin:						
Before impairments and capital items (%)	**16.2**	16.0	**17.7**	17.9	**2.1**	0.9
After impairments and capital items (%)	**14.8**	13.7	**18.3**	18.6	**(19.2)**	(24.9)

** The 2023 figures were restated for IFRS 17.*

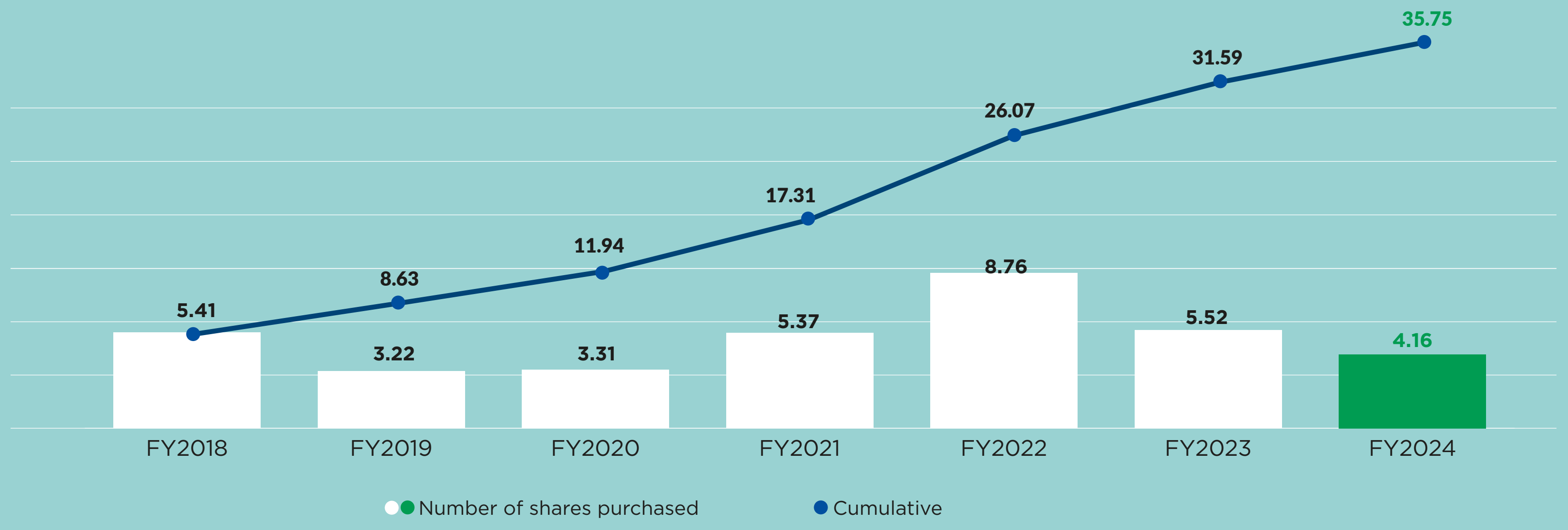
CASH AND CAPITAL MANAGEMENT

The Group's cash and capital management strategy is focused on investing in the longer-term growth of the business and returning capital to shareholders through dividend payments and share repurchases.

Cash flow from operations totalled R693.8 million (2023: R741.9 million), and the investment in the debtors book growth absorbed R976.9 million in the current year. The Group ended the year on net borrowings of R551 million (2023: R185 million). The borrowings ratio (gearing ratio, excluding IFRS 16 lease liabilities), increased to 11.7% from 4.0% mainly due to the ongoing investment in the growth of the debtors book. The gearing ratio, including lease liabilities, increased to 31.7% from 24.1% in the prior year.

SHARE BUY-BACKS

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 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.



The total dividend for the year amounted to approximately R266 million (2023: R236 million).

The Group's capital return ratios all improved, with the return on equity (ROE) increasing from 8.7% to 9.3%. The board remains committed to achieving an ROE target of 15% in the medium term.

Capital ratios (%)	2024	2023*
Return on equity	**9.3**	8.7
Return on average capital employed	**8.6**	7.9
Return on average assets managed	**10.0**	9.2
Gearing ratio (including IFRS 16)	**31.7**	24.1
Borrowings ratio (excluding IFRS 16)	**11.7**	4.0

** The 2023 figures were restated for IFRS 17.*

OUTLOOK FOR 2025

The Group's balance sheet remains strong and management will continue to focus on tight expense control and margin management to deliver sustainable returns to shareholders.

The board is committed to continuing the share buy-back programme. By year end, the Group acquired 3.3% of the current authority granted by shareholders in October 2023, to repurchase a further 10% of the issued share capital.

The financial and operating targets have been reviewed and revised to reflect the expected performance for 2025 and over the medium-term.

Financial and operating targets

Performance indicators (%)	2024 Actual %	2025 targets %	Medium-term targets %
Gross profit margin	43.1	**40 – 42**	41 – 43
Increase in operating costs	5.0	**6 – 10**	4 – 8
Satisfactory paid customers	81.3	**77 – 80**	77 – 80
Debtor costs as a % of debtors at gross carrying value	17.6	**13 – 17**	12 – 15
Operating profit margin	14.8	**12 – 16**	16 – 20
Borrowings ratio	11.7	**<25**	<25
Gearing ratio	31.7	**<50**	<50

APPRECIATION

Thank you to our loyal shareholders for your continuing support and belief in our investment case. We also thank the broader investment community for your interest and engagement over the past year. I extend my appreciation to my Group finance colleagues for their ongoing support and commitment to delivering high standards of corporate reporting.

Jacques Bestbier
Chief financial officer

Five-year review

Ratios and statistics		2024	2023 Restated	2022	2021	2020
Returns						
Return on average shareholders' funds (after-tax)	(%)	**9.3**	8.7	10.1	9.0	3.8
Return on average capital employed (after-tax)	(%)	**8.6**	7.9	8.8	8.7	3.7
Return on average assets managed (pre-tax)	(%)	**10.0**	9.2	10.4	10.5	4.8
Margins						
Gross profit margin	(%)	**43.1**	40.6	40.5	41.8	41.0
Operating profit margin before impairments and capital items	(%)	**16.2**	16.0	17.5	18.7	7.7
Operating profit margin	(%)	**14.8**	13.7	15.2	17.7	6.9
Productivity						
Number of stores		**869**	840	819	807	794
Revenue per store	(R'000)	**9 417**	8 877	8 860	8 334	8 128
Operating profit per store	(R'000)	**793**	725	816	862	320
Average number of permanent employees		**10 004**	9 524	8 952	8 847	8 248
Revenue per employee	(R'000)	**818**	783	811	760	782
Operating profit per employee	(R'000)	**69**	64	75	79	31
Trading space	(m^2)	**255 162**	253 135	250 643	249 758	249 538
Revenue per square metre	(R)	**32 073**	29 456	28 950	26 930	25 861
Operating profit per square metre	(R)	**2 702**	2 407	2 665	2 785	1 017
Inventory turn	(times)	**3.7**	3.0	2.6	2.4	2.9
Credit ratios						
Credit sales	(%)	**66.2**	59.9	51.4	49.1	56.9
Bad debts as a percentage of debtors at gross carrying value	(%)	**11.2**	13.1	14.5	16.2	13.9
Debtor costs as a percentage of debtors at gross carrying value	(%)	**17.6**	12.0	12.3	14.3	17.6
Debtors impairment provision as a percentage of debtors at gross carrying value	(%)	**37.5**	36.0	40.4	42.6	44.1
Satisfactory paid accounts as a percentage of total customers	(%)	**81.3**	80.4	79.0	74.4	70.5
Arrear instalments on satisfactory paid accounts as a percentage of debtors at gross carrying value	(%)	**10.0**	10.2	10.4	10.4	10.7
Arrear instalments on slow paying and non-performing accounts as a percentage of debtors at gross carrying value	(%)	**14.5**	17.6	22.7	25.7	26.0
Credit applications decline rate	(%)	**35.1**	34.7	36.1	38.1	37.5
Collection rate	(%)	**79.7**	80.8	79.0	71.8	74.5

Ratios and statistics		2024	2023 Restated	2022	2021	2020
Solvency and liquidity						
Financing cover	(times)	**5.3**	8.4	24.6	5.6	8.9
Gearing ratio	(%)	**31.7**	24.1	15.3	7.4	12.0
Borrowings ratio	(%)	**11.7**	4.0	(4.8)	(9.2)	(5.8)
Current ratio	(times)	**3.5**	3.4	3.6	3.9	2.8
Share performance						
Earnings per share	(cents)	**806.3**	695.6	730.7	576.4	232.1
Headline earnings per share	(cents)	**924.6**	863.5	848.7	616.5	260.2
Cash flow per share	(cents)	**1 281.9**	1 255.7	1 305.8	1 217.7	792.7
Net asset value per share	(cents)	**8 890.7**	8 220.4	7 526.5	6 814.1	6 126.4
Share price:						
Closing price	(R)	**43.50**	41.00	47.00	30.71	17.82
High	(R)	**44.99**	54.87	54.00	31.00	37.50
Low	(R)	**35.00**	37.51	28.35	12.22	16.00
Price earnings ratio	(times)	**5.4**	5.9	6.4	5.3	7.7
Dividend per share	(cents)	**500.0**	413.0	413.0	328.0	185.0
Dividend payout ratio	(%)	**61.3**	58.5	55.0	55.0	78.9
Dividend yield	(%)	**11.5**	10.1	8.8	10.7	10.4
Volume of shares traded	(million)	**13.6**	20.5	24.4	38.0	26.4
Value of shares traded	(million)	**545.9**	994.8	370.7	631.1	625.0
Market capitalisation	(million)	**2 301.2**	2 341.1	2 946.9	2 195.8	1 370.4
Number of shareholders		**3 426**	3 542	3 788	2 225	1 722
Number of shares in issue	('000)	**52 896**	57 085	62 672	71 509	76 873

Explanatory notes:

1. *All ratios are based on figures at the end of the period unless otherwise disclosed.*
2. *Total assets for ratio purposes exclude the deferred tax asset.*
3. *The 2023 figures were restated for IFRS 17.*

Independent auditor's report

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 55 to 65*, 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

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

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

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

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

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)

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the year ended 31 March 2024

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, https://www.lewisgroup.co.za/investors/annual-financial-results/.*

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, https://www.lewisgroup.co.za/investors/annual-financial-results/.*

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.

Summary consolidated financial statements

NOTES TO THE SUMMARY FINANCIAL STATEMENTS
for the year ended 31 March 2024

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.

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.

Summary consolidated financial statements

NOTES TO THE SUMMARY 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.

Summary consolidated financial statements

NOTES TO THE SUMMARY FINANCIAL STATEMENTS
for the year ended 31 March 2024

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

Summary consolidated financial statements

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the year ended 31 March 2024

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

Summary consolidated financial statements

NOTES TO THE SUMMARY FINANCIAL STATEMENTS
for the year ended 31 March 2024

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.*

Summary consolidated financial statements

NOTES TO THE SUMMARY FINANCIAL STATEMENTS
for the year ended 31 March 2024

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.*

Summary consolidated financial statements

NOTES TO THE SUMMARY FINANCIAL STATEMENTS
for the year ended 31 March 2024

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.*

Summary consolidated financial statements

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the year ended 31 March 2024

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.

06

GOVERNANCE

Corporate governance report

INTRODUCTION

Through the application of King IV, the Group aims to achieve the following governance outcomes: ethical culture, good performance, effective control and legitimacy.

The board confirms that the Group has, in all material aspects, applied King IV during the reporting period. *A report on the Group's application of the principles is presented on the website at: https://www.lewisgroup.co.za/governance/king-iv/.*

Refer to https://www.lewisgroup.co.za/governance/corporate-governance-report/ for the full Corporate governance report.

BOARD COMPOSITION

The board consists of six independent non-executive directors and two executive directors.

The board is satisfied that it has a diverse mix of knowledge, skills, industry experience, background, gender and race to objectively discharge its governance role and responsibilities.

The board is chaired by Hilton Saven, an independent non-executive director. The implementation of the strategy and the ongoing management of the business is delegated to Johan Enslin, the Chief executive officer.

The age, tenure, experience and expertise of board members are set out briefly in the Board of directors' report on pages 39 to 40.

Key responsibilities

The board is governed in terms of a charter that sets out its key role and responsibilities, which include:

- ensuring that the company's strategy, as developed by management, is reviewed and approved
- providing oversight of performance against targets and objectives
- providing effective leadership based on an ethical foundation
- overseeing key performance and risk areas
- ensuring effective risk management and internal control
- overseeing IT governance
- overseeing legislative, regulatory and governance compliance
- ensuring appropriate remuneration policies and practices
- overseeing relationships with stakeholders of the company along sound governance principles; and
- ensuring that the company is playing its role as a responsible corporate citizen.

BOARD OF DIRECTORS

There were no changes in the composition of the board during the period under review.

Independent non-executive director Prof. Fatima Abrahams stepped down as a member of the audit committee and did not avail herself for re-election at the annual general meeting (AGM) held on 12 October 2023. Prof. Abrahams continues to attend audit committee meetings as an invitee and provides her expertise and services to the committee.

Directors appointed during the year are required to have their appointments ratified at the following AGM. The Chairman is elected every second year by the board.

Directors do not have a fixed term of appointment and are subject to retirement by rotation and re-election by shareholders at the AGM at least every three years. Directors are required to retire at the next AGM after they turn 70 unless the board decides at its discretion that a director may continue to hold office. Independent non-executive director Hilton Saven reached the age of 70 during the reporting period. The board considered and satisfied itself that he makes an invaluable contribution to board and committee affairs with his skills, expertise and experience, and that he should continue to hold office.

Executive directors are subject to 12 to 24 month notice periods.

INDEPENDENCE OF DIRECTORS

Directors are required to annually evaluate their independence and declare their interests in other entities. They are required to declare any conflict of interest in relation to matters on the agenda at board meetings. The nominations committee further reviews the independence of all non-executive members when reviewing the composition of the board.

Non-executive director Adheera Bodasing previously provided consulting services to Lewis Stores through Polarity Consulting. These services ended in 2021 and Adheera commenced a two-year 'cooling-off' period. This period has since ended and she is now classified as an independent non-executive director.

The board was satisfied that all directors exercise independent judgement and act in an independent manner.

Corporate governance report

BOARD DIVERSITY

The board's diversity policy is aimed at enhancing broader diversity at board level, which focuses specifically on diversity attributes of gender, race, culture, age, knowledge, skills and experience.

In 2024, the board retained the voluntary targets for female representation and racial diversity on the board at 30%. Currently 38% of board members are female and 38% are black in terms of the B-BBEE Act. Independent non-executive director Tapiwa Njikizana is Zimbabwean by birth and is therefore not included for purposes of the B-BBEE Act.

BOARD EVALUATION

All directors participate in the annual evaluation of the board's performance. The questionnaire-based evaluation covers the board's role and agenda setting; the size, independence and composition of the board; director orientation and development; board meetings; board committees; board accountability and governance practices. The process also includes an assessment of the performance of the Chairman, Chief executive officer and the Company secretary. In addition, the Chairman has individual sessions with each director where necessary.

The 2024 board evaluation concluded that the board was satisfied with its overall functioning and governance.

BOARD MEETINGS

2024 meeting attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
Number of meetings	4	5#	4	3#	2	2
Non-executive directors						
H Saven	4+	5*	4	3	2+	2
F Abrahams	4	5^	4	3+	2	2+
A Bodasing	4	5*	4	3	2	–
B Deegan	4	5	4	3	2	–
D Motsepe	4	5+	4+	3	2	2
T Njikizana	4	5	4	3	2	–
Executive directors						
J Enslin	4	5*	4	3*	2*	2
J Bestbier	4	5*	4	–	–	–

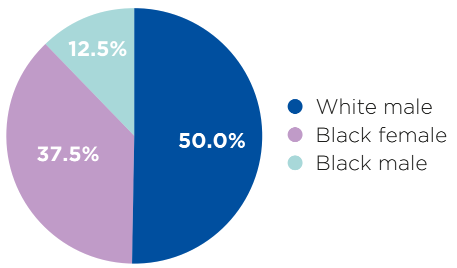
+ *Chairperson.*

* *Attends by invitation.*

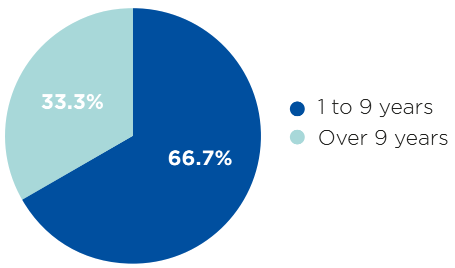
The audit committee holds an ad hoc meeting annually to approve the Integrated Report. The remuneration committee held a special meeting on 27 November 2023.

^ *Did not avail herself for re-election as a member of the audit committee; attended three committee meetings as a member and two meetings as an invitee.*

BOARD DIVERSITY



NON-EXECUTIVE DIRECTORS TENURE



GOVERNANCE STRUCTURE

The board of directors delegated specific responsibilities to five board committees and the management committee. The board committees are all chaired by independent non-executive directors.

Committees have terms of reference and function according to a year plan. The directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year. *The committee charters are available at https://www.lewisgroup.co.za/governance/board-committees.*

Refer to the full Corporate governance report on https://www.lewisgroup.co.za/governance/corporate-governance-report/ for details of board committees.

CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION EVALUATION

The audit committee conducted a formal evaluation of the appropriateness of the expertise of the Chief financial officer, adequacy of the resources in the finance function, and the experience of senior members of management responsible for the financial function.

The committee is satisfied that the expertise and experience of the Chief financial officer are appropriate and that the finance function is sufficiently resourced to meet the required responsibilities of the function.

COMPANY SECRETARY

Marisha Gibbons is the Company secretary of the Group. The Company secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with regulations, the induction of new directors, providing advice to directors on governance, compliance and their fiduciary responsibilities, and is responsible for liaising with the JSE and the Companies and Intellectual Property Commission. The Company secretary acts as secretary for all board committees.

The directors have unrestricted access to the advice and services of the Company secretary. They are entitled to seek independent professional advice at the company's expense after consultation with the Chairman of the board. No directors exercised this right during the year.

The board conducted a formal evaluation of the Company secretary, as required by the JSE Listings Requirements. The directors are satisfied that the Company secretary has the requisite competence, qualifications and experience to perform the role as set out in section 88 of the Companies Act.

The board is satisfied that it has an arm's-length relationship with the Company secretary and confirms that the Company secretary is not a director of any of the Group companies and is not related to any of the directors.

Corporate governance report

RISK MANAGEMENT

The board is responsible for the oversight of the risk management process and has delegated specific responsibility to the risk committee.

The committee is responsible for ensuring that the Group implemented an effective policy and plan for risk, and that disclosure regarding risk is comprehensive, timely and relevant.

The Chief risk officer is responsible for the risk management process to identify, assess and manage potential risks and opportunities that may affect the Group's strategies and objectives. The risk management framework includes the risk management policy, risk appetite, relevant responsibilities and the risk management plan.

The risk working group (RWG) is responsible for designing and implementing the risk management process and monitoring ongoing progress. Senior executives and line management within each business unit are accountable for managing risk in achieving their financial and operating objectives.

The focus of the risk management process is on strategic and key operational risks. The business units in the Group assess the risks on a quarterly basis. The RWG reviews the registers with a focus on:

- completeness of risks identified across the Group
- causes of risks
- the residual risk ratings
- the tolerance levels based on risk indicators; and
- the need for further management action.

The RWG also develops the risk appetite and obtains board approval through the risk and audit committees. Senior executives and line management are responsible for implementing the risk appetite and reporting any material deviations above the approved threshold limits.

The risks identified by the business units are consolidated by category of risk into a Group register and the results of the Group risk assessment are reported to the risk committee of the Lewis Group and the audit and risk committee of Monarch.

Key risks are documented in the Material issues and risks report on pages 15 to 18.

The Group's external insurance and self-insurance programmes cover a wide range of risks. The insurance levels and insured events are reviewed annually to ensure adequate cover and are amended after taking into account changed processes and emerging risks.

INTERNAL CONTROL

The Group has a well-established control environment that incorporates risk management and internal control procedures. The Group's internal controls exist to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being adequately managed.

The board confirms that during the period under review the Group maintained an efficient and effective process to manage key risks.

PricewaterhouseCoopers (PwC) was appointed to conduct an external assessment of the internal audit and risk management processes.
No significant findings were highlighted by PwC and the board is satisfied with the outcome of the assessment and the internal audit and risk management processes that are in place.

EXTERNAL AUDIT FIRM APPOINTMENT

Following the board's recommendation, EY was appointed as the company's external auditor by shareholders at the AGM on 12 October 2023. The appointment was effective from the financial year ended 31 March 2024.

INTERNAL AUDIT

The internal audit function provides information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business. Internal audit performed a written assessment confirming the effectiveness of the company's system of internal control and risk management, including internal financial controls. The role of internal audit is detailed in the internal audit charter which was approved by the audit committee.

Refer to the audit committee report in the annual financial statements on pages 4 to 7.

INFORMATION TECHNOLOGY GOVERNANCE

IT governance is integrated into the Group's operations, and governance practices and frameworks are reviewed as part of the annual internal audit plan. The IT steering committee is responsible for IT governance and reports into the risk committee.

Corporate governance report

LEGAL COMPLIANCE

The board is responsible for governance and compliance with applicable laws and regulations as well as any adopted non-binding rules, codes and standards.

The Group has a zero-tolerance policy in respect of non-compliance or breach of compliance measures.

The board confirms that the Company complies with the provisions of the Companies Act, specifically relating to its incorporation and operates in compliance with its memorandum of incorporation.

The Group's approach to compliance is risk based and guided by the company's regulatory universe as well as the King IV principles on compliance. Compliance is monitored by the risk committee which, in turn, has delegated the execution of compliance to the RWG. The Group's compliance obligations include legal and regulatory compliance as well as non-regulatory compliance.

Legal and regulatory compliance

The Group's regulatory universe identifies the following legislation as core for the Group:

- Basic Conditions of Employment Act 75 of 1997
- Companies Act 71 of 2008
- Consumer Protection Act 68 of 2008
- Financial Advisory and Intermediary Services Act 37 of 2002
- Financial Intelligence Centre Act 38 of 2001
- Financial Markets Act 19 of 2012
- Insurance Act 18 of 2017
- JSE Listings Requirements
- Long-term Insurance Act 52 of 1998
- National Credit Act 34 of 2005
- Promotion of Access to Information Act 2 of 2000
- Protection of Personal Information Act 4 of 2013; and
- Short-term Insurance Act 53 of 1998.

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

Credit compliance

The company, as a registered credit provider, considers compliance with the National Credit Act and responsible lending as the foremost priority.

Credit is granted centrally to ensure that credit risk policies are consistently applied, removing all subjectivity in the credit granting process. Advanced credit granting systems are in place involving collection of relevant information used to assess the credit worthiness of the customer and determine an acceptable level of risk.

The in-store credit sale application process includes a comprehensive affordability assessment and an interview with the store manager during which the components of the contract are explained, including the optional services and fees, and the total cost of credit. Following completion of this process, final approval is subject to a successful interview with a specialised compliance call centre. Customers can engage with a call centre agent in one of the nine official languages of their choice. The call between the customer and the call centre agent is undertaken without any intervention from the store manager or store staff.

Call centre agents ensure that customers understand all critical elements of the contract. All calls are recorded and stored to protect the interests of customers and the business. Only once the call centre agent has successfully completed the review with the customer will the transaction be approved. Without this approval, no transaction exists, and the goods cannot be delivered or invoiced.

The company considers all complaints received as serious. Matters referred from the National Credit Regulator are monitored by the social, ethics and transformation committee until they have been resolved.

Non-regulatory compliance

The Group subscribes to the Consumer Goods and Services Code. All complaints referred to the company from the Consumer Goods and Services Ombud are resolved expeditiously and efficiently. The social, ethics and transformation committee has oversight of all complaints received and monitors their status until they are resolved.

The Group is also a member of various industry bodies, including the Consumer Goods Council of South Africa, the Credit Industry Forum and the South African Insurance Industry Association.

Behavioural and ethical compliance

Ethics remain a key focus for the board and management. The board-approved ethics framework, code of conduct and core values (Code of Ethics) outline the standards of honesty, integrity and mutual respect which employees are required to observe.

The social, ethics and transformation committee established a sub-committee, the social and ethics working group, to support the committee in achieving its objectives. The sub-committee monitor's the Group's activities with a specific focus on prevailing codes of best practice and ethical compliance throughout the Group.

The Code of Ethics provides guidance on conflict of interest which is aimed at ensuring that employees act in the best interests of the Group and do not profit from their position in the company. The policy governs employees' relationships with suppliers, serving as office bearers on external organisations and industry bodies, and receiving gifts and hospitality from suppliers.

The corporate fraud policy sets out the responsibility of staff and management towards the detection, prevention and reporting of fraud. An anonymous tip-off hotline, which is run independently, is available to all employees and other stakeholders to report suspected incidents of fraud or dishonesty. The tip-offs and outcomes of investigations into incidents received are reported to the audit committee every quarter.

PERSONAL SHARE DEALINGS

An insider trading policy restricts directors and specific staff from dealing in the shares of Lewis Group during closed periods. The closed periods are effective from the end of the interim and annual reporting periods until the financial results are disclosed on SENS. Embargoes are also placed on share dealing when the Group is trading under a cautionary statement.

Directors are required to obtain written clearance from the chairman of the board prior to dealing.

When the Chairman of the board plans to deal in shares, the Chairman is required to obtain written permission from the chairperson of the audit committee. It is mandatory to notify the Company secretary of any dealings in the company's shares within three business days. This information must be published on SENS within 24 hours of the notification of such dealing.

A register of share dealings by directors is maintained by the Company secretary and reviewed by the board.

NON-COMPLIANCE

Prior to the conversion of Monarch's licence under the Insurance Act, Monarch provided goods and credit life insurance cover to policyholders exclusively under the Short-term Insurance Act and therefore as a short-term insurer. Historically, Monarch was not categorised as an accountable institution in terms of the Financial Intelligence Centre Act (FICA) as only insurers conducting long-term insurance business were categorised as such.

On conversion of Monarch's short-term insurance licence to that of a composite micro-insurer on 30 June 2020, and as a consequence of credit life insurance falling under the life class of insurance under the Insurance Act, the credit life insurance cover provided by Monarch was deemed to be long-term insurance.

Following Monarch's deemed classification as an accountable institution and the resultant obligation to comply with FICA in 2022, Monarch proactively disclosed its non-compliance to the Prudential Authority and implemented processes and procedures to ensure compliance with the Insurance Act. Following engagements, the Prudential Authority notified Monarch of its intention to impose a nominal administrative fine of R1 260 000 and afforded Monarch an opportunity to appeal the fine. Monarch submitted written representations during January 2024 and awaits the Prudential Authority's decision.

The directors confirm that, to their knowledge, the Group was not involved in nor associated with any material transgressions or other associated penalties in the reporting period.

Remuneration report

COMMITTEE CHAIRPERSON'S REPORT

I am pleased to present the Lewis Group Remuneration report, which sets out the Group's Remuneration policy and the Implementation report. The board, through the remuneration committee (the committee), continues to strive to create a performance-oriented culture which fairly rewards staff for their contribution in achieving the Group's strategic, financial and operational objectives.

Scope of report

The Remuneration report for the 2023 financial year covered the period up to 31 May 2023. Consequently, this year's report covers the period from 1 June 2023 to the date of this report, being 31 May 2024.

Committee composition and meetings

The committee met on 12 March 2024 and 28 May 2024.

The composition of the committee was as follows:

Director	Status
Prof. Fatima Abrahams	Independent non-executive director
Adheera Bodasing	Independent non-executive director
Brendan Deegan	Independent non-executive director
Daphne Motsepe	Independent non-executive director
Tapiwa Njikizana	Independent non-executive director
Hilton Saven	Independent non-executive director

The Chief executive officer attends meetings at the invitation of the committee.

Non-binding advisory votes

At the annual general meeting in October 2023, the Remuneration policy was endorsed by shareholders and received 96.6% of the votes cast, while the Implementation report received 83.4% support (92.3% and 93.6% respectively in 2022).

The main areas of focus for the committee during the year were as follows:

- Considered an executive remuneration survey conducted against comparable companies (mainly in the retail sector) performed by REM Solutions
- Considered and approved the total guaranteed pay for executive directors and the internal audit executive for the 2025 financial year
- Reviewed and approved the Remuneration and Implementation report included in the 2024 Integrated Report
- Set the Group's performance targets for all share incentive schemes, the cash-settled plan and cash-based performance bonus for the 2025 financial year
- Considered the measurement of the actual performance against targets for the 2024 financial year for the Lewis 2019 Executive Performance Scheme (2019 LEPS), the Lewis 2021 Executive Performance Scheme (2021 LEPS), Cash-Settled Long-Term and Short-Term Executive Performance Plan (CSLSPP) and the Lewis 2022 Cash-Settled Executive Performance Scheme (2022 CSPP)
- Considered the measurement of the actual performance against targets for the 2024 financial year for the cash-based performance bonus.

The committee is satisfied that it has fulfilled the requirements of its charter and that the objectives of the Remuneration policy have been met, without material deviation.

Prof. Fatima Abrahams
Chairperson

31 May 2024

Remuneration report

REMUNERATION POLICY

Remuneration philosophy

Lewis Group strives to create a performance-oriented culture which fairly rewards staff for their contribution in achieving the Group's strategic, financial and operational objectives. Key to the Group's remuneration philosophy is recognising employees' contribution to the success of the business. The growth and sustainability of the business is dependent on the Group's ability to attract, retain and motivate competent people.

Remuneration principles

Remuneration practices are structured to encourage sustainable, long-term wealth creation through the following:

- Aligning remuneration practices with the Group's strategy
- Aligning executive reward systems with the interests of stakeholders
- Promoting a performance-based culture across the business
- Offering appropriate short-term and long-term performance-related rewards that are fair and achievable
- Attracting and retaining talented individuals in the furniture retail and financial services industries
- Rewarding, retaining and motivating talented people while still managing employment costs effectively.

Remuneration governance

The board is accountable for the remuneration philosophy, policy and practices. Responsibility for oversight of the Group's remuneration policies and practices has been delegated to the committee.

The committee is chaired by an independent non-executive director, and the Chief executive officer attends meetings at the invitation of the committee. The committee may, at its discretion, invite other executives or external advisers to attend meetings, but no executive may be present during any discussion on their own performance or remuneration.

The responsibilities of the committee are as follows:

- Ensuring the Remuneration policy is aligned with the Group's strategic objectives and encourages superior individual performance
- Reviewing and approving compensation of executive management, executive and non-executive directors and the Internal audit executive
- Ensuring executive directors are equitably rewarded based on market trends, surveys, individual performance and contribution
- Reviewing incentive and bonus schemes to ensure continued alignment to the enhancement of shareholder value
- Approving the award of share incentives for equity and cash-settled schemes
- Approving the performance targets for the incentive and bonus schemes
- Ensuring employee benefits are suitably disclosed
- Recommending non-executive directors' fees for shareholder approval based on market information
- Ensuring practices are compliant with relevant legislation and regulation.

Non-binding advisory vote

The Group's Remuneration policy and Implementation report are subject to non-binding advisory votes by shareholders at the AGM each year. This enables shareholders to express their views on the Remuneration policy and the implementation of the policy, and for the board to take these views into account.

In the event that either the Remuneration policy or the Implementation report are not adopted by a vote of at least 75%, the committee shall follow a shareholder engagement process and take proactive measures to address shareholders' concerns.

Remuneration benchmarking

Remuneration is market-based and competitive owing to the portability of skills in the retail and financial services sectors. External remuneration surveys are used to benchmark executive and non-executive remuneration in comparable positions. Market surveys assist in ensuring executives are competitively rewarded in line with their performance and contribution. Remuneration packages are determined by considering market trends, the importance of a position relative to the Group's business, the required skills set, job specific expertise, performance and contribution of individuals.

Remuneration structure

Remuneration is optimised through a combination of annual guaranteed pay, benefits, and short- and long-term incentives.

Executive directors and senior management

The remuneration structure of executive directors and senior management is closely linked to the achievement of the Group's financial and operating targets, and is therefore closely aligned to the interests of shareholders.

Executive director and senior management remuneration packages comprise the following elements, with a significant portion of remuneration being performance-related:

1. Annual guaranteed pay.
2. Annual cash-based performance bonus.
3. Medium- and long-term share-based incentives.

The Chief executive officer and Chief financial officer have employment contracts which are subject to 24-month and 12-month notice periods from either party respectively.

Annual guaranteed pay

Annual guaranteed pay includes a cash salary and company contributions to retirement and healthcare funding. Cash salaries are benchmarked against peers in comparable positions in similar companies. Salaries are reviewed annually by the committee and the level of increase is merit-based in relation to individual and Group performance, and also considers market pay movements. Increases are effective from 1 April, at the start of the financial year.

Remuneration report

Annual cash-based performance bonus

Executive directors and senior management participate in a performance bonus scheme which is linked to their salary. No portion of any participants' bonus is guaranteed. Bonus payments are based on Group performance relative to board-approved budgeted targets. In previous years, the Group bonus was based solely on net profit before tax. During this year, a broader approach was adopted and additional measures included, resulting in the following targets being applied:

- Revenue
- Gross profit margin
- Operating cost management
- Satisfactory paid customers
- Collection rates
- Net profit before taxation.

The individual performance of the executive directors and senior management is also evaluated against personal performance and bonuses are adjusted downwards where personal targets are not met.

The actual performance against the above targets for the 2024 financial year is disclosed on page 77. The above targets for the 2025 financial year are not disclosed as this is considered by the board to be market and price sensitive information.

The sustainability of the Group's business is critical in determining remuneration and performance targets and are designed to discourage increased risk taking by the executives.

The bonus conditions for executives in respect of the 2024 financial year are:

- Below 90% of target results, no bonus would accrue
- Between 90% and 100% of target, 25% of cash salary increasing *pro-rata* to 75% (for the Chief executive officer: 85%) of cash salary at 100% of target
- In the event of target results being exceeded by 6%, the bonus amount would result in a *pro-rata* increase from 75% (for the Chief executive officer: 85%) to 150% of cash salary (for the Chief executive officer: 170%) at 106%
- For the 2025 financial year, the bonus for the executive team will be based on total guaranteed pay and the Chief executive officer's bonus has been adjusted to 95% of total guaranteed pay at 100% of target, increasing to 190% at 106%. This was based on the recommendation of REM Solutions (*refer to page 77 on the Implementation report*).

Annual cash-based performance bonus for executive directors and senior management

Percentage of annual cash salary for performance bonus	Below threshold (<90% of target)	Between 90% and 100% of target	Between 100% and 106% of target
Chief executive officer, Chief financial officer and executive team	0%	25% increasing *pro-rata* to 75% (Chief executive officer – 85%)	75% increasing *pro-rata* to 150% (Chief executive officer – 170%)
For 2025 financial year: Chief executive officer, Chief financial officer and executive team (based on total guaranteed pay, not annual cash salary)	0%	25% increasing *pro-rata* to 75% (Chief executive officer – 95%)	75% increasing *pro-rata* to 150% (Chief executive officer – 190%)
Senior management	0%	12.5% to 17.5% increasing *pro-rata* to 25% to 35%	25% to 35% increasing *pro-rata* to 50% to 70%

The achievement of targets is reviewed by the committee before any incentive payments are made to executive directors. Bonuses are paid at the end of the first quarter of the following financial year.

Medium- and long-term share-based incentives

Share incentive schemes are aimed at motivating executive directors and senior management to contribute to the long-term growth and sustainability of the Group, attracting and retaining talented people and aligning rewards with shareholder interests.

The Group's equity-settled share schemes are operated through the Lewis Employee Incentive Scheme Trust specifically for this purpose. Awards will only be paid if the participant is in the employ of the Group at the time of vesting, other than in the event of death, ill-health, retirement or retrenchment.

The Group has adopted cash-settled schemes from May 2019, which mirrors many of the terms and conditions of the equity-settled schemes operated through the Lewis Employee Incentive Scheme Trust. The main difference is that, instead of delivery of shares, the value of shares is paid in cash.

Participation in both the equity and cash-settled schemes is at the discretion of the committee and limited to the executive directors of Lewis Group and the directors, general managers and selected senior staff (executives) of Lewis Stores, the Group's main operating subsidiary. Awards are usually made annually in June. Special awards can be made when the committee deems it appropriate.

Incentive awards to the management group are split into two groups, those participating in the equity-settled schemes and the remainder in the cash-settled scheme. This will limit the shareholder dilution.

Remuneration report

Lewis 2022 Executive Retention Scheme

This scheme was approved at the annual general meeting held on 28 October 2022. The first awards are scheduled to be issued in June 2024. No awards were made under this scheme in 2023 as there was no annual cash-based performance bonus earned.

This scheme contains substantially the same terms as were contained in the Lewis 2019 Executive Retention Scheme, except that selected executives will be required to hold (or, additionally, provide an irrevocable undertaking to hold) a beneficial interest in respect of a prescribed number of company shares before such executive may be eligible to participate in the scheme. The remuneration committee believes that the introduction of such a qualification requirement will ensure even greater alignment between the interest of the executives and that of the company's shareholders.

The formula to be used to determine the qualification shares is as follows:

A = [(B x 12) x C]/D

where

A = the minimum number of qualifying shares;

B = monthly cash salary in the calendar month prior to the month in which the award is granted;

C = in respect of the Chief executive officer, C shall be equal to 2;

in respect of the Chief financial officer, C shall equal to 1.5; and

in respect of any other executive, C shall be equal to 1;

D = the market value of the shares, which shall be the average closing price of the shares over the last three business days during which shares were traded on the JSE prior to the relevant date determined by the remuneration committee.

The qualifying shares must be held as follows:

- Hold direct beneficial shares in Lewis Group, but which exclude invested shares which form part of the various retention schemes
- Provide an irrevocable undertaking for all or portion of the matching share options which can be exercised no later than six months after the beginning of the financial year in which the award is to be made and the invested shares related to that matching award, such that the shares subject to the undertaking will be transferred into the executive's name as a direct beneficial holding on vesting.

Lewis 2019 Executive Retention Scheme (2019 LERS)

The first awards under the 2019 LERS were made on 28 August 2020. Currently, the outstanding awards made under this scheme are on 9 June 2021 and 6 July 2022. Note that no further awards under this scheme will be made as the scheme limits have been reached.

The 2019 LERS is aimed at retaining executives who play a key role in the operation of Lewis Group and can influence the performance of the business. The Lewis Group operates a cash-based performance bonus scheme in terms of which bonuses are determined and paid annually based on Lewis Group's performance relative to board-approved targets. Executives will be offered the opportunity to invest some of their net after tax annual performance bonus in the company's shares with the maximum percentage that can be invested in the scheme being set by the committee, which can be between 25% and 100% of the net bonus payable.

Executives will then elect the percentage of their net bonus to be invested in shares, subject to a minimum of 10% of their respective net bonuses and the maximum being the percentage of the bonus set by the remuneration committee for that participant. Shares are then purchased on the market on behalf of the executive. These invested shares are held on the executive's behalf in a nominee capacity for a period of three years, whereafter the registered ownership of the shares is transferred to the executive. These invested shares are exposed to normal market fluctuations like any other shareholder.

Where invested shares are acquired, the company issues matching share options to the executive at no consideration in a pre-determined ratio such that the value of the matching share option at the date of grant is equivalent to the percentage of the gross bonus which the executive elected to invest. As executives have already met the performance targets and/or standards determined by the committee, there are no additional performance criteria which are required to be complied with for exercise of the matching share options. The matching share options vest on the third anniversary of the date of grant of the matching share options, provided that the executive remains in the employ of the Lewis Group.

The trust will purchase shares for the purpose of the 2019 LERS on the open market to avoid dilution of ordinary shareholders. It remains company policy not to allow the trust to purchase shares on the open market during prohibited periods. The company will utilise a maximum of 1.5 million shares for purposes of the 2019 LERS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 600 000 shares over the lifetime of the 2019 LERS.

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

- is dismissed for misconduct involving fraud, misrepresentation and/or dishonesty and failure to materially perform their duties;
- where the executive 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 2023 Executive Performance Scheme (2023 LEPS), Lewis 2021 Executive Performance Scheme (2021 LEPS) and Lewis 2019 Executive Performance Scheme (2019 LEPS) (collectively as "Executive Performance Schemes")

Under this section, we will deal with the Lewis 2023 Executive Performance Scheme, Lewis 2021 Executive Performance Scheme and the Lewis 2019 Executive Performance Scheme collectively as the terms and conditions for these schemes are substantially the same.

The Lewis 2023 Executive Performance Scheme was approved by shareholders at the AGM on 12 October 2023. No awards have been granted under this scheme yet.

The Lewis 2021 Executive Performance Scheme was approved by shareholders at the AGM on 22 October 2021. The awards granted under this scheme include short-term awards granted on 6 July 2022 and 5 June 2023 and long-term awards granted on 6 July 2022.

The Lewis 2019 Executive Performance Scheme was approved by shareholders at the AGM held on 25 October 2019. Currently, short-term awards made under this scheme include those on 9 June 2021, 6 July 2022 and 5 June 2023.

The purpose of the Executive Performance Schemes is to:

- motivate executives to continue to contribute to the growth and sustainability of the Lewis Group and to maintain a performance-oriented culture
- align executive rewards with the interests of stakeholders
- attract and retain talented individuals in the furniture retail and financial services industries; and
- offer appropriate short-term and long-term performance-related rewards that are fair and achievable.

Granting awards to executives provides them with the opportunity to acquire shares, thereby aligning the interests of the Lewis Group and its stakeholders.

Awards made under the Executive Performance Schemes offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee.

Remuneration report

The following types of awards may be granted in terms of the Executive Performance Schemes:

Short-term awards

- Three-year awards which vest three years after the grant date.

Long-term awards

- Four-year awards which vests as follows:
  - 50% on the third anniversary of the grant date.
  - The remaining 50% on the fourth anniversary of the grant date.
- Five-year awards which vests as follows:
  - One-third on the third anniversary of the grant date.
  - One-third on the fourth anniversary of the grant date.
  - The remaining third on the fifth anniversary of the grant date.
- Alternate awards on such vesting dates as the committee may determine. It is anticipated that this type of award will only be used in exceptional circumstances.

Performance targets for short-term awards

Performance targets can either be set at the grant date for the entire performance period or for each financial year during the performance period, which shall be determined by the committee within three months after the commencement of each financial year or such later date as the committee may determine if extraordinary circumstances exist, as determined by the committee.

The committee shall select any or all of the following performance criteria for determining the performance targets in respect of short-term awards:

- Headline earnings per share;
- Quality of the debtors book
  - satisfactory paid accounts
  - debtor costs as a percentage of net debtors; and
- Gross margin.

Performance targets for long-term awards

Performance targets will be set for the performance period as at the grant date. The performance criteria set by the committee shall be as follows:

- Headline earnings per share; and
- At least one of the following performance criteria:
  - return on average shareholders' equity
  - after tax return on average capital employed
  - before tax return on average capital employed
  - before tax return on average assets managed
  - gearing ratio.

General

The committee has the discretion to determine what portion of an award shall relate to a particular performance target, such that if some, but not all of the performance targets are met, then only the specified portion shall vest. Furthermore, the committee has the ability to allocate a greater proportion of an award to performance targets which the executive has the ability to influence, having due regard to his/her employment responsibilities.

Performance targets may be adjusted where material changes (both positive and negative) have been made to accounting policies resulting from IFRS becoming effective after the grant date. The committee shall be entitled in exceptional circumstances (both positive and negative) to amend performance targets, having regard to all circumstances including, but not limited to, changes to international and national 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.

The scheme allows for a 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

The trust will purchase shares for the purpose of the Executive Performance Schemes on the open market to avoid dilution of ordinary shareholders. It remains company policy not to allow the trust to purchase shares on the open market during prohibited periods. The company will utilise a maximum of 1.75 million shares for the 2023 LEPS, 1.75 million shares for the 2021 LEPS and 2.25 million shares for purposes of the 2019 LEPS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 875 000 shares for the 2023 LEPS, 700 000 shares for the 2021 LEPS and 850 000 shares for 2019 LEPS over the lifetime of the schemes.

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

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

Remuneration report

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan (CSLSPP)

The committee approved an incentive plan which will operate on a similar basis as the 2019 LEPS described above, except for the following:

- It will be a cash-settled plan. This means that no shares are delivered, but the value of shares at date of vesting will be paid in cash. The performance targets in the CSLSPP plan are the same as that of the 2019 LEPS scheme
- Vesting is at 100% only, i.e. vesting only occurs when the performance targets are met. In other words, there is no vesting at all if the performance target is not met
- There is no clawback clause in the CSLSPP as there is in the 2019 LEPS scheme.

The outstanding awards under this scheme include those granted on 9 June 2021. With the introduction of the Lewis 2022 Cash-settled Executive Performance Plan, it is the intention of the committee not to grant any further awards under the CSLSPP and that all new awards will be under the Lewis 2022 Cash-settled Executive Performance Plan.

Lewis 2022 Cash-Settled Executive Performance Plan (2022 CSPP)

The committee approved an updated cash-settled plan being the 2022 CSPP which is completely aligned with the 2023 LEPS, 2021 LEPS and 2019 LEPS other than the obvious requirement of a cash-settled plan to pay the value of shares in cash at date of vesting, rather than delivery of shares. The clawback clause and the layered vesting as in the 2023 LEPS, 2021 LEPS and 2019 LEPS, which were not in the CSLSPP, are now included in this plan. The outstanding awards under this plan are on 6 July 2022 and 5 June 2023.

It is the intention of the Group to continue to use the scheme to incentivise management and to eliminate the dilution of shareholders that is a consequence of equity-settled schemes. The Group will voluntarily disclose the number of notional shares issued under this plan and the CSLSPP to provide equivalent disclosure required for equity-settled schemes.

Setting of performance targets

With respect to the bonus and share incentive schemes, targets are set in a rigorous manner, both for short-term and long-term targets. All targets are realistic stretch targets and are based on what is achievable at the time of setting the target.

For short-term targets, a budget for the next year is prepared. As a starting point, the company's budget is based on the prior year and is adjusted for all once-off items and other IFRS adjustments not likely to recur to arrive at a revised base, irrespective of whether the adjustment is positive or negative. Due to the nature of the business and the IFRS basis for preparing the financial statements, there are always a significant number of these adjustments on an annual basis. Using this revised base, assumptions of the main drivers of the company's growth, namely sales growth and collections, are added to form the basis of the new budget. These assumptions are subject to an assessment of the economic environment (in particular, the state of the consumer spending), the cyclical nature of the industry and company-specific factors at the time of setting the target.

For long-term targets, a five-year budget is prepared taking into consideration the long-term and medium-term targets of the company and the required returns of the shareholders.

The targets are set and approved by the remuneration committee prior to the annual audited results being released and are not changed during the performance period. Only once in the last nine years has an adjustment been made to a target, and this occurred in the 2020 financial year when the government imposed a hard Covid-19 lockdown which was deemed to be outside the control of management.

Management

Managers and selected staff of Lewis Stores receive an annual guaranteed salary, which includes retirement and healthcare benefits. They may also participate in the annual performance bonus scheme and the medium- and long-term share-based incentive schemes described above, at the discretion of the committee. Salaries are reviewed annually and the level of increase is based on Group and individual performance.

Staff

Staff receive a base salary, performance-linked incentives or a 13th cheque, retirement and healthcare funding. The Group subsidises membership of designated healthcare schemes in each of the countries in which it operates. Staff benefits include educational bursaries, discounts on staff purchases and low-cost funeral and personal accident insurance. Membership of one of the Group's retirement funds is compulsory for all permanent staff. Salaries are reviewed annually and the level of increase is based on Group and individual performance.

Salespersons earn a commission on gross profit once a gross profit threshold is exceeded. Operational management are incentivised on a balanced set of targets including sales, collections, debtor write-offs, stock management and expense control.

Non-executive directors

Non-executive directors are paid a fee for their services as directors. In addition, fees are paid for serving on board committees. The fees are benchmarked externally against comparable companies and based on an assessment of the non-executive director's time commitment and increased regulatory and governance obligations.

In line with best governance and remuneration practice, non-executives do not participate in the Group's incentive schemes. None of the non-executive directors have service contracts with the Group.

The committee periodically performs detailed benchmarking exercises to ensure that the non-executive directors' remuneration is aligned to the market. The remuneration of non-executive directors is reviewed annually by the committee and recommended to shareholders for approval at the AGM.

Remuneration report

IMPLEMENTATION REPORT 2024

Approvals granted by shareholders

The Group's Remuneration policy and Implementation report were proposed to shareholders for a non-binding advisory vote at the AGM on 12 October 2023. The Remuneration policy and Implementation report were endorsed by shareholders and received 96.6% and 83.4% support respectively as set out below:

Resolution	Votes for % 2023	Votes for % 2022	Votes against % 2023	Votes against % 2022	Abstentions 2023	Abstentions 2022
Approval of the company's Remuneration policy	**96.6**	92.3	**2.9**	7.7	**0.5**	0.0
Approval of the company's Implementation report	**83.4**	93.6	**16.1**	6.4	**0.5**	0.0

Shareholders also approved the fees payable to non-executive directors for the 2024 financial year by a vote of 96.1%.

Annual salary increase

The average staff increase, excluding unionised staff, was 5.5% for April 2024 (2023: 6.5%). Increases for senior management and executives were merit-based and averaged 6.4% in April 2024 and 6% in April 2023. Increases as a result of promotions were excluded from these averages.

2024 remuneration benchmarking survey

A detailed remuneration benchmarking survey was conducted for the executives in 2024 by remuneration specialists, REM Solutions who were appointed on the recommendation of the remuneration committee. The scope of the remuneration survey was to benchmark the total guaranteed pay, short- and long-term incentives, remuneration mix and performance levels in relation to short-term incentives with a peer group which included mainly listed retail companies. A review of non-executive directors' fees was also included.

The recommendations of the above survey were as follows:

- The total guaranteed pay of the Chief executive officer was below the peer group. With respect to the other executives, their guaranteed pay was in line with the market.
- The cash-based performance bonus should be based on total guaranteed pay to align with the market. The committee agreed to implement this recommendation.
- The cash-based performance bonus scheme for the Chief executive officer was below market. The committee increased the Chief executive officer's cash-based performance bonus for the 2025 financial year to 95% at 100% of target and 190% at 106% of target. With respect to the other executives, the bonus level is considered comparable to the peer group.
- Share awards under the executive performance schemes to be granted on guaranteed pay as opposed to cash salaries to align with the market. This recommendation will be implemented for the awards to be granted in June 2024.
- A review of the non-executive pay indicated that the level of non-executive remuneration was in line with the peer group with the exception of the non-executive director base fees and the fees for the risk committee. Adjustments have been made to these fees to more closely align with the peer group. This will be presented for approval of shareholders at the AGM to be held in October 2024.

Annual cash-based performance bonus scheme

A broader approach using multiple targets has been adopted. The comparison of actual performance against targets is set out below:

Measure	Targets	Actual achieved	
Revenue	≥ R8 166 million	R8 240 million*	Achieved
Gross profit margin	≥ 40.6%	43.1%	Achieved
Operating costs	≤ R3 737 million	R3 590 million*	Achieved
Satisfactory paid customers	≥ 77.0%	81.3%	Achieved
Collection rates	≥ 78.0%	79.7%	Achieved
Profit before tax	≥ R506 million	R559 million*	Achieved

* *Before IFRS 17 adjustments as these were not included in targets*

The profit before taxation target was exceeded by 10.5% and consequently, the remuneration committee agreed that executives and senior management be paid maximum cash bonuses.

Lewis 2019 Executive Retention Scheme

This scheme was approved at the general meeting on 25 October 2019. The 2019 LERS allows executives to invest their net cash bonus in Lewis Group shares and the company issues matching share options to executives at no cost. The matching share options vest on the third anniversary, subject to the executive still being in the employ of the company. The details of the outstanding awards as at 31 May 2024 are reflected below:

Year	Vesting date	Average share price of award	Total shares purchased for executives	Total matching share awards
July 2022 Awards	06/07/2025	R48.67	299 142	543 894
June 2021 Awards	09/06/2024	R33.60	231 417	420 759

Awards to be granted in June 2024 have been approved by the remuneration committee and these will be announced on SENS at the appropriate time.

Executive Performance Schemes Short-term awards – three-year awards

The performance targets are set by the remuneration committee at the beginning of each of the three years and are based on a weighting set for each executive, depending on their employment responsibilities, of the following:

- Headline earnings per share
- Quality of the debtors book
  - Level of satisfactory paid customers
  - Debtor costs as a percentage of net debtors
- Gross margin

The committee has also approved the new short-term awards under these schemes to be granted in June 2024. An appropriate SENS announcement will be made at the time.

Below are the targets that were set for the 2021 LEPS and 2019 LEPS schemes which are all performance-related schemes. For details of these schemes, refer to the Remuneration policy.

2024 financial year

For the 2024 financial year, all the targets for the respective measures except for debtor costs as a percentage of net debtors, were met as set out below:

	2024 Target	2024 Actual	2024 Award
Headline earnings per share	680.8 cents	924.6 cents	Achieved
Quality of the debtors book			
– Level of satisfactory paid customers	≥ 77.0%	81.3%	Achieved
– Debtor costs as percentage of net debtors	≤ 15.5%	17.6%	Not achieved
Gross profit margin	≥ 40.6%	43.1%	Achieved

Remuneration report

Prior years

The targets and actual results for the prior years are as follows:

2023 TARGETS

	2023 Target	2023 Actual	2023 Award
Headline earnings per share	789.3 cents	856.9 cents	Achieved
Quality of the debtors book			
– Level of satisfactory paid customers	≥ 76.0%	80.4%	Achieved
– Debtor costs as percentage of net debtors	≤ 13.5%	12.3%	Achieved
Gross profit margin	≥ 40.5%	40.6%	Achieved

2022 TARGETS

	2022 Target	2022 Actual	2022 Award
Headline earnings per share	550.5 cents	848.7 cents	Achieved
Quality of the debtors book			
– Level of satisfactory paid customers	≥ 72.0%	79.0%	Achieved
– Debtor costs as percentage of net debtors	≤ 14%	12.3%	Achieved
Gross margin	≥ 40.5%	40.5%	Achieved

2021 TARGETS

	2021 Target	2021 Actual	2021 Award
Headline earnings per share	315.9 cents	616.5 cents	Achieved
Quality of the debtors book			
– Level of satisfactory paid customers	≥ 67.0%	74.4%	Achieved
– Debtor costs as percentage of net debtors	≤ 15%	14.3%	Achieved
Gross margin	≥ 40.0%	41.8%	Achieved

Long-term awards – five-year awards

A long-term award being a five-year award was granted to executives on 6 July 2022 under the Lewis 2021 Executive Performance Scheme, details which are set out below.

As required by the scheme rules, the performance target for long-term awards are set at the grant date for the whole period of the award. The five-year award has three vesting dates being: the third anniversary of the grant (6 July 2025), the fourth anniversary (6 July 2026) and the fifth anniversary (6 July 2027). One-third of the award shall vest at each vesting date, subject to the performance targets below.

The performance targets are based on weightings of the following:

- Return on average shareholders' equity (ROE), weighted at 50%
- Headline earnings per share (HEPS), weighted at 30%; and
- Gearing ratio, weighted at 20%.

The performance targets at each vesting date are as follows:

Measure	Third anniversary	Fourth anniversary	Fifth anniversary
ROE	13.6%	14.2%	15.0%
HEPS (cents)	1 240	1 425	1 654
Gearing ratio	50%	50%	50%

Lewis 2021 Executive Performance Scheme

Awards made under the 2021 LEPS offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee. This scheme's rules have been detailed in the Remuneration policy. The outstanding awards under this scheme are as follows:

Lewis 2021 Executive Performance Scheme	2022 Share Award	2023 Share Award	Total Share Awards
Share price at award date	R48.77	R39.43	
	Number of shares	Number of shares	
Three-year awards	226 518	425 709	652 227
Forfeitures – staff leaving	–	–	–
Forfeitures – non-performance	–	–	–
Shares vested	–	–	–
Total three-year awards	226 518	425 709	652 227
Five-year awards	464 461	–	464 461
Total forfeitures – staff leaving	(53 783)	–	(53 783)
Forfeitures – non-performance	–	–	–
Shares vested	–	–	–
Total five-year awards	410 678	–	410 678
Share awards – 31 March 2024	**637 196**	**425 709**	**1 062 905**

Note: forfeitures where the 2024 targets were not met will be accounted for in the 2025 financial year

Remuneration report

Lewis 2019 Executive Performance Scheme (2019 LEPS)

Awards made under the 2019 LEPS offer executives the right to acquire shares for no consideration, subject to the achievement of performance targets determined by the committee. This scheme also provides for a clawback clause and vesting at certain percentages when performance targets are not met. The remuneration committee approved the granting of the first awards under this scheme on 28 August 2020.

The outstanding awards under this scheme are as follows:

Lewis 2019 Executive Performance Scheme	2020 Share Award	2021 Share Award	2022 Share Award	2023 Share Award	Total Share Awards
Share price at award date	R17.30	R33.47	R48.77	R39.43	
	Number of shares	Number of shares	Number of shares	Number of shares	
Three year awards	1 148 374	549 496	257 722	150 670	2 106 262
Forfeitures – staff leaving	(49 843)	(47 451)	(53 783)	–	(151 077)
Forfeitures – non-performance	–	–	–	–	–
Shares vested	(1 098 531)	(23 725)			(1 122 256)
Share awards – 31 March 2024	**–**	**478 320**	**203 939**	**150 670**	**832 929**

Note: forfeitures where the 2024 targets were not met will be accounted for in the 2025 financial year

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan

As noted above, this plan operates on the same basis as the 2019 LEPS, except for the following:

- It will be a cash-settled scheme. This means that no shares are delivered, but the value of shares at date of vesting will be paid in cash. The performance targets in the CSLSPP plan are the same as that of the 2019 LEPS scheme
- Vesting is at 100% only, i.e. vesting only occurs when the performance targets are met. In other words, there is no vesting at all if the performance target is not met; and
- There is no clawback clause in the CSLSPP plan as there is in the 2019 LEPS scheme.

The outstanding awards under this scheme are as follows:

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan	2020 Notional Share Award	2021 Notional Share Award	Total Notional Share Awards
Share price at award date	R17.30	R33.47	
	Number of shares	Number of shares	Number of shares
Three-year awards	1 037 873	529 439	1 567 312
Total forfeitures – staff leaving	(24 530)		(24 530)
Total forfeitures – non-performance			–
Shares vested	(1 013 343)		(1 013 343)
Shares remaining – 31 March 2024	**–**	**529 439**	**529 439**

Note: forfeitures where the 2024 targets were not met will be accounted for in the 2025 financial year

Below is a table setting out the movements for 2024 and 2023 financial years (i.e. from 1 April to 31 March):

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan	2024	2023
Beginning of year	**1 530 517**	2 522 635
Granted	**–**	–
Forfeited	**–**	–
Vested	**(1 001 078)**	(992 118)
End of year	**529 439**	1 530 517

Lewis 2022 Cash-Settled Executive Performance Plan

As noted above, this scheme operates on the same basis as the 2023 LEPS, 2021 LEPS and 2019 LEPS described above, except that it is a cash-settled scheme, which means that no shares are delivered, but the value of shares at date of vesting will be paid in cash.

The committee has approved new short-term awards under this plan to be granted in June 2024.

The outstanding awards under this scheme are as follows:

Lewis 2022 Cash-Settled Executive Performance Plan	2022 Notional Share Award	2023 Notional Share Award	Total Notional Share Awards
Share price at award date	R48.77	R39.43	
	Number of shares	Number of shares	Number of shares
Three-year awards	437 713	605 516	1 043 229
Total forfeitures – staff leaving			–
Total forfeitures – non-performance			–
Shares vested			–
Shares remaining – 31 March 2024	**437 713**	**605 516**	**1 043 229**

Note: forfeitures where the 2024 targets were not met will be accounted for in the 2025 financial year

Below is a table setting out the movements for 2024 and 2023 financial years (i.e. from 1 April to 31 March):

Lewis 2022 Cash-Settled Executive Performance Plan	2024	2023
Beginning of year	**437 713**	**–**
Granted	**605 516**	437 713
Forfeited	**–**	–
Vested	**–**	–
End of year	**1 043 229**	437 713

Remuneration report

Summary of all equity-settled awards as at 31 March 2024

2024	Lewis 2019 Executive Retention Scheme	Lewis 2021 Executive Performance Scheme	Lewis 2019 Executive Performance Scheme
Beginning of year	1 213 734	637 196	1 681 104
Granted		425 709	150 670
Forfeited			
Vested	(249 081)		(998 845)
End of 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	530 559		
2023			
Beginning of 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 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		

Shareholder dilution

As at 31 March 2024, the maximum potential dilution is 2 860 487 shares, i.e. 5.4% of issued share capital. The dilution as calculated in terms of IAS 33 to determine the diluted weighted average shares in issue is 1 737 883 shares taking into consideration the number of shares that could be acquired at fair value less the number of shares that would be issued on the vesting of the awards.

Executive directors' remuneration disclosure per 2024 financial year

			J Enslin (CEO)			J Bestbier (CFO)	
Executive director's remuneration	**Number of shares**	**Share Price**	**2024 R000's**	2023 R000's	**Number of shares**	**2024 R000's**	2023 R000's
Cash remuneration							
Total guaranteed pay			**7 120**	6 551		**4 000**	3 730
Cash performance bonus			**–**	7 035		**–**	4 306
Total GP and CPB			**7 120**	13 586		**4 000**	8 036
Share awards							
LERS – matching award			**3 731**	5 768		**2 325**	3 499
– Face value of award	102 147	17.171	**1 754**	3 825	63 635	**1 093**	2 320
– Share price performance	102 147	19.359	**1 977**	1 943	63 635	**1 232**	1 179
LSPS – three-year award			**17 296**			**10 668**	
– Face value of award	438 977	14.90	**6 541**		270 771	**4 034**	
– Performance criteria							
– Share price performance	438 977	24.50	**10 755**		270 771	**6 634**	
CSLSPP – three-year award				9 109			5 650
– Face value of award				6 254			3 879
– Performance criteria							
– Share price performance				2 855			1 771
Total share awards			**21 027**	14 877		**12 993**	9 149
Total earned remuneration	–	–	**28 147**	28 463		**16 993**	17 185

Remuneration report

Non-executive directors' fees

(R'000)	Directors' fees	Audit committee member	Risk committee member	Remuneration committee member	Nomination committee member	SET committee member	Monarch directors' fees	Monarch audit and risk committee member	Total non-executive directors' fees
2024									
H Saven	**825***	**160**	**112**	**89**	**124***	**88**	**305***	**91**	**1 794**
F Abrahams	**364**	**160**	**112**	**179***	**53**	**179***	**213**	**184***	**1 444**
A Bodasing	**364**	**160**	**112**	**89**	**53**				**778**
B Deegan	**364**	**160**	**112**	**89**	**53**		**213**	**91**	**1 082**
D Motsepe	**364**	**374***	**179***	**89**	**53**	**88**			**1 147**
T Njikizana	**364**	**160**	**112**	**89**	**53**				**778**
Total	**2 645**	**1 174**	**739**	**624**	**389**	**355**	**731**	**366**	**7 023**
2023									
H Saven	800*	148	103	82	113*	81	285*	85	1 697
F Abrahams	364	148	103	165*	48	165*	199	172*	1 364
A Bodasing	356	148	103	82	48				737
B Deegan[(1)]	219	94	65	52	31		125	53	639
D Motsepe	367	345*	165*	82	48	81			1 088
T Njikizana	356	148	103	82	48				737
Total	2 462	1 031	642	545	336	327	609	310	6 262

[(1)] *Appointed 15 August 2022*

* *Chairperson*

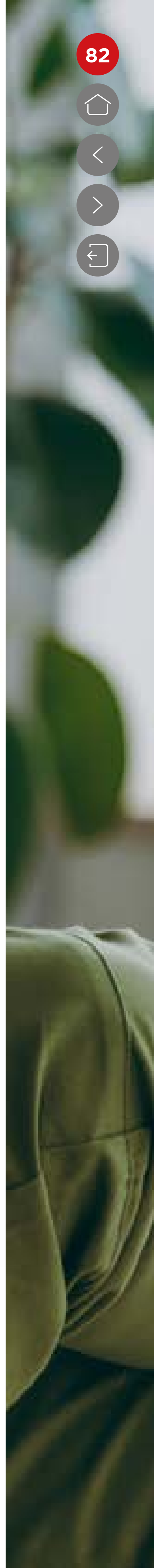
Proposed non-executive director fees for 2025

Board/committee position (R'000)	% Increase	Proposed fees for 2025	Fees earned for 2024
Non-executive chairperson	8.5	910	839
Non-executive director	10.8	410	370
Audit committee chairperson	6.1	403	380
Audit committee member/invitee	6.1	173	163
Risk committee chairperson	12.1	204	182
Risk committee member	12.3	128	114
Remuneration committee chairperson	6.0	193	182
Remuneration committee member	6.7	96	90
Nomination committee chairperson	6.3	134	126
Nomination committee member	8.4	58	54
Social, ethics and transformation committee chairperson	6.0	193	182
Social, ethics and transformation committee member	6.7	96	90

Directors' interest

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

	2024		2023	
	Direct	Indirect	Direct	Indirect
H Saven		**6 440**		6 440
J Bestbier	**236 034**	**91 584**	126 573	126 583
J Enslin	**697 258**	**149 088**	581 077	205 269
	933 292	**247 112**	707 650	338 292



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SHAREHOLDER INFORMATION

Shareholder analysis

SHAREHOLDERS' SPREAD AS AT 31 MARCH 2024

	Number of shareholders Total	%	Number of shares 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
Total	3 426	100.00	53 094 128	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2024

	Number of shareholders Total	%	Number of shares Total	%
Public:	3 420	99.82	51 172 810	96.38
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
Non-public:	6	0.18	1 921 318	3.62
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
	3 426	100.00	53 094 128	100.00

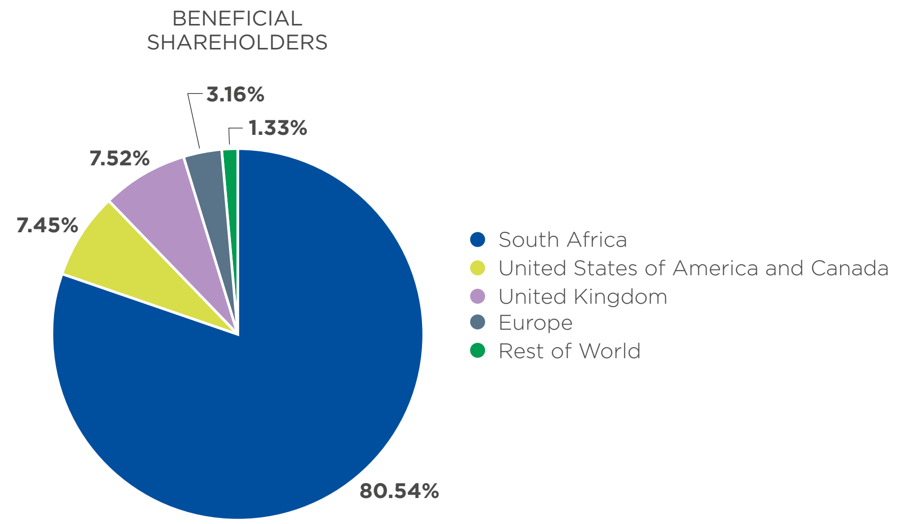
MAJOR SHAREHOLDINGS AS AT 31 MARCH 2024

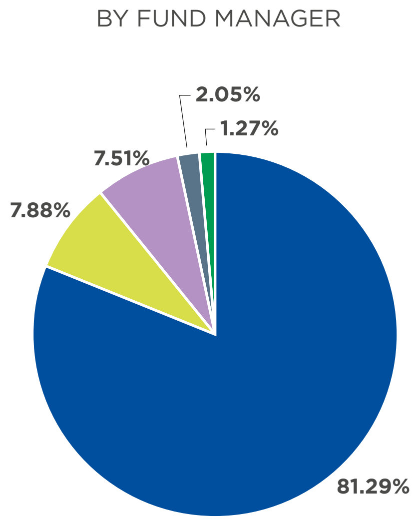
According to the Company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 56 of the Companies Act, the following entities owned in excess of 5% of the Company's shares as at 31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

	Number of shares Total	%
Beneficial shareholders:		
Coronation Fund Managers (SA)	7 326 018	13.80
Peresec Prime Brokers (SA)	4 583 301	8.63
By fund manager:		
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

GEOGRAPHIC ANALYSIS OF SHAREHOLDERS

Number of shares





Shareholders' diary

Record date for voting at the annual general meeting	8 October 2024
Annual general meeting	18 October 2024
Interim results announcement	21 November 2024
Financial year-end	31 March 2025
Final results announcement	22 May 2025
Final dividend declared	22 May 2025
Integrated Report published	30 June 2025

Corporate information

LEWIS GROUP LIMITED

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

Group Ltd

www.lewisgroup.co.za