

# UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

# H1 20 23



**Lewis**  
Group Ltd

REVIEW OF 2023  
INTERIM RESULTS



Merchandise sales increased by

**4.3%**

to R2.1 billion

Revenue increased by

**4.0%**

to R3.5 billion

Gross profit margin at

**39.3%**

Debtor costs decreased by

**2.2%**

Earnings per share decreased by

**0.1%**

to 341 cents

Headline earnings increased by

**4.4%**

to R236 million

Headline earnings per share increased by

**19.2%**

to 393 cents

Interim dividend maintained at

**195 cents**

per share



# Lewis Group Limited: Unaudited interim results

## COMMENTARY

### OVERVIEW

Trading conditions weakened significantly in the second quarter of the group's 2023 financial year as escalating food, fuel and electricity costs, combined with rising interest rates and record high unemployment levels, impacted consumer spending and confidence.

In this environment the group's traditional retail brands of Lewis, Beares and Best Home & Electric have proven more resilient, supported by increased credit sales. Cash sales in particular have been impacted by the inflationary pressures facing consumers, with the biggest impact being felt by the cash retail brand, UFO.

Despite the weakening economic environment, the quality of the group's debtors book continued to improve, with collection rates strengthening, the percentage of satisfactory paid accounts improving and debtor costs continuing to decline.

### TRADING AND FINANCIAL PERFORMANCE

Merchandise sales increased by 4.3% to R2.1 billion. Sales in the traditional segment increased by 6.5% while UFO reported a decline of 9.5%. The group's comparable store sales increased by 2.9%.

Credit sales grew by 16.4% while cash sales declined by 8.1%, reflecting the pressure on consumer disposable income. The contribution from credit sales has increased to 56.5% of total merchandise sales from 50.6% in the previous half year. During this time, the group has maintained its strict credit granting criteria and has attracted lower risk credit customers, with the application decline rate improving to 35.8% (H1 2022: 39.1%).

Sales in the stores outside South Africa, which represent 15.8% of the total store base, increased by 6.0% and accounted for 18.6% of the group's sales.

The group's store footprint increased to 829 following the opening of a net 10 new stores across all brands, including the first Best Home & Electric store in Lesotho. As part of the ongoing store refurbishment programme, a further 103 stores were revamped.

Other revenue, consisting of effective interest income, insurance revenue and ancillary services income, increased by 3.6%.

Total revenue, comprising merchandise sales and other revenue, increased by 4.0% to R3.5 billion.

The continued disruption in the supply chain and cost pressures from higher freight charges resulted in the group's gross profit margin declining to 39.3% (H1 2022: 40.2%).

In addition to the global shortage of shipping containers and severe port congestion, the local supply chain was further impacted by the floods in KwaZulu-Natal in April 2022 which damaged the critical rail link between the Durban port and Gauteng. This necessitated containers being transported from the Durban port by road freight at significantly higher costs which adversely impacted UFO as approximately 66% of products are imported.

The gross profit margin is expected to improve in the second half and to end the year at the lower end of the targeted 40%–42% range.

# Lewis Group Limited: Unaudited interim results

## COMMENTARY CONTINUED

Operating costs, excluding debtor costs, impairments and capital items, were well managed and grew by 5.4%, despite significantly higher fuel costs and increased marketing expenditure to maintain market share in the challenging sales environment.

The health of the group's debtors book continued to improve. The group's enhanced collection practices, supported by the strategy of migrating an increasing number of customers to debit order payments, contributed to collection rates strengthening to 81.7% at September 2022 (H1 2022: 78.7%). The level of satisfactory paid customers improved to 78.8% from 75.2% in the comparative period.

Debtor costs reduced by 2.2% and debtor costs as a percentage of debtors at gross carrying value reduced from 4.7% to 4.5%. The debtors impairment provision as a percentage of debtors at gross carrying value reduced to 38.7% from 42.2% in the prior period.

Operating profit before impairments and capital items declined by 4.1% to R316.4 million. Owing to slower trading in UFO, an impairment of R24.6 million was recognised against goodwill and an impairment of R20.0 million was recognised against its right-of-use assets relating to leased property. Operating profit for the six months declined by 17.1% to R282.8 million.

Earnings decreased by 12.5% to R204.8 million, and earnings per share (EPS) decreased by 0.1% to 341 cents. Headline earnings increased by 4.4% to R235.9 million, with headline earnings per share (HEPS) increasing 19.2% to 393 cents, reflecting the positive leverage effect from the group's aggressive share repurchase programme.

The board has maintained the interim dividend at 195 cents per share.

The group's gearing (including lease liabilities) increased from 15.3% at year end to 24.9% at the end of the interim period as a consequence of the investment in the debtors book, resulting from higher credit sales as well as the higher stock levels maintained, in anticipation of the peak trading period.

## SHARE REPURCHASE PROGRAMME

The group repurchased 3.8 million shares at a cost of R192.2 million during the six months, at an average price of R50.47 per share. Since the commencement of the current share repurchase programme in 2017, the group has bought back 29.9 million shares at an average price of R34.20 per share. At the annual general meeting in October 2022, shareholders granted management the authority to repurchase a further 10% of the issued share capital.

## OUTLOOK

Retail trading conditions are expected to deteriorate further in the months ahead as consumers confront increasing inflationary pressures in the rising interest rate environment. These conditions are being compounded by the weak labour market, increasing industrial action and electricity load shedding, which will continue to disrupt consumer shopping patterns and weaken economic growth prospects.

The group's business model has proven its resilience and the current management team has led the business through previous economic downturns. In this environment, the group plans to utilise the strength of its credit customer base and differentiated merchandise offering to gain market share. Strong Black Friday and festive season promotions are planned across all brands, with new merchandise ranges and high levels of stock availability.

Management expects the increasing consumer appetite for credit to continue into the second half of the year and is confident that the collections momentum can be maintained, supported by the enhanced collections strategy.

The group will continue to expand its store base despite the difficult trading conditions and remains on track to open a net 16 new stores for the financial year.

### DIVIDEND DECLARATION

Notice is hereby given that an interim gross cash dividend of 195 cents per share in respect of the six months ended 30 September 2022 has been declared payable to holders of ordinary shares. The number of shares in issue as of the date of declaration is 58 767 970. The dividend has been declared out of income reserves and is subject to a dividend tax of 20%. The dividend for determining the dividend tax is 195 cents and the dividend tax payable is 39 cents for shareholders who are not exempt. The net dividend for shareholders who are not exempt will therefore be 156 cents. The dividend tax rate may be reduced where the shareholder is tax resident in a foreign jurisdiction which has a Double Tax Convention with South Africa and meets the requirements for a reduced tax rate. The company's tax reference number is 9551/419/15/4.

The following dates are applicable to this declaration:

Last date to trade "cum" dividend	17 January 2023
Date trading commences "ex" dividend	18 January 2023
Record date	20 January 2023
Date of payment	23 January 2023

Share certificates may not be dematerialised or rematerialised between 18 January 2023 and 20 January 2023, both days inclusive.

For and on behalf of the board



**Hilton Saven**

*Independent non-executive  
chairman*



**Johan Enslin**

*Chief executive officer*



**Jacques Bestbier**

*Chief financial officer*

Cape Town

24 November 2022

# Lewis Group Limited: Unaudited interim results

## INCOME STATEMENT

for the six months ended 30 September 2022

	Notes	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>Revenue</b>	4.1	<b>3 541.0</b>	3 405.5	7 256.1
Retail revenue	4.2	<b>2 476.2</b>	2 394.1	5 200.5
Merchandise sales		<b>2 075.7</b>	1 990.5	4 382.5
Ancillary services		<b>400.5</b>	403.6	818.0
Insurance revenue		<b>411.4</b>	368.7	776.0
Effective interest income		<b>653.4</b>	642.7	1 279.6
<b>Cost of merchandise sales</b>	5	<b>(1 259.1)</b>	(1 191.3)	(2 607.6)
<b>Operating costs</b>		<b>(1 965.5)</b>	(1 884.2)	(3 881.7)
Debtor costs	2.2	<b>(267.1)</b>	(273.0)	(702.4)
Bad debts net of recoveries		<b>(285.8)</b>	(252.5)	(825.7)
Movement in debtors impairment provision		<b>18.7</b>	(20.5)	123.3
Employment costs		<b>(706.9)</b>	(690.3)	(1 411.7)
Administration and IT		<b>(171.3)</b>	(182.1)	(345.1)
Transport and travel		<b>(176.9)</b>	(138.8)	(278.6)
Marketing		<b>(165.0)</b>	(146.1)	(279.9)
Depreciation and amortisation	8.1	<b>(174.0)</b>	(186.0)	(327.8)
Other operating costs		<b>(304.3)</b>	(267.9)	(536.2)
<b>Operating profit before impairments and capital items</b>		<b>316.4</b>	330.0	766.8
Impairments and capital items	14	<b>(33.6)</b>	11.2	(98.9)
<b>Operating profit</b>		<b>282.8</b>	341.2	667.9
Investment income	3.2	<b>16.2</b>	17.1	34.6
Interest paid	9.3	<b>(45.1)</b>	(33.8)	(48.9)
Interest received	9.3	<b>6.9</b>	12.7	25.4
Foreign exchange gains/(losses)	9.3	<b>21.3</b>	0.9	(5.1)
<b>Profit before taxation</b>		<b>282.1</b>	338.1	673.9
Taxation	10	<b>(77.3)</b>	(104.0)	(190.8)
<b>Net profit attributable to ordinary shareholders</b>		<b>204.8</b>	234.1	483.1
Earnings per share (cents)		<b>341.5</b>	341.8	730.7
Diluted earnings per share (cents)		<b>333.8</b>	335.7	709.9

## Lewis Group Limited: Unaudited interim results

### STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2022

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
Net profit for the period	204.8	234.1	483.1
Items that may be subsequently reclassified to income statement:			
Movement in other reserves	(4.3)	0.9	(3.9)
Fair value adjustments	(16.8)	7.3	9.0
Changes in the fair value of FVOCI debt investments	(23.0)	10.2	12.5
Tax effect	6.2	(2.9)	(3.5)
Foreign currency translation reserve	12.5	(6.4)	(12.9)
Items that may not be subsequently reclassified to income statement:			
Retirement benefit remeasurements	–	–	6.5
Remeasurements of the retirement asset and liabilities	–	–	9.1
Tax effect	–	–	(2.6)
Other comprehensive income	(4.3)	0.9	2.6
<b>Total comprehensive income for the period attributable to equity shareholders</b>	<b>200.5</b>	235.0	485.7

## Lewis Group Limited: Unaudited interim results

### EARNINGS AND DIVIDENDS PER SHARE

for the six months ended 30 September 2022

		6 months ended 30 Sept 2022 Unaudited	6 months ended 30 Sept 2021 Unaudited	12 months ended 31 March 2022 Audited
<b>Weighted average number of shares</b>				
Weighted average	('000)	59 975	68 478	66 112
Diluted weighted average	('000)	61 348	69 712	68 056
<b>Headline earnings</b>				
Attributable earnings	(Rm)	204.8	234.1	483.1
Profit on disposal of fixed assets	(Rm)	(0.9)	(9.4)	(14.0)
Impairment of right-of-use assets	(Rm)	14.6	–	70.6
Goodwill impairment	(Rm)	24.6	–	31.4
(Profit)/Loss on scrapping of fixed assets due to civil unrest	(Rm)	(7.2)	1.3	(10.0)
Scrapping of assets	(Rm)	–	7.1	7.1
Compensation from insurers	(Rm)	(7.2)	(5.8)	(17.1)
Headline earnings	(Rm)	235.9	226.0	561.1
<b>Earnings per share</b>				
Earnings per share	(cents)	341.5	341.8	730.7
Diluted earnings per share	(cents)	333.8	335.7	709.9
<b>Headline earnings per share</b>				
Headline earnings per share	(cents)	393.3	330.0	848.7
Diluted headline earnings per share	(cents)	384.5	324.1	824.5
<b>Dividends per share</b>				
Dividends paid per share				
Final dividend 2022 (2021)	(cents)	218.0	195.0	195.0
Interim dividend 2022	(cents)	–	–	195.0
	(cents)	218.0	195.0	390.0
Dividends declared per share				
Interim dividend 2023 (2022)	(cents)	195.0	195.0	195.0
Final dividend 2022	(cents)	–	–	218.0
	(cents)	195.0	195.0	413.0



# Lewis Group Limited: Unaudited interim results

## BALANCE SHEET

as at 30 September 2022

	Notes	6 months as at 30 Sept 2022 Unaudited Rm	6 months as at 30 Sept 2021 Unaudited Rm	12 months as at 31 March 2022 Audited Rm
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		415.0	407.7	396.4
Right-of-use assets	7.2	742.7	661.2	747.1
Intangible assets		109.0	111.3	107.3
Goodwill		126.4	182.4	151.0
Deferred taxation		100.4	114.6	82.7
Retirement benefit asset		107.5	105.4	109.8
Financial assets – insurance investments	3.1	243.1	263.8	266.1
		<b>1 844.1</b>	<b>1 846.4</b>	<b>1 860.4</b>
<b>Current assets</b>				
Inventories		1 245.2	1 056.6	1 018.8
Trade, insurance and other receivables	2.1	3 762.5	3 439.0	3 535.0
Taxation		10.0	55.0	28.1
Financial assets – insurance investments	3.1	142.2	240.0	156.7
Cash-on-hand and deposits	9.1	240.7	389.6	308.1
		<b>5 400.6</b>	<b>5 180.2</b>	<b>5 046.7</b>
		<b>7 244.7</b>	<b>7 026.6</b>	<b>6 907.1</b>
<b>Total assets</b>				
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Share capital and premium		0.9	0.9	0.9
Treasury shares		(7.4)	(3.7)	(3.7)
Other reserves		5.8	6.1	11.4
Retained earnings		4 583.4	4 734.1	4 708.4
		<b>4 582.7</b>	<b>4 737.4</b>	<b>4 717.0</b>
<b>Non-current liabilities</b>				
Lease liabilities	7.1	706.5	599.4	700.1
Deferred taxation		32.1	40.2	27.4
Retirement benefit liability		81.8	85.8	77.3
		<b>820.4</b>	<b>725.4</b>	<b>804.8</b>
<b>Current liabilities</b>				
Trade and other payables		780.4	888.1	685.0
Payments in advance		192.7	181.8	181.1
Insurance liabilities		98.3	124.0	102.2
Short-term interest-bearing borrowings	9.1	431.6	–	80.8
Lease liabilities	7.1	243.0	232.8	250.2
Taxation		95.6	137.1	86.0
		<b>1 841.6</b>	<b>1 563.8</b>	<b>1 385.3</b>
		<b>7 244.7</b>	<b>7 026.6</b>	<b>6 907.1</b>
<b>Total equity and liabilities</b>				

## Lewis Group Limited: Unaudited interim results

### STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2022

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>Share capital and premium</b>			
Opening balance	0.9	0.9	0.9
Cost of own shares acquired	(192.2)	(194.5)	(353.2)
Transfer of cost of cancelled shares	192.2	194.5	353.2
	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<b>Treasury shares</b>			
Opening balance	(3.7)	(0.4)	(0.4)
Share awards to employees	20.4	51.8	51.8
Cost of own shares acquired	(24.1)	(55.1)	(55.1)
	<b>(7.4)</b>	<b>(3.7)</b>	<b>(3.7)</b>
<b>Other reserves</b>			
Opening balance	11.4	33.6	33.6
Other comprehensive income:			
Changes in fair value of FVOCI debt investments	(16.8)	7.3	9.0
Foreign currency translation reserve	12.5	(6.4)	(12.9)
Equity-settled share-based payments	10.9	11.0	21.1
Transfer of share-based payments reserve to retained earnings on vesting	(12.2)	(39.4)	(39.4)
	<b>5.8</b>	<b>6.1</b>	<b>11.4</b>
<b>Retained earnings</b>			
Opening balance	4 708.4	4 838.6	4 838.6
Net profit attributable to ordinary shareholders	204.8	234.1	483.1
Distribution to shareholders	(129.4)	(131.7)	(254.2)
Transfer of cost of cancelled shares	(192.2)	(194.5)	(353.2)
Transfer of share-based payments reserve to retained earnings on vesting	12.2	39.4	39.4
Retirement benefit remeasurements	–	–	6.5
Share awards to employees	(20.4)	(51.8)	(51.8)
	<b>4 583.4</b>	<b>4 734.1</b>	<b>4 708.4</b>
<b>Balance as at the end of the period</b>	<b>4 582.7</b>	<b>4 737.4</b>	<b>4 717.0</b>

# Lewis Group Limited: Unaudited interim results

## CASH FLOW STATEMENT

for the six months ended 30 September 2022

	Notes	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>Cash flow from operating activities</b>				
Cash flow from trading	11.1	507.8	575.8	1 019.5
Changes in working capital	11.2	(331.2)	19.3	(156.2)
Cash flow from operations		176.6	595.1	863.3
Interest received other than from trade receivables		6.9	29.8	25.4
Interest paid	11.3	(42.7)	(32.3)	(74.7)
Foreign exchange gains/(losses)		8.5	(16.4)	(4.8)
Taxation paid		(54.4)	(43.8)	(104.2)
		94.9	532.4	705.0
<b>Cash utilised in investing activities</b>				
Purchases of insurance investments	3.1	(15.0)	(27.0)	(51.2)
Disposals of insurance investments		45.7	10.7	152.8
Acquisition of property, plant and equipment and intangible assets		(63.8)	(71.0)	(119.5)
Proceeds on disposal and scrapping of property, plant and equipment		13.8	24.6	52.3
		(19.3)	(62.7)	34.4
<b>Cash flow from financing activities</b>				
Dividends paid		(129.4)	(131.7)	(254.2)
Payment of principal portion of lease liabilities	7.1	(148.1)	(145.8)	(296.6)
Purchase of own shares		(216.3)	(249.6)	(408.3)
		(493.8)	(527.1)	(959.1)
<b>Net decrease in cash and cash equivalents</b>				
Cash and cash equivalents at the beginning of the period		227.3	447.0	447.0
<b>Cash and cash equivalents at the end of the period</b>	9.1	(190.9)	389.6	227.3

## **Lewis Group Limited: Unaudited interim results**

# NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the six months ended 30 September 2022

## **1. BASIS OF REPORTING**

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards, (IAS 34 Interim Financial Reporting), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous consolidated annual financial statements.

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

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS

#### 2.1 Trade, insurance and other receivables

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
Trade and insurance receivables	5 900.6	5 787.0	5 696.7
Trade receivables	5 783.9	5 648.3	5 581.3
Insurance receivables	116.7	138.7	115.4
Provision for impairment	(2 281.7)	(2 444.2)	(2 300.4)
Trade receivables	(2 216.0)	(2 359.9)	(2 233.3)
Insurance receivables	(65.7)	(84.3)	(67.1)
Trade and insurance receivables (net)	3 618.9	3 342.8	3 396.3
Due within 12 months	2 295.8	2 140.1	2 162.4
Due after 12 months	1 323.1	1 202.7	1 233.9
Other receivables	143.6	96.2	138.7
<b>Total trade, insurance and other receivables</b>	<b>3 762.5</b>	<b>3 439.0</b>	<b>3 535.0</b>
Debtors impairment provision as a percentage of debtors at gross carrying value (%)	38.7	42.2	40.4

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

#### Payment ratings

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

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

- **Satisfactory paid**

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

## 2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

### 2.1 Trade, insurance and other receivables continued

#### Payment ratings continued

- **Slow payers**

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

- **Non-performing accounts**

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

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

#### Impairment modelling

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

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

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

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

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

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

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

## **2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS** CONTINUED

### 2.1 Trade, insurance and other receivables continued

#### Forward-looking information

IFRS 9 requires that the ECL impairment provision considers potential future changes in the economic environment. To achieve this, an economic overlay model has been developed by performing a regression analysis between key economic variables and the percentage of performing accounts rolling into non-performing states in the following 12 months. This analysis is done on an annual basis to identify the relevant economic variables and assess the degree of correlation with the non-performing category. Recent observations in the analysis were upweighted to more accurately reflect the improved performance following the implementation of enhanced collection procedures by the group.

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

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

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

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

Taking the above circumstances into consideration, management has maintained a probability of 70% to the downside scenario, 25% to the base scenario and 5% to the upside scenario for the 12-month forecast.

In addition, there is potential for social unrest to flare up in a similar manner to that seen in July 2021, where there were significant impacts to the Lewis Group resulting in store closures, significant damage and disruption to deliveries and supply chains.

To incorporate the potential further impact of social unrest on the forward-looking information, the impact of event risk not accounted for was quantified by updating the impairment model with stressed macroeconomic variables related to social unrest.

The above analysis resulted in an economic overlay of R239.6 million (2021: R270.0 million) included in the group's impairment provision.

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

#### 2.1 Trade, insurance and other receivables continued

##### Forward-looking information continued

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

Probability-weighted impact of all three scenarios	6 months ended 30 Sept 2022 Unaudited	
	Rm	% change
	<b>239.6</b>	
100% downside scenario	<b>266.0</b>	<b>11.0</b>
100% base scenario	<b>205.9</b>	<b>(14.1)</b>
100% upside scenario	<b>38.6</b>	<b>(83.9)</b>

##### Combined impairment and contractual arrears table

The table reflects the following:

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

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



## Lewis Group Limited: Unaudited interim results

### NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 September 2022

## 2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

### 2.1 Trade, insurance and other receivables continued

#### Debtor analysis – 30 September 2022

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Installments in arrears			
						1 R'000	2 R'000	3 R'000	
Satisfactory paid (%)	463 910 78.8	4 088 511 69.2	846 943 37.2	20.7	602 185	173 073	119 413	87 425	222 274
Slow payers (%)	71 808 12.2	835 179 14.2	573 640 25.1	68.7	556 326	60 783	58 602	56 028	380 913
Non-performing accounts (%)	52 803 9.0	976 894 16.6	861 104 37.7	88.1	781 075	48 404	47 589	46 897	638 185
Total	588 521	5 900 584	2 281 687	38.7	1 939 586	282 260	225 604	190 350	1 241 372

#### Credit impaired debtors as at 30 September 2022

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in three consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
Gross carrying value	976 894	1 702	1 640	59 689	70 139	71 525	182 660	1 364 249
Impairment provision	(861 104)	(742)	(1 228)	(17 162)	(46 959)	(23 836)	(129 357)	(1 080 388)
Amortised cost	115 790	960	412	42 527	23 180	47 689	53 303	283 861

**2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS** CONTINUED

2.1 Trade, insurance and other receivables continued

Debtor analysis - 30 September 2021

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Installments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
Satisfactory paid (%)	437 383 75.2	3 649 167 63.1	719 478 29.4	19.7	587 355	162 322	114 743	85 568	224 722
Slow payers (%)	73 965 12.7	857 018 14.8	595 531 24.4	69.5	573 041	61 321	59 357	57 135	395 228
Non-performing accounts (%)	69 941 12.1	1 280 813 22.1	1 129 178 46.2	88.2	999 503	62 430	61 582	61 003	814 488
Total	581 289	5 786 998	2 444 187	42.2	2 159 899	286 073	235 682	203 706	1 434 438

Credit impaired debtors as at 30 September 2021

Credit impaired categories	Non-performing accounts R'000	In duplum		Debt counselling		No payment in three consecutive months		Total R'000
		Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	Satisfactory R'000	Slow pay R'000	
Gross carrying value	1 280 813	1 516	1 856	41 728	59 744	64 468	177 550	1 627 675
Impairment provision	(1 129 178)	(709)	(1 376)	(11 465)	(39 421)	(22 280)	(122 668)	(1 327 097)
Amortised cost	151 635	807	480	30 263	20 323	42 188	54 882	300 578

## Lewis Group Limited: Unaudited interim results

### NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the six months ended 30 September 2022

## 2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

### 2.1 Trade, insurance and other receivables continued

#### Debtor analysis - 31 March 2022

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Installments in arrears			
						1 R'000	2 R'000	3 R'000	>3 R'000
Satisfactory paid (%)	455 999 79.0	3 905 943 68.6	841 709 36.6	21.5	592 552	169 347	116 257	85 423	221 525
Slow payers (%)	69 098 12.0	819 412 14.4	599 732 26.1	73.2	530 575	58 173	56 023	52 726	363 653
Non-performing accounts (%)	51 796 9.0	971 311 17.0	858 977 37.3	88.4	759 918	47 276	46 618	45 898	620 126
Total	576 893	5 696 666	2 300 418	40.4	1 883 045	274 796	218 898	184 047	1 205 304

#### Credit impaired debtors as at 31 March 2022

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

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

#### 2.1 Trade, insurance and other receivables continued

##### Interest rate risk

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

The weighted average contractual interest rate on trade receivables is 20.9% (2021: 21.2%).

##### Fair value

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

#### 2.2 Debtor costs

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
Bad debts	328.9	294.9	902.0
Bad debts before adjustment for interest on credit impaired accounts	373.2	348.6	1 021.3
Adjustment for interest on credit impaired accounts	(44.3)	(53.7)	(119.3)
Bad debt recoveries	(43.1)	(42.4)	(76.3)
Movement in debtors impairment provision	(18.7)	20.5	(123.3)
Closing balance	2 281.7	2 444.2	2 300.4
Opening balance	(2 300.4)	(2 423.7)	(2 423.7)
Total debtor costs	267.1	273.0	702.4
Debtor costs as a percentage of debtors at gross carrying value (%)	4.5	4.7	12.3

“Bad debts before adjustment for interest on credit impaired accounts” is the gross carrying amounts of the trade receivables written off. For credit impaired accounts, interest income is recognised by applying the effective interest rate to the amortised cost (gross carrying value less impairment provision), resulting in lower bad debts.

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 3. INSURANCE

#### 3.1 Insurance investments

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>Financial assets – insurance investments</b>			
<i>Listed investments</i>			
Fixed income securities – FVOCI debt investments	<b>243.1</b>	263.8	266.1
<i>Unlisted investments</i>			
Money market – FVOCI debt investments	<b>142.2</b>	240.0	156.7
	<b>385.3</b>	503.8	422.8
Analysed as follows:			
Non-current	<b>243.1</b>	263.8	266.1
Current	<b>142.2</b>	240.0	156.7
	<b>385.3</b>	503.8	422.8
<b>Movement for the period</b>			
Beginning of the period	<b>422.8</b>	477.3	477.3
Additions to investments	<b>15.0</b>	27.0	51.2
Disposals of investments	<b>(45.7)</b>	(27.8)	(152.8)
Interest	<b>16.2</b>	17.1	34.6
Fair value adjustment	<b>(23.0)</b>	10.2	12.5
End of the period	<b>385.3</b>	503.8	422.8

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

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 3. INSURANCE CONTINUED

#### 3.1 Insurance investments continued

##### Fair value hierarchy

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

	Level 2 Rm	Total Rm
<b>30 September 2022</b>		
Insurance investments:		
Fixed income securities – FVOCI debt investments	243.1	243.1
Money market – FVOCI debt investments	142.2	142.2
	<b>385.3</b>	<b>385.3</b>
<b>30 September 2021</b>		
Insurance investments:		
Fixed income securities – FVOCI debt investments	263.8	263.8
Money market – FVOCI debt investments	240.0	240.0
	503.8	503.8
<b>31 March 2022</b>		
Insurance investments:		
Fixed income securities – FVOCI debt investments	266.1	266.1
Money market – FVOCI debt investments	156.7	156.7
	422.8	422.8

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

#### 3.2 Investment income

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
Interest – insurance business	16.2	17.1	34.6

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 4. REVENUE

#### 4.1 Revenue

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
Retail revenue – revenue from contracts with customers	<b>2 476.2</b>	2 394.1	5 200.5
Merchandise sales	<b>2 075.7</b>	1 990.5	4 382.5
Ancillary services	<b>400.5</b>	403.6	818.0
Insurance revenue	<b>411.4</b>	368.7	776.0
Effective interest income	<b>653.4</b>	642.7	1 279.6
Finance charges and initiation fees earned	<b>697.7</b>	696.4	1 398.9
Adjustment for interest on credit impaired accounts	<b>(44.3)</b>	(53.7)	(119.3)
	<b>3 541.0</b>	3 405.5	7 256.1

#### 4.2 Retail revenue

	Traditional Rm	Cash Rm	Group Rm
<b>30 September 2022</b>			
<b>Merchandise sales</b>			
– Cash	<b>658.2</b>	<b>245.5</b>	<b>903.7</b>
– Credit	<b>1 172.0</b>	–	<b>1 172.0</b>
<b>Ancillary services</b>			
– At a point in time	<b>88.6</b>	<b>3.6</b>	<b>92.2</b>
– Over time	<b>308.3</b>	–	<b>308.3</b>
	<b>2 227.1</b>	<b>249.1</b>	<b>2 476.2</b>
<b>30 September 2021</b>			
Merchandise sales			
– Cash	712.4	271.4	983.8
– Credit	1 006.7	–	1 006.7
Ancillary services			
– At a point in time	75.7	4.5	80.2
– Over time	323.4	–	323.4
	2 118.2	275.9	2 394.1

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 4. REVENUE CONTINUED

#### 4.2 Retail revenue continued

	Traditional Rm	Cash Rm	Group Rm
31 March 2022			
Merchandise sales			
- Cash	1 560.3	569.1	2 129.4
- Credit	2 253.1	-	2 253.1
Ancillary services			
- At a point in time	166.4	9.0	175.4
- Over time	642.6	-	642.6
	4 622.4	578.1	5 200.5

### 5. GROSS PROFIT

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
Merchandise sales	2 075.7	1 990.5	4 382.5
Cost of merchandise sales	(1 259.1)	(1 191.3)	(2 607.6)
Merchandise gross profit	816.6	799.2	1 774.9
Gross profit margin (%)	39.3	40.2	40.5



## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 6. REPORTABLE SEGMENTS

Primary	Traditional Rm	Cash Rm	Group Rm
<b>For the six months ended 30 September 2022 (Unaudited)</b>			
Revenue	3 291.9	249.1	3 541.0
Merchandise sales	1 830.2	245.5	2 075.7
Segment operating profit/(loss) before impairments and capital items	320.3	(3.9)	316.4
Segment operating margin before impairments and capital items (%)	17.5	(1.6)	15.2
Segment operating profit/(loss)	331.2	(48.4)	282.8
Segment operating margin (%)	18.1	(19.7)	13.6
Segment assets	4 606.5	257.6	4 864.1
<b>For the six months ended 30 September 2021 (Unaudited)</b>			
Revenue	3 129.6	275.9	3 405.5
Merchandise sales	1 719.1	271.4	1 990.5
Segment operating profit before impairments and capital items	310.3	19.7	330.0
Segment operating margin before impairments and capital items (%)	18.1	7.3	16.6
Segment operating profit	320.5	20.7	341.2
Segment operating margin (%)	18.6	7.6	17.1
Segment assets	4 237.5	161.9	4 399.4
<b>For the twelve months ended 31 March 2022 (Audited)</b>			
Revenue	6 678.0	578.1	7 256.1
Merchandise sales	3 813.4	569.1	4 382.5
Segment operating profit before impairments and capital items	728.2	38.6	766.8
Segment operating margin before impairments and capital items (%)	19.1	6.8	17.5
Segment operating profit/(loss)	704.2	(36.3)	667.9
Segment operating margin (%)	18.5	(6.4)	15.2
Segment assets	4 211.4	203.7	4 415.1

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 6. REPORTABLE SEGMENTS CONTINUED

Geographical	South Africa Rm	Namibia Rm	BLE <sup>(1)</sup> Rm	Group Rm
<b>For the six months ended 30 September 2022 (Unaudited)</b>				
Revenue	<b>2 998.2</b>	<b>272.8</b>	<b>270.0</b>	<b>3 541.0</b>
<b>For the six months ended 30 September 2021 (Unaudited)</b>				
Revenue	2 895.7	257.3	252.5	3 405.5
<b>For the twelve months ended 31 March 2022 (Audited)</b>				
Revenue	6 165.6	545.3	545.2	7 256.1

<sup>(1)</sup> Botswana, Lesotho and Eswatini.

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 7. LEASES

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>7.1 Lease liabilities</b>			
Opening balance	<b>950.3</b>	805.8	805.8
Additions and renewed leases	<b>146.8</b>	173.6	444.9
Expired, renegotiated and modified leases	<b>0.5</b>	(0.7)	(4.1)
Rent concessions	<b>–</b>	(0.7)	0.3
Principal portion of lease liabilities	<b>(148.1)</b>	(145.8)	(296.6)
Interest on lease liabilities	<b>32.5</b>	29.6	62.1
Lease liability payments	<b>(180.6)</b>	(175.4)	(358.7)
Closing balance	<b>949.5</b>	832.2	950.3
Analysed as follows:	<b>949.5</b>	832.2	950.3
Non-current	<b>706.5</b>	599.4	700.1
Current	<b>243.0</b>	232.8	250.2
<b>7.2 Right-of-use assets</b>			
<b>Retail premises</b>			
Opening balance	<b>747.1</b>	635.0	635.0
Additions and renewed leases	<b>146.8</b>	173.6	444.9
Expired, renegotiated and modified leases	<b>2.1</b>	–	(2.6)
Remeasurement of restoration provision	<b>–</b>	–	1.1
Rent concessions	<b>–</b>	(0.7)	0.3
Depreciation	<b>(133.3)</b>	(146.7)	(232.4)
Net impairment	<b>(20.0)</b>	–	(99.2)
Closing balance	<b>742.7</b>	661.2	747.1

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 8. DEPRECIATION, AMORTISATION AND IMPAIRMENT

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>8.1 Depreciation and amortisation</b>			
Depreciation			
Right-of-use assets	133.3	146.7	232.4
Property, plant and equipment	32.8	32.1	81.1
Amortisation			
Intangible assets	7.9	7.2	14.3
	<b>174.0</b>	<b>186.0</b>	<b>327.8</b>
<b>8.2 Impairment</b>			
Right-of-use assets	20.0	–	99.2
Goodwill	24.6	–	31.4
	<b>44.6</b>	<b>–</b>	<b>130.6</b>

Impairment tests were performed on the right-of-use assets and goodwill balances as at 30 September 2022 as a consequence of there being indicators of impairment.

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

- For the traditional segment, only branches with impairment indicators were tested. No adjustment was required.
- For the UFO segment, all branches were tested due to the underperformance of this segment. An additional impairment of R20.0 million was recognised.

With respect to goodwill arising on the acquisition of the UFO segment, the impairment test was performed by an external valuator. Impairment of goodwill of R24.6 million was required.

Other than a significant recalibration of the projected cash flows for the UFO segment due to the tough trading environment experienced, the assumptions used in the impairment testing did not differ materially from those applied at 31 March 2022.

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 9. BORROWINGS, CASH AND NET FINANCE COSTS

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>9.1 Borrowings, banking facilities and cash</b>			
Short-term banking facilities	(431.6)	–	(80.8)
Cash-on-hand and deposits	240.7	389.6	308.1
<b>Cash and cash equivalents</b>	<b>(190.9)</b>	389.6	227.3
<b>Available facilities</b>			
Banking facilities	950.0	1 050.0	950.0
Domestic Medium-Term Note programme	2 000.0	2 000.0	2 000.0
	<b>2 950.0</b>	3 050.0	2 950.0
<b>Available funds</b>	<b>2 759.1</b>	3 439.6	3 177.3
<b>Interest rate profile</b>			
Bank borrowings include revolving credit and overnight facilities. 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. The weighted average interest rate at the end of the reporting period is 8.06% (2021: 5.93%).			
<b>9.2 Capital management</b>			
Net debt	1 140.4	442.6	723.0
Shareholders' equity	4 582.7	4 737.4	4 717.0
Gearing ratio (%)	24.9	9.3	15.3
<b>9.3 Net finance costs</b>			
Interest paid	(45.1)	(33.8)	(48.9)
Borrowings	(10.2)	(2.7)	(12.6)
Lease liabilities	(32.5)	(29.6)	(62.1)
Other	(2.4)	(1.5)	25.8*
Interest received – bank	6.9	8.8	14.4
Interest received – other	–	3.9	11.0
Foreign exchange gains/(losses)	21.3	0.9	(5.1)
	<b>(16.9)</b>	(20.2)	(28.6)

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

## Lewis Group Limited: Unaudited interim results

### NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED for the six months ended 30 September 2022

## 10. TAXATION

	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>Taxation charge</b>			
Normal taxation	<b>83.3</b>	89.9	160.6
Current year	<b>83.2</b>	90.4	150.9
Prior year	<b>0.1</b>	(0.5)	9.7
Deferred taxation	<b>(6.0)</b>	14.1	30.2
Current year	<b>(1.6)</b>	5.9	19.3
Tax rate change	<b>–</b>	–	2.2
Prior year	<b>(4.4)</b>	8.2	8.7
Taxation per income statement	<b>77.3</b>	104.0	190.8
<b>Tax rate reconciliation</b>			
Profit before taxation	<b>282.1</b>	338.1	673.9
Taxation calculated at a tax rate of 27% (2021: 28%)	<b>76.2</b>	94.7	188.7
Differing tax rates in foreign countries	<b>1.5</b>	1.8	4.1
Disallowances	<b>19.0</b>	12.0	36.0
Exemptions	<b>(15.1)</b>	(12.2)	(58.6)
Prior years	<b>(4.3)</b>	7.7	18.4
Tax rate change	<b>–</b>	–	2.2
Taxation per income statement	<b>77.3</b>	104.0	190.8
Effective tax rate (%)	<b>27.4</b>	30.8	28.3

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 11. CASH FLOW FROM OPERATIONS

	Notes	6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021 Unaudited Rm	12 months ended 31 March 2022 Audited Rm
<b>11.1 Cash flow from trading</b>		<b>507.8</b>	575.8	1 019.5
Operating profit		<b>282.8</b>	341.2	667.9
<i>Adjusted for:</i>				
Share-based payments		<b>30.9</b>	31.8	68.4
Depreciation and amortisation	8.1	<b>174.0</b>	186.0	327.8
Impairment	8.2	<b>44.6</b>	–	130.6
Profit on disposal of fixed assets		<b>(1.1)</b>	(13.0)	(17.7)
Loss on inventory write-off due to civil unrest		–	13.6	–
(Profit)/Loss on scrapping of fixed assets due to civil unrest	14	<b>(9.9)</b>	1.8	(14.0)
Movement in debtors impairment provision	2.2	<b>(18.7)</b>	20.5	(123.3)
Movement in other provisions		<b>2.6</b>	(11.9)	(9.2)
Other non-cash flow movements		<b>2.6</b>	5.8	(11.0)
Included in cash flow from trading is interest received on trade receivables of R697.7 million (2021: R696.4 million).				
<b>11.2 Changes in working capital</b>		<b>(331.2)</b>	19.3	(156.2)
Increase in inventories		<b>(242.9)</b>	(150.2)	(49.8)
Increase in trade and other receivables		<b>(191.5)</b>	(89.5)	(58.1)
Increase/(Decrease) in trade and other payables		<b>95.5</b>	239.1	(45.7)
Increase in payments in advance		<b>11.6</b>	19.0	18.3
(Decrease)/Increase in insurance liabilities		<b>(3.9)</b>	0.9	(20.9)
<b>11.3 Interest paid per cash flow statement</b>		<b>(42.7)</b>	(32.3)	(74.7)
Interest paid per the income statement		<b>(45.1)</b>	(33.8)	(48.9)
Non-cash flow movement		<b>2.4</b>	1.5	(25.8)

## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

### 12. SHARE REPURCHASES

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

	Number of shares repurchased 000's	Average price R	Total value repurchased Rm
<b>Share repurchases made during the 2023 financial year</b>			
For the six months ended 30 September 2022	3 808	50.47	192.2
<b>Share repurchases made during the 2022 financial year</b>			
For the six months ended 30 September 2021	5 411	35.94	194.5
For the six months ended 31 March 2022	3 345	47.45	158.7
<b>Total</b>	8 756		353.2

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

### 13. IMPACT OF CIVIL UNREST

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

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

The group has separate cover for business interruption losses. A claim has been submitted and is currently being assessed.



## Lewis Group Limited: Unaudited interim results

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED  
for the six months ended 30 September 2022

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

		6 months ended 30 Sept 2022 Unaudited Rm	6 months ended 30 Sept 2021* Unaudited Rm	12 months ended 31 March 2022 Audited Rm
	Notes			
Impairment of right-of-use assets	8.2	20.0	–	99.2
Impairment of goodwill	8.2	24.6	–	31.4
Profit on disposal of fixed assets		(1.1)	(13.0)	(17.7)
(Profit)/Loss on scrapping of fixed assets due to civil unrest		(9.9)	1.8	(14.0)
Losses due to scrapping of assets		–	9.8	9.8
Insurance recoveries due to damaged assets		(9.9)	(8.0)	(23.8)
		<b>33.6</b>	(11.2)	98.9

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

\* In the prior reporting period, these costs were included under operating costs.

## **15. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE**

### *IFRS 17 Insurance Contracts*

The IASB issued IFRS 17, Insurance Contracts, as a replacement to current standard, IFRS 4, which allows insurers to use their local GAAP. IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements.

Under IFRS 17, the general measurement model (GMM) requires entities to measure an insurance contract on initial recognition at the total of the fulfilment cash flows over the whole period of the contract (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides the premium allocation approach (PAA). The PAA is a more simplified model, which allows the entity to measure the liability for remaining coverage by allocating the unearned premium over the remaining coverage period, very similar to the unearned premium reserve (UPR) used currently. The PAA also includes an explicit risk adjustment and is adjusted to reflect the time value of money. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less and where the result between the GMM and PAA is not materially different.

Following comprehensive testing and assessments performed by the group, together with the assistance of an IFRS 17 implementation partner, the conclusion was reached that the South African direct insurance business, the inwards reinsurance business in Botswana, Lesotho and Eswatini, as well as the cell captive in Namibia are likely to be eligible to utilise the premium allocation approach.

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

## **16. POST BALANCE SHEET EVENTS**

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

# Lewis Group Limited: Unaudited interim results

## KEY RATIOS

		6 months ended 30 Sept 2022 Unaudited	6 months ended 30 Sept 2021 Unaudited	12 months ended 31 March 2022 Audited
<b>Operating efficiency ratios</b>				
Gross profit margin	(%)	<b>39.3</b>	40.2	40.5
Operating margin before impairments and capital items	(%)	<b>15.2</b>	16.6	17.5
Operating margin	(%)	<b>13.6</b>	17.1	15.2
Number of stores		<b>829</b>	817	819
Number of permanent employees	(average)	<b>9 174</b>	8 880	8 952
Trading space	(sqm)	<b>252 011</b>	251 138	250 643
Inventory turn (annualised)	(times)	<b>2.0</b>	2.3	2.6
Current ratio		<b>2.9</b>	3.3	3.6
<b>Credit ratios</b>				
Credit sales	(%)	<b>56.5</b>	50.6	51.4
Debtor costs as a % of debtors at gross carrying value	(%)	<b>4.5</b>	4.7	12.3
Debtors impairment provision as a % of debtors at gross carrying value	(%)	<b>38.7</b>	42.2	40.4
Arrear instalments on satisfactory paid accounts as a % of total debtors at gross carrying value	(%)	<b>10.2</b>	10.1	10.4
Arrear instalments on slow paying and non-performing accounts as a % of total debtors at gross carrying value	(%)	<b>22.7</b>	27.2	22.7
Credit applications decline rate	(%)	<b>35.8</b>	39.1	36.1
<b>Shareholder ratios</b>				
Net asset value per share	(cents)	<b>7 792</b>	7 176	7 527
Gearing ratio	(%)	<b>24.9</b>	9.3	15.3
Dividend payout ratio	(%)	<b>56.2</b>	55.0	55.0
Return on average shareholders' funds (annualised) after-tax	(%)	<b>8.8</b>	9.7	10.1
Return on average capital employed (annualised) after-tax	(%)	<b>7.4</b>	8.8	8.8
Return on average assets managed (annualised) pre-tax	(%)	<b>8.6</b>	10.5	10.4

### Notes:

1. All ratios are based on figures at the end of the period unless otherwise disclosed.
2. The net asset value has been calculated using 58 815 981 shares in issue (2021: 66 017 091).
3. Total assets exclude the deferred tax asset.

## Lewis Group Limited: Unaudited interim results

### CORPORATE INFORMATION

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



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