INTEGRATED ANNUAL REPORT **2023**

FOR THE YEAR ENDED 31 MARCH 2023

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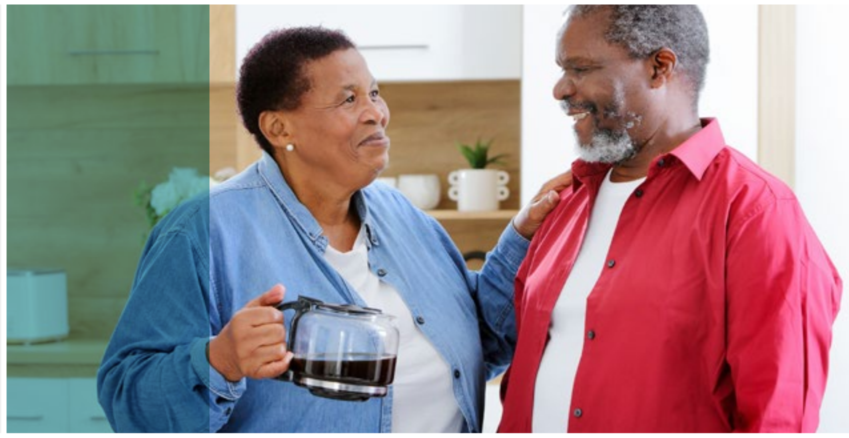
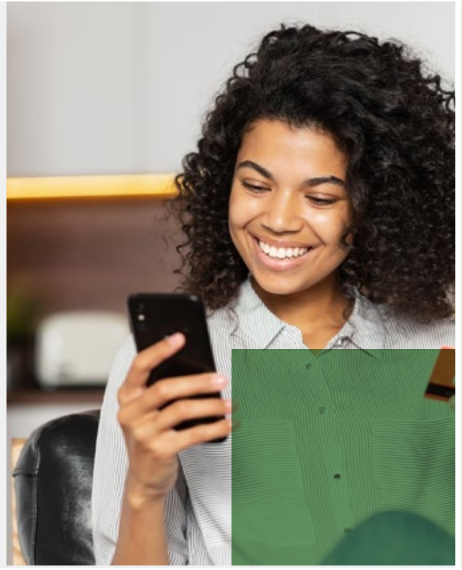


03 LEADERSHIP



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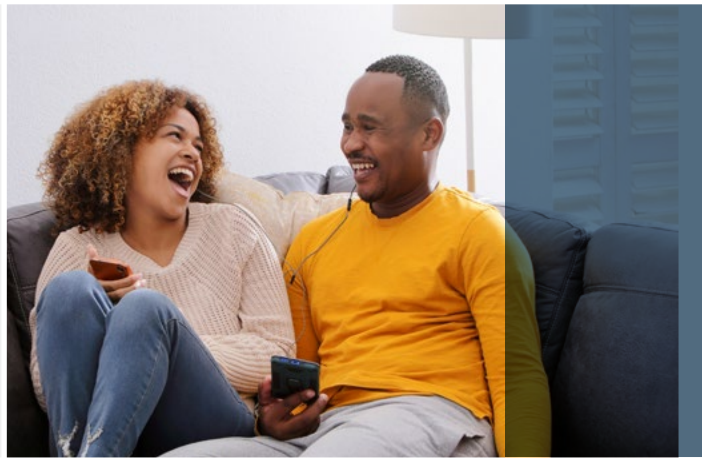


06 GOVERNANCE

07 SHAREHOLDER INFORMATION

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 2023
- 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

** Will be issued in due course*

01

OVERVIEW

REVIEW OF 2023 FINANCIAL YEAR

MERCHANDISE SALES INCREASED BY
1.4%
to R4.4 billion

REVENUE INCREASED BY
3.1%
to R7.5 billion

GROSS PROFIT MARGIN AT
40.6%

SATISFACTORY PAID ACCOUNTS AT
80.4%

COLLECTION RATES STRENGTHENED TO
80.8%

DEBTORS' BOOK GROWTH OF
7.5%

DEBTOR COST GROWTH CONTAINED TO
7.0%

EARNINGS PER SHARE DECREASED BY
5.7%
to 689 cents

HEADLINE EARNINGS PER SHARE INCREASED BY
1.0%
to 857 cents

TOTAL DIVIDEND MAINTAINED AT
413
cents per share

INTRODUCING THE INTEGRATED REPORT

We are reporting to shareholders on a year dominated by the global impact of the war in Ukraine and a stalling domestic economy under severe pressure from rising fuel, energy, food and borrowing costs, which has been compounded by the highest ever levels of electricity load shedding, all factors which have conspired to curb the country's growth prospects.

Our 2023 Integrated Report aims to demonstrate the resilient nature of the business model in the current constrained environment and how the Group has responded to the multitude of challenges to maintain and create value for our shareholders and other stakeholders.

REPORTING SCOPE AND BOUNDARY

The report covers 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 2022 to 31 March 2023. The companies operate 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 and Electric, and Beares
- Cash retail, comprising the United Furniture Outlets (UFO) chain

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 strategy and performance. This excludes the disclosure of price-sensitive information or detail that could compromise the Group's competitive position.

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 and the JSE Listings Requirements while financial reporting complies with International Financial Reporting Standards (IFRS). 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 16 principles of the code is outlined in the King IV Report available on www.lewisgroup.co.za.

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 store, 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 on page 8.

INTRODUCING THE INTEGRATED REPORT CONTINUED

INDEPENDENT ASSURANCE

Reporting	Assurance process
Annual financial statements	The Group's external auditor, PricewaterhouseCoopers (PwC), has provided assurance on the annual financial statements and expressed an unqualified audit opinion.
Integrated Report	Reviewed by the directors and management and has not been independently assured. PwC has reviewed the summary consolidated financial statements that are included in the Integrated Report.
Non-financial information	The sustainability information disclosed in the report has been approved by the board's social, ethics and transformation committee. Independent, accredited service providers have assisted with or verified selected non-financial indicators as follows: • B-BBEE rating: Reviewed and verified by AQRate • Carbon emissions: Assessed by The Green House sustainability consulting firm • Management has verified the processes for measuring all other non-financial information

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 the Integrated Report addresses all material issues, the strategy, integrated performance as well as the Group's prospects.

The audit committee has oversight for the preparation of the Integrated Report and recommended the report for approval by the board. The 2023 Integrated Report was approved by the board on 29 June 2023.

Hilton Saven
Independent non-executive chairman

Johan Enslin
Chief executive officer

Jacques Bestbier
Chief financial officer

02

CREATING VALUE FOR STAKEHOLDERS

GROUP PROFILE

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

The Group's footprint of 840 stores covers metropolitan and rural areas in South Africa as well as four neighbouring countries.

Founded in Cape Town in 1934, Lewis Group has been listed on the JSE Limited since 2004. The Group employs over 9 000 permanent staff and is committed to promoting socio-economic change through its retail operations and supply chain, being a strong supporter of the local furniture manufacturing sector.

EXPANDING BRAND PORTFOLIO

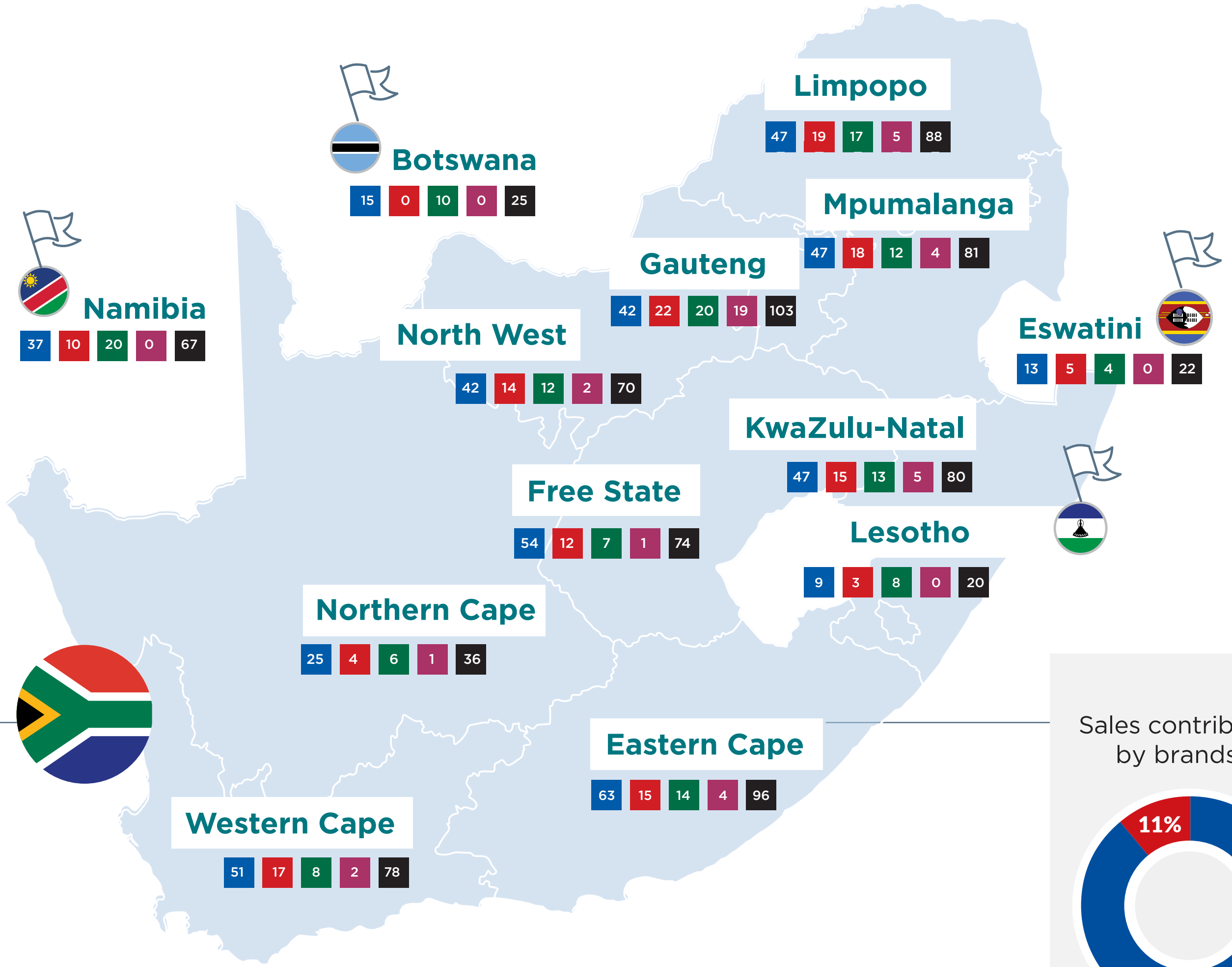
Over the past 15 years the Group has expanded its portfolio beyond the traditional Lewis chain by developing brands internally and acquiring established retail chains, while following a strategy of diversifying across income groups, market segments and product offering.

Lewis is South Africa's largest furniture chain and is synonymous with furniture retailing in the country.

Best Home and Electric was established in 2008, selling home appliances as well as furniture ranges.

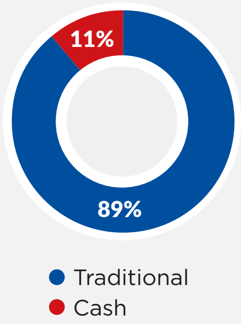
Beares, a furniture retailer started in 1930, was acquired in 2014 as the Group diversified into a higher income target market.

UFO, a luxury furniture chain, was acquired in 2018 and marked the Group's diversification into cash retailing and targeting the higher income market.



RETAIL STORE FOOTPRINT	Lewis	Best Home and Electric	Beares	UFO	LEWIS GROUP
Stores – 31 March 2023	492	154	151	43	840
Stores – 31 March 2022	485	146	143	45	819

Sales contribution by brands %



BRAND	TARGET MARKET*	STORE FOOTPRINT: STORES INSIDE SA	STORE FOOTPRINT: STORES OUTSIDE SA	PRODUCT OFFERING	
Lewis	LSM **4–7**	418	74	Furniture, home appliances, electronic goods and homewares.	TRADITIONAL RETAIL
Best Home and Electric	LSM **4–7**	136	18	On average, 90% of merchandise deliveries are completed within 24 hours of the sale.	TRADITIONAL RETAIL
Beares	LSM **7–9**	109	42		TRADITIONAL RETAIL
UFO	LSM **9+**	43		Cash sales of exclusive and luxury household furniture, including lounge, dining room and bedroom ranges.	CASH

* *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, degree of urbanisation as well as access to basic services.*

African store footprint

The Group's 134 stores outside South Africa collectively accounted for 18.3% of the group's sales in the reporting period. Lewis was one of the first South African retailers to expand into southern African countries from 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.

Credit management

Credit is offered to customers in the traditional retail brands of Lewis, Best Home and Electric, and Beares. The Group has a credit customer base of over 594 000 active customers, and credit sales accounted for 59.9% 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 all governance and regulatory issues relating to credit contracts are explained to customers. Stores are responsible for cash collections and payment follow-up with customers that have defaulted. The introduction of the debit order strategy has further supported collections. Customers purchasing merchandise on credit are offered insurance cover by **Monarch Insurance Company Ltd** (Monarch) 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, with high levels of repeat sales to existing customers being 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 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.

VALUE CREATING BUSINESS MODEL

INPUTS

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

FINANCIAL CAPITAL
- Equity of R4.6 billion (2022: R4.7 billion)
- Funding facilities of R950 million (2022: R950 million)
- Net borrowings of R185 million (2022: net cash of R227 million)

MANUFACTURED CAPITAL
- 840 stores (2022: 819)
- 134 stores outside SA (2022: 129)
- 250 small format Lewis stores (2022: 235)
- Online platforms and social media sites

HUMAN CAPITAL
- 9 524 average permanent employees (2022: 8 952)
- Extensive investment in training and skills development
- Highly experienced, stable board and management

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

SOCIAL AND RELATIONSHIP CAPITAL
- 594 804 active customers (2022: 576 893)
- 45% repeat customers (2022: 44%)
- Social media followers
  - 2 328 262 Facebook followers (2021*: 1 126 239)
  - 157 519 Instagram followers (2021*: 101 810)
- Long-term relationships with offshore and local suppliers
- Commitment to corporate social investment

* *Compared to 2021 when the social media presence was launched for the traditional retail brands*

NATURAL CAPITAL
- Materials used in products and packaging
- Fuel and electricity consumption in business activities
- Commenced reporting processes to determine carbon emissions baseline and set reduction targets

OPERATING CONTEXT

Weak economic environment with severe pressure on consumer spending	Inflationary cost pressures with rising interest rates and high unemployment	Increased load shedding 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 page 37

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 page 37

CREDIT
- Granted centrally to ensure credit policies are consistently applied
- The 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 page 40

Monarch Insurance Company Ltd.

- 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

R7.5 BILLION	R2.6 BILLION	R600.6 MILLION	73 948 TONNES CO_2e
REVENUE	COST OF MERCHANDISE SALES	OPERATING PROFIT	CARBON EMISSIONS

OUTCOMES

Value created for our stakeholders in the 2023 financial year

SHAREHOLDERS
- Operating profit down 10.0% to R600.6 million
- Headline earnings per share increased 1.0% to 857 cents
- R517.5 million returned to shareholders through share buy-back programme and dividends
- Total dividend per share maintained at 413 cents
- Return on equity 8.7%

CUSTOMERS
- Merchandise sales of R4.4 billion
- Opened a net 21 new stores; total stores now 840
- 150 stores refurbished
- 326 123 new customers
- Extensive social support in communities where customers live

EMPLOYEES
- R1.4 billion paid to employees
- R47.8 million invested in training and development
- Over R1.2 million in education assistance provided to employees and dependants of employees
- 16 111 staff training interventions
- Diversity metrics improved

SUPPLIERS
- R4.9 billion paid to suppliers of goods and services
- 70% 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 homewares 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 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 11 to 14).

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

1. Expand the credit customer base
2. Refine credit collection processes to enhance collection rates
3. Attract customers through new merchandise ranges and ensure high levels of stock availability
4. Expand retail presence through new store openings
5. Deliver a sustainable performance turnaround in UFO
6. Enhance shareholder returns through efficient capital management
7. Capitalise on the experienced and motivated management team and workforce to unlock value for stakeholders
8. Support the sustainability of the business through robust environmental, social and governance practices

STRATEGY AND TARGETS CONTINUED

STRATEGIC OBJECTIVES

PLANS TO DELIVER ON STRATEGIC OBJECTIVES IN 2024	
Expand the credit customer base	• Capitalise on the increased consumer demand and appetite for credit • Expand opportunities for customer engagement through social media and online channels • Maintain strict credit granting criteria
Refine credit collection processes to enhance collection rates	• Increase number of customers paying instalments on monthly debit orders, creating more capacity to improve follow up on customers who pay instalments in the store
Attract customers through new merchandise ranges and ensure high levels of stock availability	• Maintain focus on quality, exclusivity and differentiation of merchandise • Introduce new merchandise ranges • Increase sales of higher margin furniture and appliance product categories
Expand retail presence through new store openings	• Open a net 25 new stores across the traditional retail brands • Expand footprint of smaller format Lewis stores • Refurbish 150 stores
Deliver a sustainable performance turnaround in UFO	• Apply strict cost savings measures • Introduce new merchandise ranges in July/August 2023 • Revamp online and social media strategy • Revise pricing strategy to benefit from lower shipping rates on imported merchandise
Enhance shareholder returns through efficient capital management	• Continue to invest 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 forthcoming AGM for renewal of share repurchase mandate
Capitalise on the experienced and motivated management team and workforce to unlock value for stakeholders	• Capitalise on the Group's positioning to gain market share • Maintain momentum in credit sales and collections to support future earnings • Stabilise the performance of UFO and restore the business to profitability
Support the sustainability of the business through robust environmental, social and governance practices	• Maintain an efficient governance framework comprising relevant governance policies • Deliver on commitment to improve climate related reporting, utilising the guidance of the Task Force on Climate-related Financial Disclosures (TCFD) framework, by 2025

STRATEGIC FOCUS AREAS, PERFORMANCE INDICATORS AND TARGETS

STRATEGIC FOCUS AREAS	PERFORMANCE INDICATORS	ACHIEVED 2023	TARGETS (%)		
			2023	2024	MEDIUM-TERM
Merchandising and supply chain	Gross profit margin	40.6	40–42	40–42	41–43
Credit management	Debtor costs as a percentage of debtors at gross carrying value	12.3	12–15	12–16	12–15
	Satisfactory paid accounts	80.4	74–79	77–80	77–80
Operational management	Operating margin	13.5	14–18	12–16	16–20
	Credit sales as a percentage of total sales	59.9	52–56	59–63	52–56
	Increase in operating costs	6.7	4–8	6–10	3–6
Capital management	Gearing – including IFRS 16 Lease liabilities	24.5	<20	<30	<35
	Gearing – excluding IFRS 16 Lease liabilities	4.0		<10	<15

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. In reviewing the material issues for the 2024 financial year, the directors have included global and local supply chain challenges as a new material issue. The directors believe that the risk posed by Covid-19 has diminished and this is no longer considered a material issue to the Group.

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 CONTINUED

1 Retail trading environment

The macroeconomic environment in South Africa has a significant impact on the Group's operations and the weak trading conditions, which have been compounded by sustained electricity load shedding, impact both sales and collections across the trading brands.

RELATED RISKS

- Constrained consumer spending and weak consumer sentiment as a result of deteriorating economic conditions and socio-political tensions
- Consumer spending declining further due to rising unemployment which particularly impacts the Group's target market
- Load shedding limiting the ability of stores to trade and adversely impacting consumer shopping patterns
- Civil unrest disrupting trading
- Extreme weather events disrupting trading

RISK MITIGATION

- The Group's store-based business model has proven resilient through all economic cycles and other disruptive events, while the current executive team has led the business through several downturns
- The Group's robust balance sheet should provide protection against the mounting economic headwinds
- Payment of certain social relief grants extended to March 2024
- Back-up and alternate power solutions at stores to limit impact of load shedding on trading
- Business continuity across the Group continues to be reviewed and enhanced

2 Global and local supply chain challenges

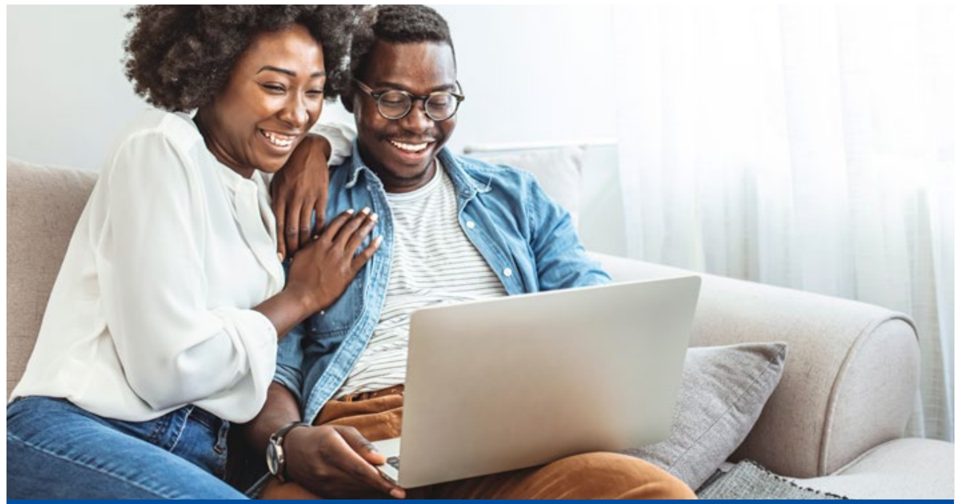
Global and local supply chain challenges are impacting the production and transportation of merchandise and the consistency of supply to stores and customers, while higher supply chain costs are adversely impacting margins.

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
- Significantly increased 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 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
- 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



3 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 high levels of unemployment, industrial action, tough economic conditions in the countries of operation and health pandemics could impact on the Group's ability to maintain the optimal quality of the debtors' book

RISK MITIGATION

- Adjusting 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 DebiCheck collection platform
- Focus on increasing the number of satisfactory paying customers

MATERIAL ISSUES AND RISKS CONTINUED

4 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 gearing levels within risk appetite
- Manage currency exposure and risk, and hedge against currency fluctuations

5 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.

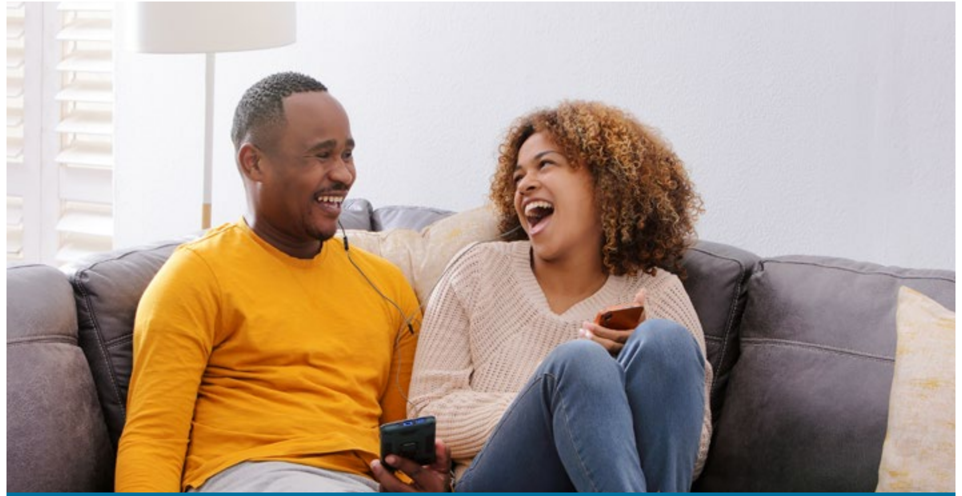
RELATED RISKS

- Cyber risk 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
- Risk committee regularly updated on IT-related risks and mitigation plans
- Continued investment in cyber security
- Maintain and enhance the Group's information security management system
- Policies implemented to address data security risks and cyber security solutions
- Advanced artificial intelligence and machine learning technology implemented to allow for the detection of irregular human and machine behaviour which may indicate a possible security event
- Autonomous response technology implemented 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
- Disaster recovery plans across the Group continue to be reviewed and enhanced

MATERIAL ISSUES AND RISKS CONTINUED



6 People

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

- Improve talent management
- Focus on remuneration incentive schemes
- 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
- Enhance mentoring and coaching programmes

7 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
- Mitigation measures and disciplinary processes implemented 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 the Insurance Act

STAKEHOLDER ENGAGEMENT

Employees at head office and stores across the Group

Customers of the four trading brands

Shareholders and the broader investment community

Regulators in all countries of operation

Suppliers of merchandise and services

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.

STAKEHOLDER GROUP

Employees

EMPLOYEES	FEMALE	MALE	BLACK	WHITE
9 524	58%	42%	98%	2%

NEEDS AND EXPECTATIONS	KEY ENGAGEMENT ISSUES IN 2023	OUR RESPONSE TO ENGAGEMENT ISSUES
• 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	• Employee wellness • Training and development • Labour and human rights • Transformation and diversity	• 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 allowances offered to children of employees • Ensure that the Group is well positioned to meet revised targets in the Employment Equity Amendment Bill • Remuneration regularly reviewed against industry benchmarks • Incentives offered across occupational categories to encourage high performance culture

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

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

STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER GROUP

Customers

ACTIVE CREDIT CUSTOMERS OVER

594 000

OVER 2.4 million

SOCIAL MEDIA FOLLOWERS ACROSS PLATFORMS

NEEDS AND EXPECTATIONS	KEY ENGAGEMENT ISSUES IN 2023	OUR RESPONSE TO ENGAGEMENT ISSUES
• 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	• Protection of personal information • Stock availability	• The Protection of Personal Information Act (POPIA), which regulates the processing, storage and use of personal information, impacts the channels available for customer engagement. Lewis has addressed all aspects of POPIA compliance to ensure the ability to engage with customers in future • Ensure stores are well stocked to meet customer demand • Continued store footprint expansion and refurbishment programme • Commitment to social responsibility initiatives

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.

STAKEHOLDER GROUP

Shareholders

SHAREHOLDERS

3 542

SHARES HELD OUTSIDE SOUTH AFRICA

19.7%

NEEDS AND EXPECTATIONS	KEY ENGAGEMENT ISSUES IN 2023	OUR RESPONSE TO ENGAGEMENT ISSUES
• Sustainable, long-term returns • Transparent, relevant and regular communications • Clearly articulated growth strategy • Strong balance sheet • Quality management team • Robust corporate governance structures	• 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	• 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

WHY WE ENGAGE

Shareholders are the Group's primary providers of financial capital. Engagement with shareholders is the responsibility of the CEO and CFO 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, integrated annual report and investor website.

STAKEHOLDER ENGAGEMENT CONTINUED

STAKEHOLDER GROUP

Regulators

NEEDS AND EXPECTATIONS	KEY ENGAGEMENT ISSUES IN 2023	OUR RESPONSE TO ENGAGEMENT ISSUES
• 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 black economic empowerment and transformation	• Anti-money laundering and counter terrorist financing preventative measures and reporting within the insurance business of the Group • Variation of insurance licence conditions in respect of the proposed new insurance lines that will be offered by the Group's insurer • National Credit Regulators' review of credit life regulations • Talent management and succession planning • Amendments to Employment Equity Act • Cybersecurity readiness	• Enhancement of anti-money laundering and counter terrorist measures including training programmes, awareness and reporting within the insurer • Progressing the insurance licence variation application • Submission to the National Credit Regulator in relation to credit life regulations • 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 • Submissions in response to proposed amendments to the Employment Equity Bill and further participation in the setting of targets for the relevant sectoral code • Adequate controls in place to mitigate cyber security risk

WHY WE ENGAGE

Regulatory compliance ensures the Group's licence 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, 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.

STAKEHOLDER GROUP

Suppliers

70%
OF MERCHANDISE MANUFACTURED IN SOUTH AFRICA

MAIN COUNTRIES WHERE MERCHANDISE IS SOURCED FROM ARE
China, Malaysia & Brazil

NEEDS AND EXPECTATIONS	KEY ENGAGEMENT ISSUES IN 2023	OUR RESPONSE TO ENGAGEMENT ISSUES
• Fair and equitable business practices • Meeting contractual terms and obligations • Long-term beneficial relationships • Preferential procurement aligned with B-BBEE legislation	• Consistency of supply due to raw material shortages both locally and internationally • Security of supply owing to raw material shortages due to global shipping challenges • 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 • Lease renewal negotiations as well as assessing new store opportunities with property landlords	• Secured contractual agreements with freight forwarding companies to ensure consistent supply of imported products. Third-party logistics provider assists in minimising local port delays • Orders with suppliers 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 • Strategic decision to increase stock levels to ensure sufficient stock on hand to meet customer demands • New leases and lease renewals concluded at market related rates

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

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

The board believes the following factors motivate an investment case for Lewis Group and should support competitive long-term returns for shareholders despite the challenging macro-economic conditions in the country.

This investment case should be read together with the Strategy and targets report on pages 9 and 10.

1

- Stable executive team with average of **18 years' service**
- **Good balance** of company and industry experience
- Current leadership team has **led the business successfully** through previous economic downturns
- **Leadership succession** from senior management

2

- Decentralised store-based business model is **resilient** to current constrained retail environment
- Decentralised collections process ensures a **customer-centric approach** which supports higher collections
- Increasing numbers of customers **migrating to debit order payments** which further supports collections

3

- **Brands** are well positioned to **gain market share** across all market segments through the extensive retail footprint and merchandise offering
- All retail brands operate in a **growth segment** of the South African population
- Credit offering and expertise is a **strategic advantage**, particularly in the current economic downturn

4

- Deep penetration of retail market with **706 stores** across urban and rural areas in South Africa
- **Expansion into the higher income segment** in the past five years with the UFO chain which now comprises **43** stores
- **Presence in other African markets with 134 stores** across Namibia, Botswana, Lesotho and Eswatini

5

- Lewis and Best Home and Electric **target low 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
- 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
- **High levels of brand awareness** and trust with customers
- Extensive **social media** following
- Traditional retail stores **conveniently located** close to areas where target customer live, work and shop
- UFO stores located in **high footfall areas** where higher end customers shop

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 and share price trading at a discount to **net asset value of approximately 50% at year end**
- Active capital management strategy enhancing returns to shareholders, with **over R1.9 billion returned in dividends** and the share buy-back programme over the past five years

SUSTAINABILITY REPORT

OUR 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. Sustainability for the Group, which has been in business for almost 90 years, means creating value for stakeholders 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 its responsibilities in sustaining the environment

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

↓

KEY FOCUS AREAS IN 2023

- 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 Task Force on Climate-related Financial Disclosures (TCFD)
- Monitoring employee training and leadership programmes
- Continue to support initiatives 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

ALIGNMENT TO 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 environmental and social aspects of sustainability, aligned with the SDGs where we believe the Group is making a meaningful contribution.

The Group's sustainability programme has been aligned to the following SDGs:

SUSTAINABILITY REPORT CONTINUED

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 training of management for store operations in the five countries in which the Group operates.

REWARDING EMPLOYEES FOR SERVICE EXCELLENCE

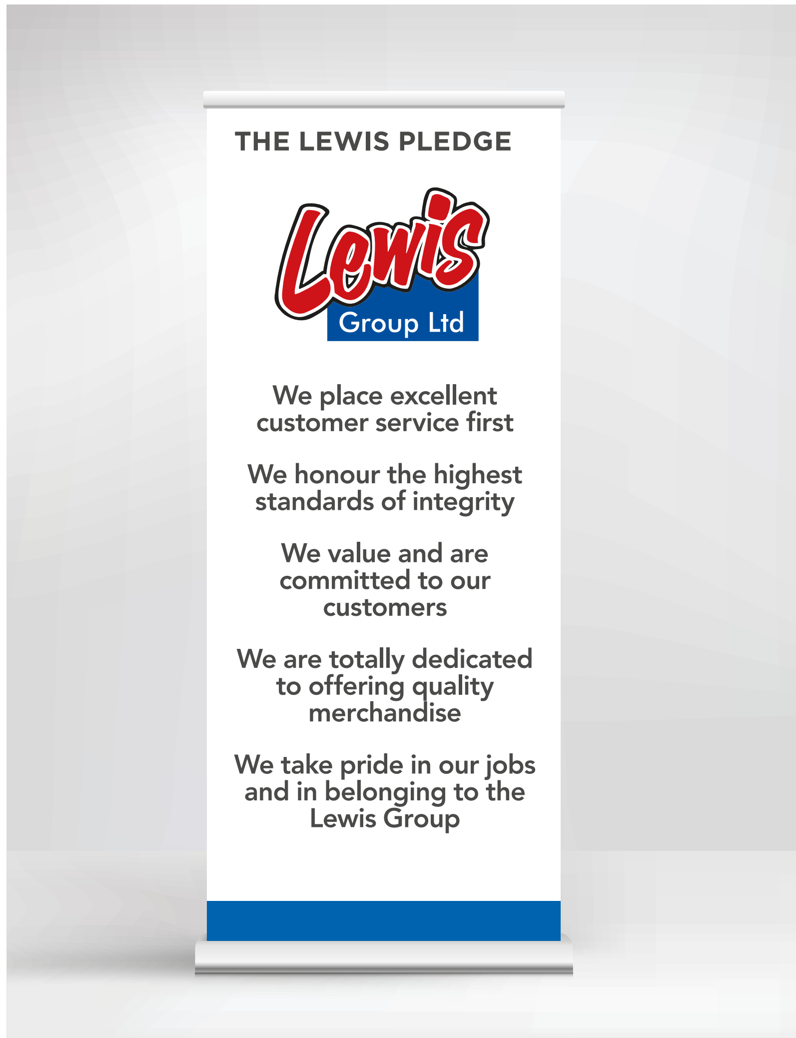
Our goal is to create and enforce a strong sense of excellent customer service in all employees.

The Group's management team are committed to customer care and satisfaction and expect the same commitment from every employee.

The service excellence team at head office is dedicated to continuous improvement in the quality of customer satisfaction and drives service excellence throughout the organisation. The objective of this team is to assess service standards and to manage a reward programme which recognises and provides incentives to employees who deliver outstanding service to our customers.

Lewis executive directors with the winners of the CEO awards, who received cash and cars at the 2022 GEM awards ceremony.

The Great Employee Movement (GEM) campaign was initiated to encourage and reward employees who are committed to service excellence



The Lewis pledge ensures that every customer will be delighted with the excellent service provided.

Investing in our employees

Black staff account for **98%** of total staff (2022: 96%)

Black female staff comprise **57%** of total staff (2022: 58%)

56 EMPLOYEES AWARDED TERTIARY BURSARIES

96% (2022: 94%) of total training spend on previously disadvantaged employees

Intake of 350 learners as part of unemployed learnership initiative including **210 disabled learners** and **100 unemployed matriculants**

Training interventions **16 111** (2022: 14 034)

R47.8m invested in **employee training** (2022: R34.6m)

172 Interns/learnership students were offered full-time positions (2022: 5)

Zero findings in terms of health and safety non-compliance

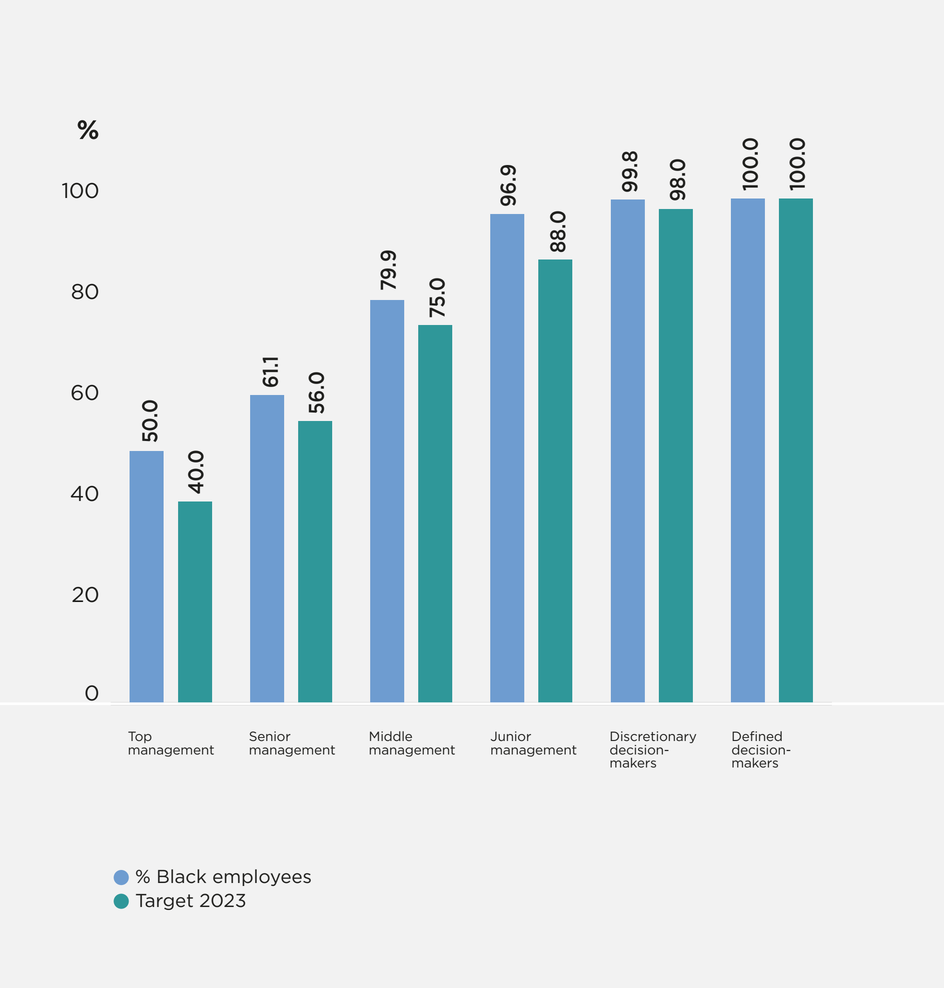
SUSTAINABILITY REPORT CONTINUED

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.

EMPLOYMENT EQUITY 2023



Black economic empowerment

The Group supports the principles and objectives of Broad-Based Black Economic Empowerment (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 and in 2023 achieved an improved Level 6 rating. This rating was verified by AQRate, an accredited empowerment rating agency.

B-BBEE element	Weighting	**2023**	2022	2021
Equity ownership	25	**5.95**	5.96	5.78
Management control	19	**11.39**	11.77	11.76
Skills development	20	**19.21**	15.95	17.00
Enterprise and supplier development	40	**36.01**	25.44	29.07
Socio-economic development	5	**5.00**	5.00	5.00
Total score		**77.56**	64.12	68.61
B-BBEE rating		**Level 6**	Level 8	Level 8

Refer to www.lewisgroup.co.za/about-us/b-bbee/ for the AQRate verification certificate.

ACHIEVED AN IMPROVED B-BBEE RATING

Level 6

(2022: Level 8)

Enterprise and supplier development (including preferential procurement)

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

The support provided to enterprise development partners includes financial and administrative business support, raw material sourcing, product development and design and quality control.

Our supplier agreements are aligned with and support the 10 principles of the United Nations Global Compact which set out core values in the areas of human rights, labour standards, the environment and anti-corruption for companies.

MERCHANDISE SOURCED IN SOUTH AFRICA

70%

(2022: 67%)

DELIVERIES COMPLETED WITHIN 24 HOURS

90%

MEMBER OF PROUDLY SOUTH AFRICAN

SUSTAINABILITY REPORT CONTINUED

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

Supporting communities that support us

Lewis strives to improve the quality of life of all our stakeholders by positively impacting on 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. The cornerstone of this strategy is to identify opportunities that are in line with our goals and objectives; show measurable results in the short, medium and long term; create a win/win relationship between us and our beneficiaries, and provide the greatest social impact and value for the society we work and live in.

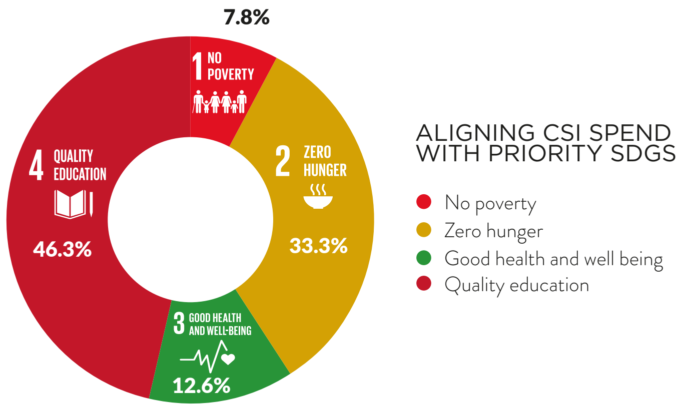
The majority of our support goes towards education and nutrition followed by health and social development, particularly towards the plight of children at risk in our society. We endeavour to make a difference in our communities and society.

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.

We engage socio-economic development participation from every level of the organisation by actively seeking employee community involvement opportunities; communicating these projects through our internal communication channels; and encouraging our stakeholders to get involved.

It is important to our organisation, to our brands and to our relationships with key stakeholders, namely, our customers and our employee base, that we 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.



SOCIO-ECONOMIC INVESTMENT

The Group is committed to direct and indirect financial investment in socially responsible initiatives and activities and allocates funds through each financial year for this specific purpose. Direct financial investment involves finance-approved projects and indirect investment involves a contribution in kind (for example resources, merchandise, materials) for a project.

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.

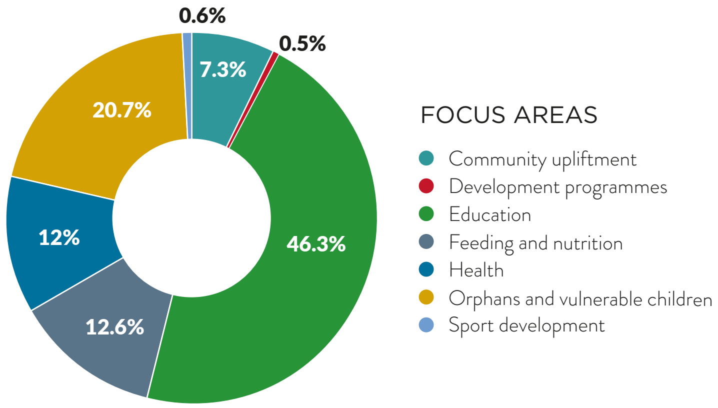
FOCUS AREAS

Our socio-economic strategy focuses on the following categories:

- Education
- Skills development
- Early childhood development
- Upliftment of disadvantaged communities
- Long-term sustainable ventures in the impoverished rural communities in which we operate

This is achieved through long established projects through which the Group has provided years of continuous support.

Further assistance is provided via school assistance, discretionary donations, employee community engagement and bursaries.



Ashley van Reenen
(GM: Merchandise)

OUR TSiBA SUCCESS STORY:

My journey with Lewis Group started in 2013 during my tertiary studies at TSiBA, where I was awarded the Lewis Group scholarship. I was fortunate enough to retain the scholarship throughout my studies, which resulted in a six-month internship at Lewis Group head office in 2015.

In 2016, I was given the opportunity to join the Merchandise Department as a junior buyer. During this time, I was exposed to all buying portfolios, planning and logistics processes. In 2019, I was promoted to Senior Buyer, sourcing lounge suites and bed set products. In 2022 at the age of 28, I was promoted to General Manager of Merchandise for the Lewis brand.

I am sincerely grateful to the Lewis Group for the support and guidance provided to start and build my career. The mentorship I received from the Lewis team has ensured a smooth transition from student life to a corporate environment.

It has been encouraging seeing the growing number of TSiBA students join the Lewis Group over the years, whether through internships or being full time employed in various departments. I look forward to seeing the relationship between TSiBA and Lewis Group continue to grow in the future.

SUSTAINABILITY REPORT CONTINUED

THE PEBBLES PROJECT

ITHEMA PLACE OF HOPE – DELANI'S JOURNEY

Highlights

Support in South Africa

ITHEMBA – WATERFALL SCHOOL sponsored a scholars full tuition since Grade R in 2017 and will continue this funding throughout her school education

FEED APPROXIMATELY

1 200

school children every day through our association with the Peninsula School Feeding Association

Proudly employ 14 of the TSiBA sponsored students

SAEP South African Education Project

Support 138 children meeting all their basic needs through sponsorship of Children of the Dawn

In our partnership with TSiBA since 2010, we funded 143 full tuition and subsistence scholarships, investing

R11.5 million

ASSISTING **DURBANVILLE CHILDREN'S HOME**

(which houses 144 children) **with funding** towards operating costs

SA Children's Home

SA Kinderhuis

44 TERTIARY EDUCATION BURSARIES and

242

education assistance allowances provided to children of Lewis employees

In a long-established partnership with the **SA Children's Home**, which cares for 44 children, we fund the salary of a carer and provide financial support to general operational costs for the home

South African Education Project (SAEP) Infrastructure: entered into collaboration with the SAEP to effect structural upgrades, improving environmental health and fire safety conditions at Masibambane Educare Centre for **150 children** to save the centre from being deregistered

NUTRITION AND TRAINING: provided funding for daily nutrition for **10 Educare Centres** caring for **531 children** and training for **six educational practitioners**

Support in neighbouring countries

17 TERTIARY EDUCATION BURSARIES and

27

education assistance allowances provided to children of Lewis employees in the neighbouring countries

CANCER ASSOCIATION OF NAMIBIA

Funding provided to **The Cancer Association of Namibia** towards their family support centre and interim home for childhood cancer patients

Various donations to **Malibuseng Children's Home** in Lesotho consisting of lounge suites, bedroom furniture and electrical appliances

Contributions towards **GOODHOPE PRIMARY SCHOOL and CAMPHILL COMMUNITY TRUST** which oversees a primary school. Both house children with learning disabilities in Botswana

Funding provided to the **Eswatini Breast and Cervical Cancer Network** as well as to **Philani Maswati charity organisation** that supports those in need

Swaziland Breast & Cervical Cancer Network

Further detail on all initiatives supported by the Group can be found on our corporate social investment website www.lewiscsi.co.za/

SUSTAINABILITY REPORT CONTINUED

MANAGING THE IMPACT OF CLIMATE CHANGE

The Group considers climate change a material global systemic risk, with far-reaching impacts across not only the natural environment, but also society and the economy. The impact of climate-related natural disasters was starkly experienced across the globe during the year, including the April 2022 KwaZulu-Natal floods, classified as one of the most severe natural disasters in South Africa. The Group monitors not only the physical risks of climate change, but also the rapidly evolving transitionary risks, including the sustainability and climate-related reporting landscape. In response to the global transition to a low-carbon future the Group has adopted best practice to guide its climate strategy and transparent disclosure of climate-related financial disclosure.

The Group has adopted the Task Force on Climate-related Financial Disclosure (TCFD) recommendations and will be incorporating the disclosure recommendations into its climate strategy and reporting. The TCFD was established in 2015 to develop consistent climate-related financial risk disclosures and provide transparent communication to stakeholders on climate impacts. The imminent release of the General Sustainability and Climate-related Disclosure Standards of the IFRS Foundation's International Sustainability Standards Board will provide a global baseline for sustainability and climate-related disclosures. The structure and content of these standards is closely aligned with the TCFD recommendations. The voluntary JSE Sustainability and Climate Disclosure Guidance documents are also aligned with both the Exposure Drafts of the IFRS Standards and the TCFD Recommendations.

The board provides direction and leadership through the identification and annual review of material climate-related issues and risks which may impact the Group's strategy and business model, and its stakeholders within the wider supply chain. The UN SDGs, and specifically SDG 13 *Take urgent action to combat climate change and its impacts* are acknowledged as the universally accepted best practice for sustainable development. In this regard, Lewis Group will take guidance of the targets underpinning SDG 13 as part of the continual development of its climate change strategy.

The social, ethics and transformation (SET) committee is responsible to provide oversight and guidance on climate-related risks and opportunities. The committee meets twice a year and has climate change as a standing agenda item. During the year under review the SET committee focused on the continual improvement of ESG reporting, including the implementation of the TCFD recommendations. The risk committee supports the board in its enterprise risk management, which includes the identification, assessment and management of climate-related risks and opportunities. The executive committee is responsible for the management and implementation of the TCFD recommendations. It is assisted in its responsibility by the TCFD Working Group, comprising the chief financial officer, the chief risk officer and the general manager of finance. The working group has engaged an external service provider, GCX, to assist with the implementation.

LEWIS GROUP CLIMATE GOVERNANCE

BOARD OF DIRECTORS
Setting the tone, guidance and oversight of material climate risks and opportunities

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE
Assisting the board with TCFD implementation oversight

RISK COMMITTEE
Monitoring and oversight of impact of material climate-related risks, opportunities and risk processes

EXECUTIVE COMMITTEE
Management of material climate-related matters, risks and opportunities

TCFD WORKING GROUP
Conceptualisation and implementation of the TCFD recommendations

SUSTAINABILITY REPORT CONTINUED

Climate change commitments and strategic plans

In 2021 the Group undertook to improve its climate-related reporting, utilising the guidance of the TCFD framework, by 2025.

This is the Group's second TCFD report which builds on the initial report published in 2022.

TCFD REPORT

2022	2023	2024	2025
Information on the Group's climate-related governance, risks and opportunities (achieved)	Start to quantify risks and opportunities (achieved)	Further details on risks, opportunities and targets (not started yet)	Risks, opportunities and targets determined and adopted by the board (not started yet)
Continued reporting on emissions metrics (achieved)	Set qualitative and semi-quantitative targets (in progress)	Initial scenario analysis (largely qualitative and used to define parameters for more detailed future exercise) (not started yet)	Report on outcomes of first full scenario analysis (not started yet)
Timeline for future TFCD reporting (achieved)	Initiate the process of engaging with scenario analysis (in progress)		

ACHIEVED IN PROGRESS NOT STARTED YET

CLIMATE CHANGE RISKS AND OPPORTUNITIES

The risk committee oversees the enterprise risk management of the Group and provides guidance to management on its implementation. The board, supported by the Executive committee, reviews annually the material matters of the Group, together with the related risks and opportunities. The consideration of climate-related risks and opportunities is included in these processes since climate change is understood as an overarching systemic risk. The Lewis Group follows the risk classification as set out in the TCFD recommendations and focuses predominantly on the physical risks of climate change. However, mindful of the accelerated speed of the climate-related policy and regulatory landscape, including corporate reporting and disclosure, the risk committee closely monitors these transitionary risks.

LEWIS GROUP COMMITMENT	PROGRESS IN 2023	PLANS
Quantify risks and opportunities	The Group contracted an external service provider to assist in the enhancement of its climate-related risks and opportunities disclosures in accordance with the TCFD recommendations. The process of identifying risks and opportunities commenced in 2022 through engagement with various stakeholders. These risks and opportunities were refined and mitigating measures identified (refer to accompanying table). Scenario analysis will be utilised to quantify the risks and opportunities.	The Group plans to commence with the scenario analysis in the 2024 financial year. The scenario analysis process will be used to quantify the future risk potential on the business. The risks will be quantified according to the Group's risk rating methodology.
Set qualitative and semi-quantitative targets	A baseline will be determined against which emission reduction targets will be set. During the reporting period, an assessment was conducted on the quality of data used for the carbon footprint calculation. These data gathering, management and consolidation processes form the basis of setting emissions reduction targets. It is important to include value chain emissions in future targets and a detailed Scope 3 relevance assessment has been undertaken to enhance our carbon footprint boundary and to identify the most material sources and quantify the magnitude of the sources of value chain emissions. The relevance assessment findings indicated the potential material impact of including emissions from products sold to customers as well as the emissions from products used by our customers.	Reduction targets will be set for both direct (Scope 1 and 2 emissions) and relevant value chain emissions. Following the Scope 3 relevance assessment, the Group aims to direct its stakeholder engagement according to the following qualitative targets: i. Increase supplier engagement on sustainability and sustainable practices, including the emissions impact on products sold, their use and disposal ii. Improve sustainability engagement and awareness of sustainability across the Group business units iii. Commence engagement with landlords on sustainability opportunities in stores iv. Initiate the process of improving carbon footprint data quality across all scopes.
Initiate the process of engaging with scenario analysis	An external service provider has been engaged to assist in the scenario-based climate risk assessment process as part of the greater mandate to improve TCFD-aligned climate-related financial disclosure.	The executive team will participate in a workshop on undertaking climate scenario analysis to quantify the future impacts of climate risks and opportunities on the Group. The scenario assessment will most likely include two (or more) potential future states: i. Orderly transition: the risk scenario envisages the timely introduction of effective policy changes, which limits physical and transition risks ii. Disorderly transition: the risk scenario envisages delayed or divergent introduction of policy changes, resulting in increased transition risks and limited physical risks.

SUSTAINABILITY REPORT CONTINUED

Two of the Group's top material issues may be, or have been, impacted by climate-related risks, being Retail trading conditions and Regulation. Further detail is provided below:

PHYSICAL RISKS

Material matter	Risk description	Risk Implication	Mitigating measures
Retail trading conditions	**Extreme weather** Increase in occurrence and intensity of extreme weather events, such as heatwaves, droughts, floods and precipitation	• Loss and damage to stock and assets • Damage to infrastructure • Increase in the cost of raw materials	• No concentration risk as we have a widespread geographic footprint of store operations and supplier base. This mitigation strategy was very effective in limiting the property and infrastructure damage of Lewis Group during the 2022 KZN floods • Products are sourced from a wide range of local and international suppliers • As the Group does not operate DCs and centralised warehouses, each store has a storage facility located close to the store • Business continuity plans as well as a Group-wide insurance programme in place
	Social and ecological systems Damage, disruption and displacement of social infrastructure and support systems, and loss of or damage to ecosystem services	• Disruptions in the global and local supply chains • Loss in revenue • Deteriorated quality of debtors' book • Increase in insurance claims	
	Communicable and non-communicable diseases Increase in the occurrence of communicable and non-communicable diseases	• Reduced employee productivity and increased absenteeism • Deteriorated quality of debtors' book • Increased insurance claims due to change in employment patterns	

TRANSITIONARY RISKS

Material matter	Risk description	Risk Implication	Mitigating measures
Regulation	**Policy and legal** • Enhanced sustainability and climate-related reporting requirements • Increased carbon pricing	• Increased reporting requirements from stakeholders in the supply chain, requiring more climate data from Lewis Group • Increased carbon tax costs, specifically relating to Scope 3 emissions • Increased cost of doing business	• Monitoring and engagement with regulators regarding proposed legislation changes
	Market • Increased cost of raw materials	• Increase in the cost of imported products due to international policies	• Products are sourced from a wide range of local and international suppliers which allows the opportunity to increase localisation, if required
	Reputation • Increased stakeholder concern or negative stakeholder response • Increased carbon pricing	• Decreased investor sentiment and support due to a perceived lack of urgency to participate in the transition to a low carbon economy	• Maintaining regular communication with shareholders to manage expectation and provide transparency
	Technology • Costs to transition to lower emissions technology	• Increased momentum of the transition to a low carbon economy may necessitate investment into new low carbon technology	• Exploring investment in alternative/more efficient energy solutions

OPPORTUNITIES

Opportunity description	Opportunity implication	Benefits
Resource efficiency • Use of more efficient modes of transport • Buildings housing the Group's operations become more efficient	Improved logistics, reduced emissions and lower cost	The resource efficiency improvements strengthens the overall long-term sustainability of the Group.

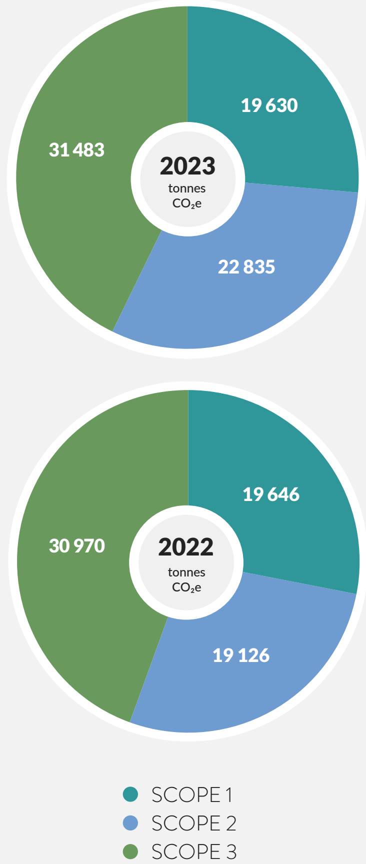
SUSTAINABILITY REPORT CONTINUED

Performance and progress

The Group continues to measure and calculate its carbon footprint as per 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 acknowledge that the underlying data of our carbon footprint has been based on material extrapolations or estimates, and as part of our five-year plan to improve climate-related reporting, we continue to engage with a service provider to ensure we have a more accurate baseline against which we can set targets, and track performance against such targets.

SOURCE	2023 tCO_2e	2022* tCO_2e	COMMENTARY
SCOPE 1			
South African fuel	**17 506**	17 793	
International fuel	**2 124**	1 853	
Total Scope 1	**19 630**	19 646	Fuel consumption by company-owned vehicles remained almost flat compared to the prior year.
SCOPE 2			
South African electricity	**19 644**	17 667	As part of our commitment to start setting qualitative and semi-quantitative targets, steps have been taken to ensure that we have a more accurate baseline against which these targets can be set. During the 2023 financial year, we embarked on a data gathering exercise to ensure that accurate electricity consumption was captured for a larger population of stores, instead of relying on estimation techniques utilised in the past.
International electricity	**3 191**	1 459	
Total Scope 2	**22 835**	19 126	The 19% reported increase in Scope 2 emissions can be attributed to our improved data collection approach to electricity usage.
Total Scope 1 and 2	**42 465**	38 772	
SCOPE 3			
Fuel- and energy-related activities	**16 045**	15 143	Year-on-year, fuel-related Scope 3 emissions dropped primarily due to Sasol reducing their emissions, resulting in a reduced emissions factor for Sasol coal-derived fuel. Electricity-related Scope 3 emissions increased in line with the increase in reported electricity discussed under Scope 2.
Upstream transportation and distribution	**6 479**	9 784	In the current reporting period, as the supply chain disruptions experienced over the past two financial years stabilised, lower stock orders were placed, resulting in a 34% reduction in emissions related to stock transportation and distribution.
Business travel	**2 455**	122	Increase due to business travel resuming, following the lifting of Covid-19 travel-related restrictions.
Employee commuting	**6 504**	5 921	Up by 10% due to an increase in employee numbers as well as an increase in the use of private vehicles as a more reliable means of transport.
Total Scope 3	**31 483**	30 970	
Total Scope 1, 2 and 3	**73 948**	69 742	

Total emissions
tonnes CO_2e



Emissions from 2022 were restated based on updated AR6 global warming potentials and updated calculation methodology.

The sources of emissions are as follows:

- **Scope 1:** Fuel combustion in the Group's extensive fleet of delivery vehicles which undertake all deliveries from stores to customers
- **Scope 2:** Use of electricity consumed at the Group's stores and head office
- **Scope 3:** External suppliers or customer operations and other activities including business travel and employee commuting. Only selected Scope 3 emissions were quantified in this assessment. Embedded emissions in the products sold are not included in the assessment

03

LEADERSHIP

CHAIRMAN'S REPORT

South Africa's weak macroeconomic environment has been compounded by persistent electricity load shedding while inflationary pressures impacting energy, fuel and food prices have intensified over the past year, with no sign of respite for financially stressed and debt burdened consumers in the short to medium term.

Hilton Saven

TOTAL DIVIDEND MAINTAINED AT

413

cents per share

RETURNED TO SHAREHOLDERS

R518

million

AVERAGE SHAREHOLDER RETURN OVER THE PAST FIVE YEARS

17.5%

per annum

Rising interest rates have increased pressure on consumer spending as the SA Reserve Bank's benchmark repo rate reached a 14-year high of 8.5% in May 2023, largely in response to mounting inflationary pressures and the depreciation of the Rand. Interest rates have been increased 10 consecutive times totalling 475 basis points since the central bank's tightening cycle started in November 2021.

Our currency continues to reach record low levels against the major currencies, reflecting economic and political risks as well as the crippling impact of load shedding on the economy and consumers.

Another area of concern to the Group is the employment market as customers in our lower to middle income segment are unfortunately the most vulnerable to rising unemployment. The national unemployment rate for the first quarter of 2023 was 32.9%, with 7.9 million South Africans being jobless.

It is therefore not surprising that consumer sentiment is at one of its lowest levels in the past three decades, with the consumer confidence index falling to -23 in the first quarter of 2023, confirming the extreme concern among consumers for the future.

Shareholders should be reassured that our business model has proven its resilience through several economic downturns, and our strong cash flows and robust balance sheet will provide protection in these challenging times. Our management team is highly experienced in operating in adverse trading conditions and the board has full confidence in the Group's medium-term prospects.

CREATING SHAREHOLDER VALUE

South Africa's economic woes and the resultant financial strain on consumers is reflected in the slowdown in the Group's performance. Management is to be commended for the resilient credit sales growth and the strengthening of the debtors' book in this weak consumer spending environment. Headline earnings at R506 million were 9.8% lower while headline earnings per share increased by 1.0% to 857 cents, benefiting from the positive leverage from the Group's earnings-enhancing share repurchase programme.

As a board we have demonstrated our confidence in the Group's cash generating capability and outlook, maintaining the total dividend at 413 cents per share despite the lower earnings reported for the year.

Lewis Group has an enviable record of paying a dividend every year since listing on the JSE in 2004, even through the global financial crisis of 2008/2009 and the Covid-19 pandemic in 2020/2021.

Our capital management strategy has 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 has returned close to R2 billion to shareholders. In this past year R518 million was returned through dividend payments of R242 million and share buy-backs of R276 million.

Since the start of the buy-back programme in 2017, the Group has repurchased 31.5 million shares at a cost of R1.1 billion.

The Group has delivered an annual return to shareholders in the form of dividends and share buy-backs of 22.1% for the 2023 financial year, and an average return of 17.5% per annum over the past five years.

The Group's share price continues to trade at a discount of approximately 50% to net asset value and the commitment to the share repurchase programme highlights the potential that the board recognises to create value for shareholders.

The trading and financial performance is detailed in the Chief executive officer's report (pages 33 to 34) and the Chief financial officer's report (pages 43 to 45).

CHAIRMAN'S REPORT CONTINUED

BOARD AND GOVERNANCE

As a Group and as a board we are committed to transformation and furthering the principles of broad-based black economic empowerment. Our board is diverse in its composition and experience which ensures that the interests of all stakeholder groups are addressed in the boardroom.

The board has 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 Broad-Based Black Economic Empowerment Act. However, we approach board diversity in a more holistic context and strive to achieve a balance in terms of age, board tenure, culture, skills and experience.

We welcomed Brendan Deegan as an independent non-executive director to the board in August 2022. Brendan is a former partner of PricewaterhouseCoopers where his roles included serving as head of the South Africa and Africa audit and assurance practices, chair of the Africa governance board and head of the global internal audit practice. We believe his wealth of governance, assurance and commercial experience will enable him to make a significant contribution to our board and committee deliberations. Brendan has also been appointed to the audit, risk, remuneration and nominations committees.

Our board has a healthy mix of more recently appointed and longer serving directors which stimulates debate and ensures continuity in our independent oversight.

We also extend a warm welcome to Ernst & Young Inc. as the Group's new external auditor from the 2024 financial year. Their appointment will be recommended to shareholders for their approval at the annual general meeting in October 2023. The board reiterates its appreciation to PricewaterhouseCoopers for their professional service and support as the Group's auditor over the past 32 years.

APPRECIATION

Thank you to Johan Enslin and his executive team for their strong and effective leadership of the Group and to my board colleagues for their guidance, counsel and oversight of the Group's affairs.

Thank you to our shareholders for your belief in our investment case and our other external stakeholders, including our customers, suppliers, regulators and business associates, for your support and engagement over the past year. I also extend my appreciation to our more than 9 500 employees across South Africa and the neighbouring states for your commitment and hard work in these very challenging conditions.

Hilton Saven
Independent non-executive chairman

BOARD OF DIRECTORS

Hilton Saven (70)
BCom, CA(SA)

INV AC RC REM C NOM SET C B

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Appointed June 2004

Directorships: Truworths International Limited (chairman) and Balwin Properties Limited (chairman)

Fatima Abrahams (60)
BEcon (Hons), MCom, DCom

AC RC C REM NOM C SET

INDEPENDENT NON-EXECUTIVE DIRECTOR AND LEAD INDEPENDENT DIRECTOR

Appointed September 2005

Appointed as lead independent director in 2021

Directorship: The Foschini Group Limited

Jacques Bestbier (50)
CA(SA)

INV AC RC

EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Appointed to the board April 2018

Directorship: Lewis Stores (Pty) Limited

Adheera Bodasing (49)
BA, LLB

INV AC RC REM NOM

NON-EXECUTIVE DIRECTOR

Appointed June 2017

Directorship: Polarity Consulting (Pty) Limited

Brendan Deegan (61)
BComm, CA(SA)

AC RC REM NOM

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 2022

Johan Enslin (49)

INV AC RC INV REM INV NOM SET

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Appointed to the board October 2009

Directorship: Lewis Stores (Pty) Limited.

Daphne Motsepe (66)
BCompt, MBA

C AC C RC REM NOM SET

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed June 2017

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

Tapiwa Njikizana (47)
CA(SA), JSE Registered IFRS Advisor

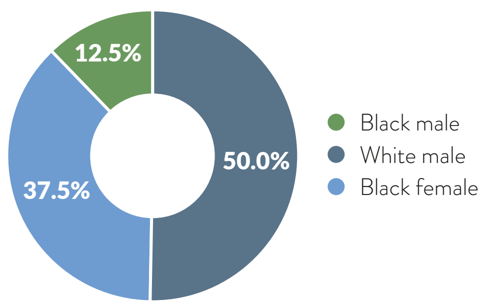
AC RC REM NOM

INDEPENDENT NON-EXECUTIVE DIRECTOR (ZIMBABWEAN)

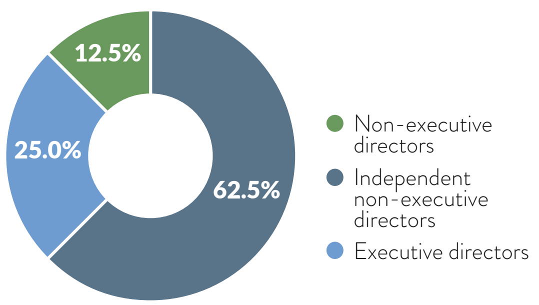
Appointed August 2019

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

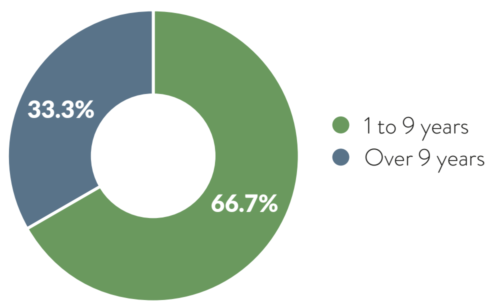
BOARD DIVERSITY



DIRECTOR CLASSIFICATION



NON-EXECUTIVE DIRECTORS TENURE



MEETINGS HELD	B	AC	RC	REM	NOM	SET
Hilton Saven	4	4	4	2	2	2
Fatima Abrahams	4	4	4	2	2	2
Jacques Bestbier	4	4	4	–	–	–
Adheera Bodasing	4	4	4	2	2	–
Brendan Deegan	2	2	2	1	1	–
Johan Enslin	4	4	4	2	2	2
Daphne Motsepe	4	4	4	2	2	2
Tapiwa Njikizana	4	4	4	2	2	–

COMMITTEE KEY

- AC AUDIT
- RC RISK
- REM REMUNERATION
- NOM NOMINATIONS
- SET SOCIAL, ETHICS AND TRANSFORMATION
- B BOARD
- C CHAIRPERSON
- INV BY INVITATION

BOARD OF DIRECTORS CONTINUED

Hilton Saven (70)

BCOM, CA(SA)

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Expertise and experience:
Corporate governance, strategy and finance.

Hilton is an experienced company director and a registered 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, 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.

Fatima Abrahams (60)

BECON (HONS), MCOM, DCOM

INDEPENDENT NON-EXECUTIVE DIRECTOR AND LEAD INDEPENDENT DIRECTOR

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 has served as a non-executive director on the board of large listed companies, particularly in the retail sector. She has built up extensive business experience over the years, particularly in the area of remuneration, human capital, and ESG, and has added real value to the board in these areas.

Her strong academic qualifications and experience provided her with extensive expertise in these areas. She performed similar roles for other listed and unlisted entities over a number of years.

Jacques Bestbier (50)

CA(SA)

EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER

Expertise and experience:
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 CFO.

Specific contribution to the board:
Jacques is the chief financial officer and an executive director of the Group.

Adheera Bodasing (49)

BA, LLB

NON-EXECUTIVE DIRECTOR

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 businesses' legal and regulatory framework also enables her to contribute on matters relating to regulatory compliance as well as other legal aspects.

Brendan Deegan (61)

B.COMM, CA(SA)

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Specific contribution to the board:
Brendan serves as a non-executive director of Lewis Group and attends Monarch Insurance Company Limited's committee meetings by invitation pending his approval by the Prudential Authority. Brendan is an experienced accountant and former auditor with expertise in financial reporting, leadership and governance, and assurance and risk.

Johan Enslin (49)

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Expertise and experience: Johan has 29 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. Prior to his appointment as the chief executive officer, he was the chief operating officer responsible for the retail operations of the Group.

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.

Daphne Motsepe (66)

BCOMPT, MBA

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Specific contribution to the board:
Daphne's experience includes serving as chairperson of 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.

Tapiwa Njikizana (47)

CA(SA), JSE REGISTERED IFRS ADVISOR

INDEPENDENT NON-EXECUTIVE DIRECTOR (ZIMBABWEAN)

Expertise and experience:
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.

Marisha Gibbons (32)

LLB, LLM

COMPANY SECRETARY

APPOINTED JUNE 2022

Expertise and experience: 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).

CHIEF EXECUTIVE OFFICER'S REPORT

The performance for the year reflects the deteriorating state of South African consumers where escalating fuel, energy, food and borrowing costs is placing significant pressure on spending, with load shedding weighing heavily on consumer sentiment and economic growth.

Johan Enslin

CREDIT SALES INCREASED

18.1%

COLLECTION RATES STRENGTHENED TO A RECORD

80.8%

SATISFACTORY PAID ACCOUNTS AT AN ALL-TIME HIGH

80.4%

The highlight of a very challenging year was the performance of the Group's debtors' book. Despite the weak consumer economy, customer account collection rates strengthened to the highest level since the Group's listing on the JSE in 2004 and the percentage of satisfactory paid accounts increased to another record level, resulting in the reduction of the debtors' impairment provision.

RESILIENT PERFORMANCE

The resilience of the Group's business model was again evident as credit sales increased by 18.1% across the traditional brands of Lewis, Beares and Best Home & Electric. This resulted in credit sales accounting for 59.9% of total merchandise sales compared to 51.4% in 2022.

It is important to stress that the Group has maintained its strict credit granting criteria and through adjusted marketing initiatives we have attracted more low-risk credit customers, with the application decline rate at 34.7% compared to 36.1% last year.

Cash sales declined by 16.3% which adversely impacted the performance of our cash retail brand UFO.

Sales in the stores outside South Africa, which represent 16.0% of the store base, increased by 3.4% and accounted for 18.3% of sales.

Total merchandise sales increased by 1.4% to R4.4 billion, with sales in the traditional retail brands increasing by 3.5% and UFO sales declining by 12.5%. Total revenue increased by 3.1% to R7.5 billion.

The gross profit margin strengthened to 40.6%, within our targeted range of 40% to 42%, despite increasing cost pressures. The Group has secured better shipping rates which are approximately 70% lower than the inflated sea freight charges since the outbreak of the Covid-19 pandemic in 2020. UFO in particular will benefit from these lower rates as approximately 65% of the chain's merchandise is imported.

Inventory levels reduced by 14.7% as the supply chain stabilised in the second half of the financial year. Over the past two years we have consciously carried higher inventory levels to ensure the business has adequate stock cover to counter the supply chain challenges and meet customer demand. Stock holdings are expected to be maintained around the year-end level.

Addressing the underperformance of UFO has been a major area of focus in the past year. We have strengthened the management team, implemented strict cost saving measures, sourced new merchandise ranges and are in the process of revamping the brand's online and social media strategy. We expect lower shipping costs to provide selling price relief and are working towards restoring the brand to a breakeven position by the end of the 2024 financial year.

The Group's financial performance is covered in the Chief financial officer's report on pages 43 to 45.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

IMPROVING DEBTORS' BOOK QUALITY

Prudent credit risk management and the appeal of the Group's merchandise ranges has contributed to the continued improvement in the quality of the debtors' book.

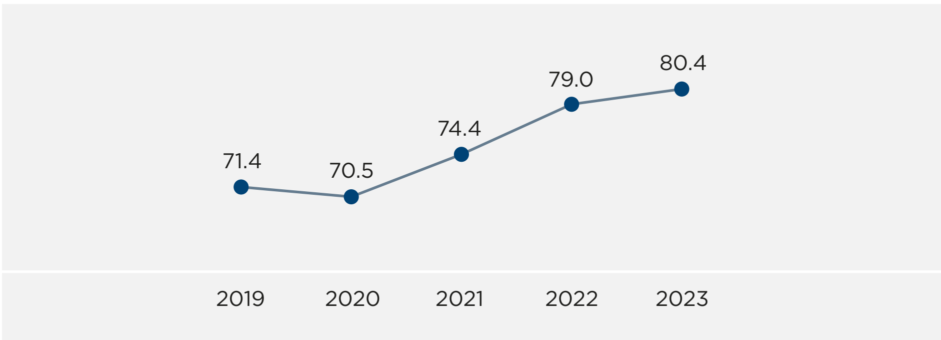
Despite the current weak consumer environment, the debtors' book showed good growth of 7.5%. Enhanced collection strategies contributed to our instalment collection rates strengthening from 79.0% to a record 80.8%.

The percentage of satisfactory paid accounts increased to an all-time high of 80.4% (2022: 79.0%), improving significantly from 68.4% as recently as five years ago. Over the past financial year, approximately 22 000 customers were rated as satisfactory paid which is positive for repeat sales as further credit is extended to our good paying customers.

Despite the growth in the debtors' book, debtor cost growth was contained to 7.0%, while debtor costs as a percentage of debtors at gross carrying value was maintained at 12.3%, within the target range of 12% to 15%.

Refer to the Managing credit risk report on page 40 for further analysis of the debtors' book.

SATISFACTORY PAID ACCOUNTS (%)



EXPANDING STORE FOOTPRINT

The Group has continued to expand its store footprint and opened a net 21 new stores across the brands, bringing the store footprint to 840. This is the highest number of net store openings since 2016.

The Lewis brand continued its successful strategy of opening smaller format stores, which now comprise 51% of the brand's 492 stores.

Five new stores were opened outside South Africa, bringing the store base in the neighbouring countries of Namibia, Botswana, Lesotho and Eswatini to 134.

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.

Our store expansion programme will be accelerated in response to opportunities to acquire well located trading space and we plan to open 25 stores in the new financial year.

OUTLOOK

We expect the current tough retail conditions to deteriorate further, with increasing pressure on consumer disposable income due to rising interest rates, transport costs, energy and food prices. This is being compounded by ongoing electricity load shedding which continues to impact trade, causing disruptions in sales patterns.

The consumer appetite for credit is expected to continue into the new financial year and management believes that the overall health of the debtors' book can be maintained, supported by the enhanced collection practices.

New merchandise ranges are being introduced across all brands and the more favourable shipping rates on imported products should support sales growth. However, cost pressures due to the weakening exchange rate will place pressure on the Group's import programme and pricing strategy, should the Rand not recover in the short term.

The business has proven its resilience through previous economic downturns and the board and management are confident in the Group's medium-term prospects.

APPRECIATION

Thank you to our chairman Hilton Saven for his decisive leadership of the board and to my fellow directors for their oversight in ensuring that the Group maintains the highest standards of governance.

Challenging times call for strong management and I thank my executive colleagues for their support in navigating the headwinds encountered by our business, the retail sector and the country over the past year.

Our 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 a job well done.

Johan Enslin
Chief executive officer

EXECUTIVE MANAGEMENT

Johan Enslin (49)

CHIEF EXECUTIVE OFFICER

29 years of service

Johan is the chief executive officer of the Group.

Jacques Bestbier (50)

CA(SA)

CHIEF FINANCIAL OFFICER

11 years of service

Jacques is the chief financial officer of the Group.

Rinus Oliphant (48)

OPERATIONS DIRECTOR

25 years of service

Rinus is responsible for the retail operations of the Group.

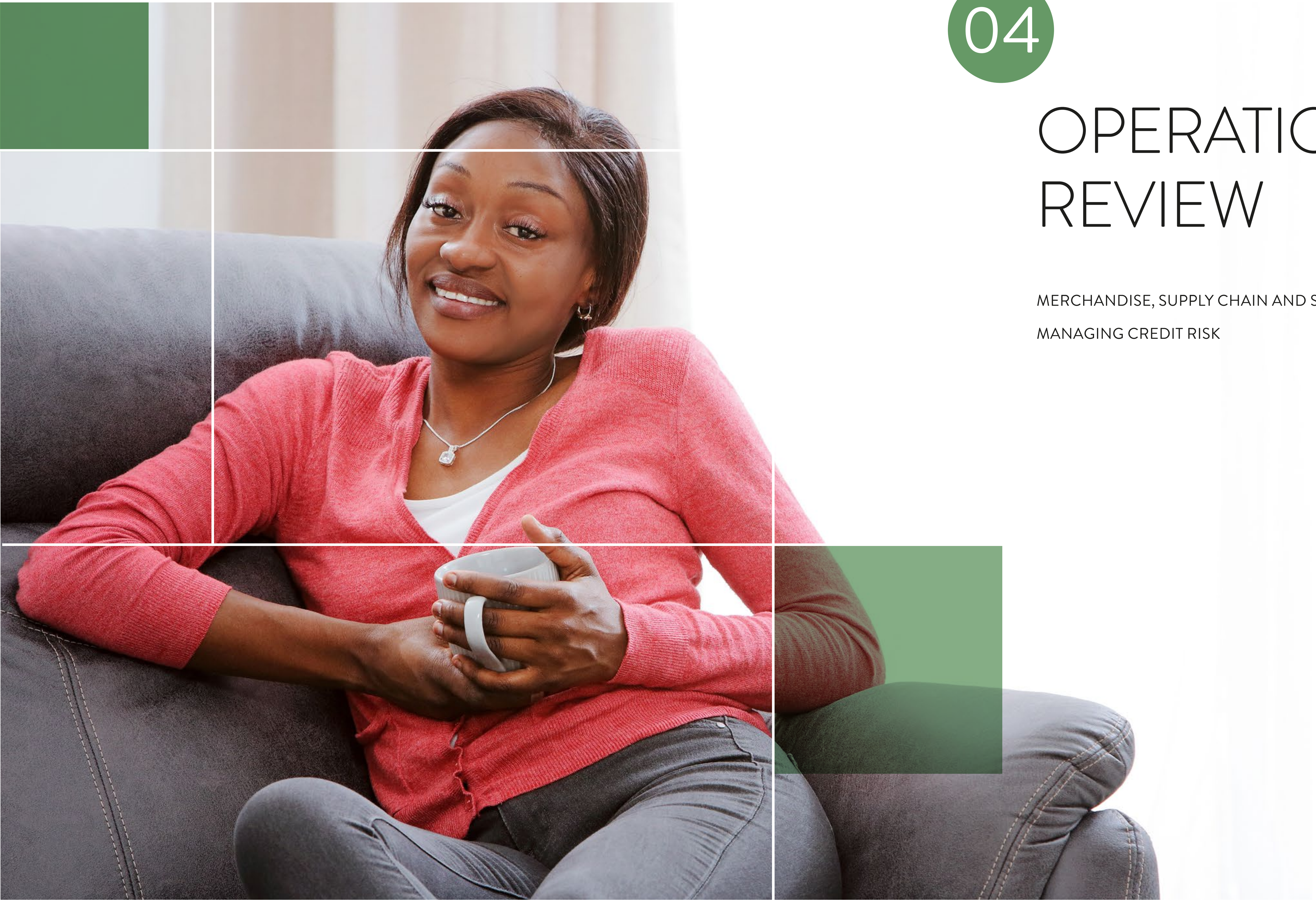
Waleed Achmat (60)

BA Hons (Industrial Psychology)

HUMAN RESOURCES DIRECTOR

6 years of service

Waleed is responsible to drive and manage the implementation of both strategic and operational human resources throughout the business.



04

OPERATIONS REVIEW

MERCHANDISE, SUPPLY CHAIN AND STORES

Quality, exclusivity and differentiation are the hallmarks of the Group's merchandise ranges.

MERCHANDISE STRATEGY

The Group's merchandise strategy is aimed at offering customers differentiated product ranges and this is achieved through innovative sourcing and long-term supplier relationships both locally and offshore. During the reporting period, the Group continued to hold higher inventory levels to meet customer demand owing to ongoing supply chain disruptions.

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.

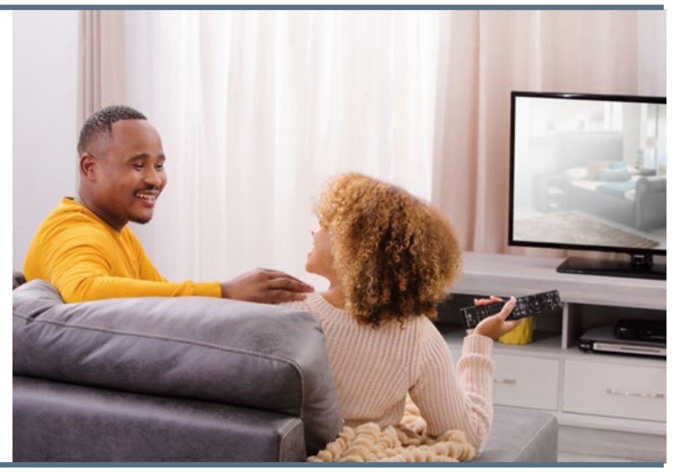
UFO offers luxury exclusive furniture to cash customers in the higher income market.

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

MERCHANDISE OFFERING

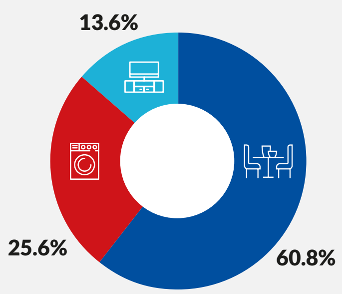
The merchandise offering covers three core product categories:

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 62.1% 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 and Panasonic.



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

Sales contribution per product category



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.

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 approximately 70% (2022: 67%) of 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 overseas 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 CONTINUED

ELECTRONIC MERCHANDISE CATALOGUE

An electronic merchandise catalogue is used in all traditional retail stores, providing the customer 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.

Over the past two years, the Group has carried higher inventory levels to ensure the business had adequate stock cover to counter the supply chain challenges and meet customer demand. Inventory levels reduced by 14.7% as the supply chain stabilised in the second half of the financial year and stock holdings are expected to be maintained around the year-end level.

STORES

The Group's store base increased to 840 following the opening of 29 stores and the closure of eight stores in the past financial year. This includes 134 stores in the neighbouring countries of Namibia, Botswana, Lesotho and Eswatini.

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.

MERCHANDISE, SUPPLY CHAIN AND STORES CONTINUED

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 308 m² and the smaller format stores are approximately 250m². 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 250 (2022: 235) 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 (2022: 150) stores across the portfolio were refurbished.

Stores are responsible for all aspects of 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. Stores average 643 m² with most product displayed on the shop floor.

To further support stores with attracting new customers, digital marketing channels have been introduced as a highly efficient and cost-effective means of engaging with customers and generating sales leads.

Over the past two years since the launch of the traditional brands on social media, the number of Facebook followers across the brands have increased by 192% to 1.7 million, while Instagram followers grew by 666% to more than 47 000. UFO having had a presence on social media for a longer time, has 590 000 Facebook and 110 000 Instagram followers, having grown by 11% and 15% respectively since 2021.

Mobile promotional campaigns via WhatsApp have also proven popular, with customers able to download digital product brochures and apply for credit online before being contacted by a store to complete their purchase. Leads generated from social media accounted for approximately 5% of the Group's merchandise sales in the past year.

Lewis

TOTAL STORES

492

418 stores in SA
74 stores outside SA
151 472 m² trading space
Average store size 308 m²

Best Home and Electric

TOTAL STORES

154

136 stores in SA
18 stores outside SA
19 792 m² trading space
Average store size 129 m²

Beares

TOTAL STORES

151

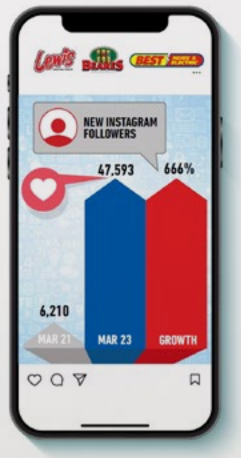
109 stores in SA
42 stores outside SA
54 210 m² trading space
Average store size 360 m²

UFO Furniture

TOTAL STORES

43

43 stores in SA
27 661 m² trading space
Average store size 643 m²



MANAGING CREDIT RISK

Despite the constrained economic environment, the quality and performance of the Group's debtors' book have been the highlight of the financial results for the year.

IMPROVING QUALITY OF THE DEBTORS' BOOK

The quality of the Group's debtors' portfolio continued to improve and gross debtors increased by 7.5% to R6.1 billion. Collection rates continued their post-Covid-19 improving trend and strengthened from 79.0% in 2022 to a new record level of 80.8% this year.

The percentage of satisfactory paid customers on the book also increased to its highest level ever of 80.4% from 79.0% in 2022. This resulted in the debtors' impairment provision as a percentage of debtors reducing from 40.4% to 36.2% for the current year.

Despite the growth the debtors' book, debtor costs, which comprise net bad debts written off and the debtors' impairment provision, was contained to 7.0%. Debtor costs as a percentage of debtors at gross carrying value was maintained at 12.3%, within the targeted range of 12% to 15%.

CREDIT RATIOS AND STATISTICS		2023	2022
Credit sales as a percentage of total sales	%	**59.9**	51.4
Gross debtors	Rm	**6 122**	5 697
Increase in gross debtors	%	**7.5**	0.1
Collection rates from instalment sales	%	**80.8**	79.0
Total collections from instalment sales	Rm	**4 762**	4 437
Debtor impairment provision	Rm	**2 213**	2 300
Debtor impairment provision as a percentage of gross debtors at carrying value	%	**36.2**	40.4
Debtor costs	Rm	**752**	702
Debtor costs as a percentage of debtors at gross carrying value	%	**12.3**	12.3
Net bad debts as a percentage of debtors at gross carrying value	%	**13.7**	14.5
Satisfactory paid accounts as a percentage of total customers	%	**80.4**	79.0
Credit application decline rate	%	**34.7**	36.1
Active credit customer base		**594 804**	576 893

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 Insurance, 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 applicant's risk score determined by the scorecard, together with the expense assessment and outstanding obligations, is 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 revenue potential 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 refine the scorecards, as necessary.

MANAGING CREDIT RISK CONTINUED

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 their preferred language. 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 up to 150 agents during peak periods.

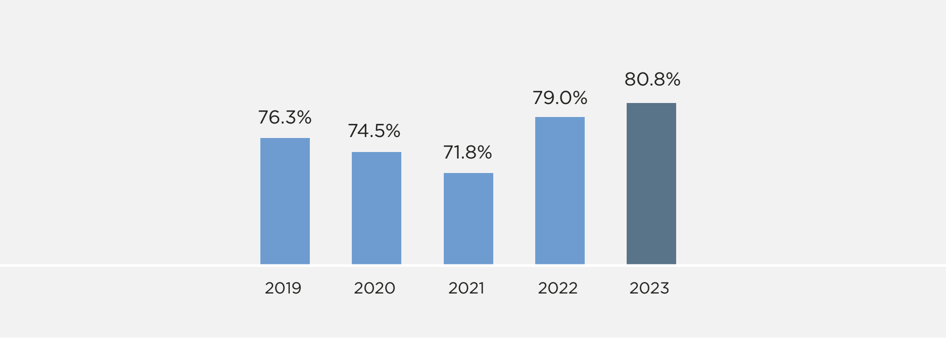
The call centre agent needs to establish that the store manager conducted the interview to explain the contract to the customer. Furthermore, the agent must ensure that the customer understands all critical elements of the contract, including which services are optional, the initiation fees, service 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.

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 (%)



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.

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 51 to 54 **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.**

05

FINANCIAL REVIEW

CHIEF FINANCIAL OFFICER'S REPORT

The Group's performance was marked by the continued improvement in the quality of the debtors' book and resilient credit sales growth, although the overall results reflect the challenges facing cash-strapped consumers in South Africa's low growth, high inflationary environment.

Jacques Bestbier

DEBTORS' BOOK GROWTH

7.5%

CASH GENERATED FROM OPERATIONS

R741.9

million

DIVIDEND YIELD

10.1%

These challenges contributed to headline earnings declining by 9.8% to R506.3 million (2022: R561.1 million). However, headline earnings per share increased by 1.0% to 856.9 cents (2022: 848.7 cents) and reflect the positive leverage from the Group's aggressive share repurchase programme.

The total dividend was maintained at 413 cents per share, equating to a 59.1% payout ratio (2022: 55.0%). During the year, the Group returned R517.5 million to shareholders through share buy-backs and dividend payments.

The Group's balance sheet remains strong with the net asset value increasing by 7.3% to R80.76 per share.

FINANCIAL PERFORMANCE

The following review of the Group's financial performance should be read together with the audited summary financial statements on pages 47 to 59.

Revenue

Merchandise sales increased by 1.4% to R4 443 million (2022: R4 383 million).

Sales in the traditional retail segment increased by 3.5% while the cash retailer UFO reported a decline of 12.5%. The Group's comparable store sales were 0.3% lower.

Credit sales grew by 18.1% and cash sales declined by 16.3%. Credit sales accounted for 59.9% of total merchandise sales compared to 51.4% in the prior year.

Other revenue, consisting of effective interest income, insurance revenue and ancillary services income, benefited from the strong credit sales growth in the past two years and increased by 5.8%.

Total revenue, comprising merchandise sales and other revenue, increased by 3.1% to R7 483 million (2022: R7 256 million).

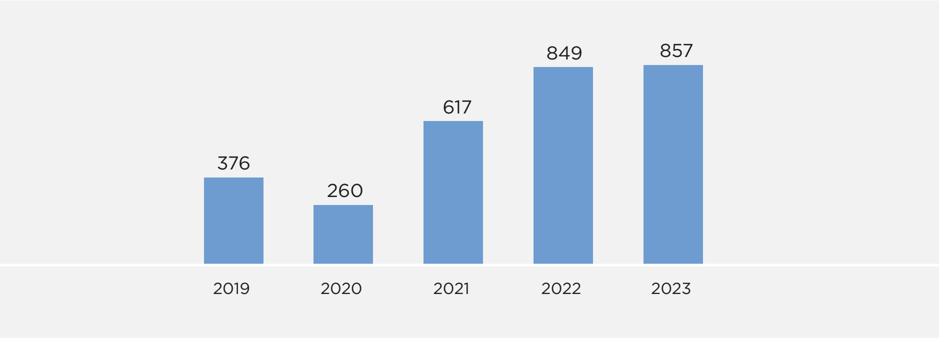
Gross profit

Despite continued cost pressures the Group's gross profit margin benefited from robust inventory control processes strengthening in the second half and closing at 40.6% (2022: 40.5%), within the Group's target range of 40%–42%.

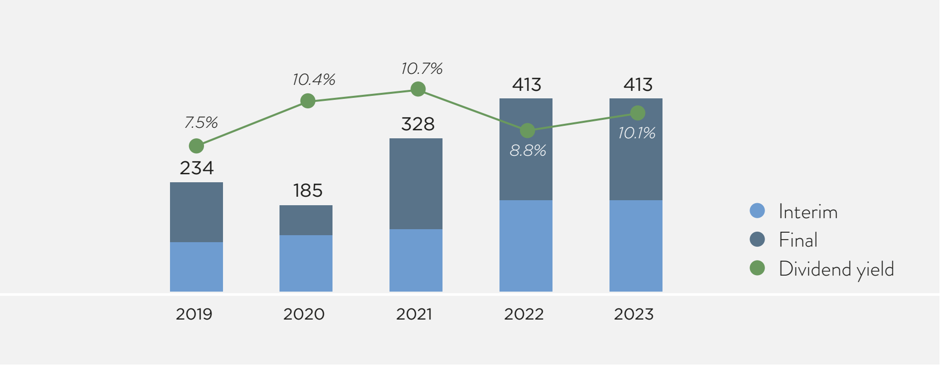
Operating costs

Operating costs, excluding debtor costs, impairments and capital items, were well managed and grew by 6.7%, despite significantly higher transport costs and the increased investment in marketing and training. Employment costs declined due to lower performance-related incentives.

HEADLINES EARNING PER SHARE (CENTS)



DIVIDENDS PER SHARE (CENTS) & DIVIDEND YIELD



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

ANALYSIS OF COSTS

(Excluding debtor costs, impairments and other capital items)

	2023 Rm	2022 Rm	%
Employment costs	**1 377**	1 412	(2.5)
Administration and IT	**370**	345	7.2
Marketing	**316**	280	12.9
Transport and travel	**348**	279	24.7
Depreciation and amortisation	**351**	328	7.0
Other operating costs	**630**	536	17.5
Total	**3 392**	3 180	6.7

DEBTOR PERFORMANCE

	2023	2022
Collections (Rm)		
Collections from instalment sales (+7.3%)	**4 762**	4 437
Contractual arrears (Rm)	**1 698**	1 883
% of debtors at gross carrying value	**27.7%**	33.1%
Debtor costs (Rm)		
Debtor costs (+7.0%)	**752**	702
Net bad debts written off	**839**	825
Debtors' impairment provision	**(87)**	(123)
Debtor costs as a % of debtors at gross carrying value	**12.3%**	12.3%

The health of the Group's debtors' portfolio continued to improve.

Enhanced collection strategies contributed to collection rates strengthening to 80.8% at year-end (2022: 79.0%).

The level of satisfactory paid customers increased to 80.4% (2022: 79.0%).

The quality of the debtors' book and the sustained collections performance over the past few years resulted in the impairment provision as a percentage of debtors at gross carrying value reducing from 40.4% to 36.2% for the current period.

Debtor cost growth was contained to 7.0%, compared to the debtor book growth of 7.5% while debtor costs as a percentage of debtors at gross carrying value was maintained at 12.3%.

Operating profit

Operating profit before impairments and capital items declined by 8.3% to R702.8 million (2022: R766.8 million). The slower trading in UFO resulted in an impairment of R91.1 million being recognised against its goodwill. An impairment of R22.9 million was recognised against the Group's right-of-use assets. Operating profit for the year declined by 10.1% to R600.6 million (2022: R667.9 million).

Finance costs

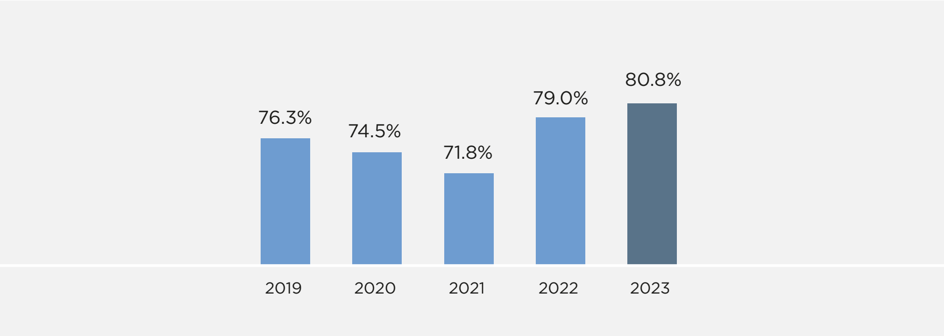
Net finance costs increased by R44.0 million mainly due to higher bank interest paid, which was partially offset by foreign exchange gains of R21.9 million (2022: losses of R5.1 million).

SEGMENTAL PERFORMANCE

The operational performance of the Group is reported for the traditional segment, comprising the Lewis, Best Home and Electric, and Beares 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 37 to 39.

	Group		Traditional		UFO	
	2023	2022	2023	2022	2023	2022
Revenue (Rm)	**7 483**	7 256	**6 977**	6 678	**506**	578
Merchandise sales (Rm)	**4 443**	4 383	**3 945**	3 813	**498**	569
Operating profit before impairments and capital items (Rm)	**703**	767	**699**	728	**4**	39
Operating profit/(loss) (Rm)	**601**	668	**725**	704	**(124)**	(36)
Operating margin						
Before impairments and capital items (%)	**15.8**	17.5	**17.7**	19.1	**0.9**	6.8
After impairments and capital items (%)	**13.5**	15.2	**18.4**	18.5	**(24.9)**	(6.4)

INSTALMENT COLLECTIONS (%)



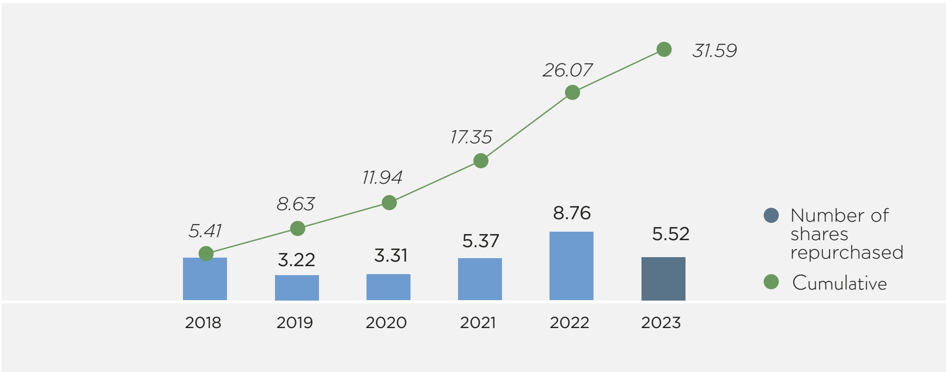
CASH AND CAPITAL MANAGEMENT

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 generated from operations totalled R741.9 million (2022: R863.3 million) and the investment in the debtors' book growth during the reporting period absorbed R432.7 million. The Group held cash resources of R183.0 million at year end (2022: R308.1 million).

The Group repurchased 5.5 million shares at a cost of R275.7 million during the year, at an average price of R49.96 per share. Since the commencement of the current share repurchase programme in 2017, the Group has bought back 31.5 million shares at an average price of R34.99 per share.

NUMBER OF SHARES REPURCHASED SINCE 2018 (MILLIONS)

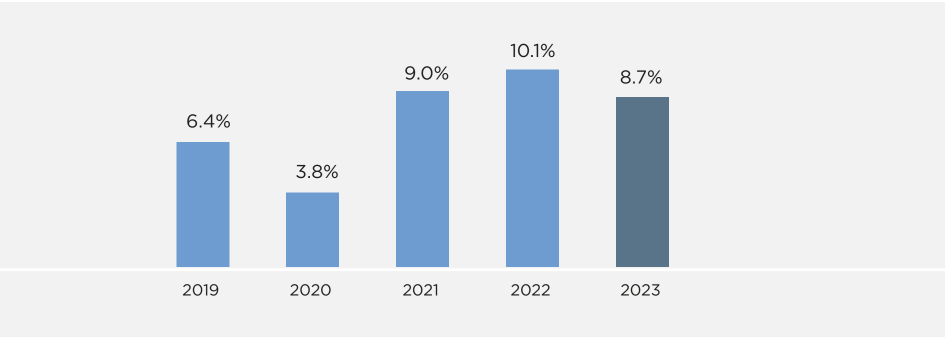


The total dividend for the year amounted to approximately R236 million (2022: R266 million).

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

While the return on equity (ROE) declined from 10.1% to 8.7% due to the slower growth reported for the year, management remains committed to achieving its medium-term ROE target of 15%.

RETURN ON EQUITY (%)



The gearing ratio, including IFRS 16 lease liabilities, increased to 24.5% from 15.3% in the prior year, mainly due to the ongoing investment in the debtors' book due to the higher level of credit sales. The gearing ratio excluding lease liabilities was 4.0% (2022: -4.8%).

Capital ratios (%)	2023	2022
Return on equity	**8.7**	10.1
Return on average capital employed	**7.9**	8.8
Return on average assets managed	**9.2**	10.4
Gearing ratio (including IFRS 16)	**24.5**	15.3
Gearing ratio (excluding IFRS 16)	**4.0**	(4.8)

OUTLOOK FOR 2024

The Group's balance sheet remains strong and this, together with continued focus on tight expense control and margin management, will enable the Group to deliver sustainable returns to stakeholders.

The Group's financial and operating targets have been reviewed and revised to reflect the expected performance for 2024 and over the medium term.

Financial and operating targets

Performance indicators (%)	2023 Actual	2024 targets	Medium-term targets
Gross profit margin	40.6	**40–42**	41–43
Operating profit margin	13.5	**12–16**	16–20
Increase in operating costs	6.7	**6–10**	3–6
Credit sales as a % of total sales	59.9	**59–63**	52–56
Satisfactory paid customers	80.4	**77–80**	77–80
Debtor costs as a % of debtors at gross carrying value	12.3	**12–16**	12–15
Gearing – including IFRS 16 lease liabilities	24.5	**<30**	<35
Gearing – excluding IFRS 16 lease liabilities	4.0	**<10**	<15

APPRECIATION

Thank you to our local and international shareholders for your continued support through the challenging times being experienced in the retail sector due to the economic downturn in the country. We also extend our appreciation to the broader investment community for your interest and engagement with management over the past year. My Group finance colleagues constantly strive to achieve high standards of corporate reporting and I thank them for their ongoing support and commitment.

On behalf of the Group I extend my appreciation to PricewaterhouseCoopers who have been the Group's external auditor since 1991. Their term of office has been completed and we thank the partners and staff for their support over many years.

Jacques Bestbier
Chief financial officer

FIVE-YEAR REVIEW

Ratios and statistics		2023	2022	2021	2020	2019
Returns						
Return on average shareholders' funds (after-tax)	(%)	**8.7**	10.1	9.0	3.8	6.4
Return on average capital employed (after-tax)	(%)	**7.9**	8.8	8.7	3.7	6.8
Return on average assets managed (pre-tax)	(%)	**9.2**	10.4	10.5	4.8	8.5
Margins						
Gross profit margin	(%)	**40.6**	40.5	41.8	41.0	41.2
Operating profit margin before impairments and capital items	(%)	**15.8**	17.5	18.7	7.7	12.5
Operating profit margin	(%)	**13.5**	15.2	17.7	6.9	12.6
Productivity						
Number of stores		**840**	819	807	794	784
Revenue per store	(R'000)	**8 908**	8 860	8 334	8 128	7 828
Operating profit per store	(R'000)	**715**	816	862	320	565
Average number of permanent employees		**9 524**	8 952	8 847	8 248	8 101
Revenue per employee	(R'000)	**786**	811	760	782	758
Operating profit per employee	(R'000)	**63**	75	79	31	55
Trading space	(sqm)	**253 135**	250 643	249 758	249 538	254 590
Revenue per square metre	(R)	**29 561**	28 950	26 930	25 861	24 106
Operating profit per square metre	(R)	**2 373**	2 665	2 785	1 017	1 740
Inventory turn	(times)	**3.0**	2.6	2.4	2.9	3.1
Credit ratios						
Credit sales	(%)	**59.9**	51.4	49.1	56.9	57.9
Bad debts as a percentage of debtors at gross carrying value	(%)	**13.7**	14.5	16.2	13.9	15.1
Debtor costs as a percentage of debtors at gross carrying value	(%)	**12.3**	12.3	14.3	17.6	13.3
Debtors' impairment provision as a percentage of debtors at gross carrying value	(%)	**36.2**	40.4	42.6	44.1	42.0
Satisfactory paid accounts as a percentage of total customers	(%)	**80.4**	79.0	74.4	70.5	71.4
Arrear instalments on satisfactory paid accounts as a percentage of debtors at gross carrying value	(%)	**10.2**	10.4	10.4	10.7	8.8
Arrear instalments on slow paying and non-performing accounts as a percentage of debtors at gross carrying value	(%)	**17.6**	22.7	25.7	26.0	26.2
Credit applications decline rate	(%)	**34.7**	36.1	38.1	37.5	37.4
Collection rates	(%)	**80.8**	79.0	71.8	74.5	76.3

Ratios and statistics		2023	2022	2021	2020	2019
Solvency and liquidity						
Financing cover	(times)	**8.7**	24.6	5.6	8.9	16.7
Gearing ratio – pre-IFRS 16	(%)	**–**	–	–	(24.2)	(4.2)
Gearing ratio – post-IFRS 16	(%)	**24.5**	15.3	7.4	12.0	–
Current ratio	(times)	**3.2**	3.6	3.9	2.8	5.9
Share performance						
Earnings per share	(cents)	**689.0**	730.7	576.4	232.1	377.5
Headline earnings per share	(cents)	**856.9**	848.7	616.5	260.2	376.2
Cash flow per share	(cents)	**1 255.7**	1 305.8	1 217.7	792.7	795.8
Net asset value per share	(cents)	**8 075.5**	7 526.5	6 814.1	6 126.4	6 080.4
Share price:						
Closing price	(R)	**41.00**	47.00	30.71	17.82	31.10
High	(R)	**54.87**	54.00	31.00	37.50	48.00
Low	(R)	**37.51**	28.35	12.22	16.00	26.20
Price earnings ratio	(times)	**6.0**	6.4	5.3	7.7	8.2
Dividend per share	(cents)	**413.0**	413.0	328.0	185.0	234.0
Dividend payout ratio	(%)	**59.1**	55.0	55.0	78.9	61.1
Dividend yield	(%)	**10.1**	8.8	10.7	10.4	7.5
Volume of shares traded	(million)	**20.5**	24.4	38.0	26.4	34.6
Value of shares traded	(million)	**994.8**	370.7	631.1	625.0	1 137.4
Market capitalisation	(million)	**2 349.3**	2 951.6	2 195.8	1 370.4	2 494.2
Number of shareholders		**3 542**	3 788	2 225	1 722	1 773
Number of shares in issue	('000)	**57 259**	62 780	71 536	76 899	80 210

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.*

INDEPENDENT AUDITOR'S REPORT

on the summary consolidated financial statements

To the shareholders of Lewis Group Limited

OPINION

The summary consolidated financial statements of Lewis Group Limited, set out on pages 47 to 59 of the Lewis Group Limited Integrated Annual Report for the year ended 2023, which comprise the summary consolidated balance sheet as at 31 March 2023, the summary consolidated income statement, the summary consolidated statement of comprehensive income, the summary consolidated statement of changes in equity and the summary consolidated cash flow statement for the year then ended, and related notes, are derived from the audited consolidated financial statements of Lewis Group Limited for the year ended 31 March 2023.

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 JSE Limited's (JSE) requirements for summary financial statements, 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 the 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 summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

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 25 May 2023. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, 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.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: MR Fortune
Registered Auditor

Cape Town, South Africa
30 June 2023

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

for the year ended 31 March 2023

		Notes	2023 Audited Rm	2022 Audited Rm
Revenue		4.1	**7 483.0**	7 256.1
Retail revenue		4.2	**5 268.1**	5 200.5
Merchandise sales			**4 443.1**	4 382.5
Ancillary services			**825.0**	818.0
Insurance revenue			**881.0**	776.0
Effective interest income			**1 333.9**	1 279.6
Cost of merchandise sales		5	**(2 637.0)**	(2 607.6)
Operating costs			**(4 143.2)**	(3 881.7)
Debtor costs		2.2	**(751.7)**	(702.4)
Bad debts net of recoveries			**(838.7)**	(825.7)
Movement in debtors impairment provision			**87.0**	123.3
Employment costs			**(1 376.6)**	(1 411.7)
Administration and IT			**(369.6)**	(345.1)
Transport and travel			**(348.3)**	(278.6)
Marketing			**(315.9)**	(279.9)
Depreciation and amortisation		8.1	**(350.9)**	(327.8)
Other operating costs			**(630.2)**	(536.2)
Operating profit before impairments and capital items			**702.8**	766.8
Impairments and capital items		8.2	**(102.2)**	(98.9)
Operating profit			**600.6**	667.9
Investment income		3.2	**33.5**	34.6
Interest paid		9.3	**(110.9)**	(48.9)
Interest received		9.3	**16.4**	25.4
Foreign exchange gains/(losses)		9.3	**21.9**	(5.1)
Profit before taxation			**561.5**	673.9
Taxation		10	**(154.4)**	(190.8)
Net profit attributable to ordinary shareholders			**407.1**	483.1
Earnings per share	(cents)		**689.0**	730.7
Diluted earnings per share	(cents)		**666.2**	709.9

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	2023 Audited Rm	2022 Audited Rm
Net profit for the year	**407.1**	483.1
Items that may be subsequently reclassified to income statement:		
Movement in other reserves	**11.8**	(3.9)
Fair value adjustments	**(6.5)**	9.0
Changes in the fair value of debt instruments at fair value through other comprehensive income – FVOCI debt investments	**(8.9)**	12.5
Tax effect	**2.4**	(3.5)
Foreign currency translation reserve	**18.3**	(12.9)
Items that may not be subsequently reclassified to income statement:		
Retirement benefit remeasurements	**(0.7)**	6.5
Remeasurements of the retirement asset and liabilities	**(1.0)**	9.1
Tax effect	**0.3**	(2.6)
Other comprehensive income	**11.1**	2.6
Total comprehensive income for the year attributable to equity shareholders	**418.2**	485.7

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

EARNINGS AND DIVIDENDS PER SHARE

for the year ended 31 March 2023

		2023 Audited	2022 Audited
Weighted average number of shares			
Weighted average	('000)	**59 082**	66 112
Diluted weighted average	('000)	**61 112**	68 056
Headline earnings			
Attributable earnings	(Rm)	**407.1**	483.1
Profit on disposal of fixed assets	(Rm)	**(1.5)**	(14.0)
Impairment of right-of-use assets	(Rm)	**16.8**	70.6
Goodwill impairment	(Rm)	**91.1**	31.4
Profit on scrapping of fixed assets due to civil unrest	(Rm)	**(7.2)**	(10.0)
Scrapping of assets	(Rm)	**–**	7.1
Compensation from insurers	(Rm)	**(7.2)**	(17.1)
Headline earnings	(Rm)	**506.3**	561.1
Earnings per share			
Earnings per share	(cents)	**689.0**	730.7
Diluted earnings per share	(cents)	**666.2**	709.9
Headline earnings per share			
Headline earnings per share	(cents)	**856.9**	848.7
Diluted headline earnings per share	(cents)	**828.5**	824.5
Dividends per share			
Dividends paid per share			
Final dividend 2022 (2021)	(cents)	**218.0**	195.0
Interim dividend 2023 (2022)	(cents)	**195.0**	195.0
	(cents)	**413.0**	390.0
Dividends declared per share			
Interim dividend 2023 (2022)	(cents)	**195.0**	195.0
Final dividend 2023 (2022)	(cents)	**218.0**	218.0
	(cents)	**413.0**	413.0

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

BALANCE SHEET

as at 31 March 2023

	Notes	2023 Audited Rm	2022 Audited Rm
Assets			
Non-current assets			
Property, plant and equipment		**426.3**	396.4
Right-of-use assets	7.2	**760.0**	747.1
Intangible assets		**114.9**	107.3
Goodwill		**59.9**	151.0
Deferred taxation		**53.0**	82.7
Retirement benefit asset		**106.7**	109.8
Financial assets – insurance investments	3.1	**257.3**	266.1
		1 778.1	1 860.4
Current assets			
Inventories		**869.3**	1 018.8
Trade, insurance and other receivables	2.1	**4 071.5**	3 535.0
Taxation		**6.5**	28.1
Financial assets – insurance investments	3.1	**138.9**	156.7
Cash-on-hand and deposits	9.1	**183.0**	308.1
		5 269.2	5 046.7
Total assets		**7 047.3**	6 907.1
Equity and liabilities			
Capital and reserves			
Share capital and premium		**0.9**	0.9
Treasury shares		**(8.3)**	(3.7)
Other reserves		**35.5**	11.4
Retained earnings		**4 581.8**	4 708.4
		4 609.9	4 717.0
Non-current liabilities			
Lease liabilities	7.1	**680.3**	700.1
Deferred taxation		**39.7**	27.4
Retirement benefit liability		**73.3**	77.3
		793.3	804.8
Current liabilities			
Trade and other payables		**684.2**	685.0
Payments in advance		**189.6**	181.1
Insurance liabilities		**112.8**	102.2
Short-term interest-bearing borrowings	9.1	**367.5**	80.8
Lease liabilities	7.1	**264.7**	250.2
Taxation		**25.3**	86.0
		1 644.1	1 385.3
Total equity and liabilities		**7 047.3**	6 907.1

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	2023 Audited Rm	2022 Audited Rm
Share capital and premium		
Opening balance	**0.9**	0.9
Cost of own shares acquired	**(275.7)**	(353.2)
Transfer of cost of cancelled shares	**275.7**	353.2
	0.9	0.9
Treasury shares		
Opening balance	**(3.7)**	(0.4)
Share awards to employees	**29.4**	51.8
Cost of own shares acquired	**(34.0)**	(55.1)
	(8.3)	(3.7)
Other reserves		
Opening balance	**11.4**	33.6
Other comprehensive income for the year:		
Changes in fair value of FVOCI debt investments	**(6.5)**	9.0
Foreign currency translation reserve	**18.3**	(12.9)
Equity-settled share-based payments	**25.8**	21.1
Transfer of share-based payments reserve to retained earnings on vesting	**(13.5)**	(39.4)
	35.5	11.4
Retained earnings		
Opening balance	**4 708.4**	4 838.6
Net profit attributable to ordinary shareholders	**407.1**	483.1
Distribution to shareholders	**(241.4)**	(254.2)
Transfer of cost of cancelled shares	**(275.7)**	(353.2)
Transfer of share-based payments reserve to retained earnings on vesting	**13.5**	39.4
Retirement benefit remeasurements	**(0.7)**	6.5
Share awards to employees	**(29.4)**	(51.8)
	4 581.8	4 708.4
Balance as at 31 March	**4 609.9**	4 717.0

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

CASH FLOW STATEMENT

for the year ended 31 March 2023

	Notes	2023 Audited Rm	2022 Audited Rm
Cash flow from operating activities			
Cash flow from trading	11.1	**981.2**	1 019.5
Changes in working capital	11.2	**(239.3)**	(156.2)
Cash flow from operations		**741.9**	863.3
Interest received other than from trade receivables		**16.4**	25.4
Interest paid	11.3	**(105.7)**	(74.7)
Foreign exchange gains/(losses)		**14.2**	(4.8)
Taxation paid		**(149.3)**	(104.2)
		517.5	705.0
Cash utilised in investing activities			
Purchases of insurance investments	3.1	**(32.1)**	(51.2)
Disposals of insurance investments		**83.3**	152.8
Acquisition of property, plant and equipment and intangible assets		**(142.9)**	(119.5)
Proceeds on disposal and scrapping of property, plant and equipment		**18.1**	52.3
		(73.6)	34.4
Cash flow from financing activities			
Dividends paid		**(241.4)**	(254.2)
Payment of principal portion of lease liabilities	7.1	**(304.6)**	(296.6)
Purchase of own shares		**(309.7)**	(408.3)
		(855.7)	(959.1)
Net decrease in cash and cash equivalents		**(411.8)**	(219.7)
Cash and cash equivalents at the beginning of the year		**227.3**	447.0
Cash and cash equivalents at the end of the year	9.1	**(184.5)**	227.3

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

for the year ended 31 March 2023

1. BASIS OF REPORTING

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements requires summary financial statements to be prepared in accordance with the framework concepts; and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") 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 in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

The Group has a trading cycle of 1 April to 31 March aligned with its statutory year-end. This is consistent with the previous financial year.

These financial statements are a summary of the Group's audited annual financial statements for the year-ended 31 March 2023. 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 website, www.lewisgroup.co.za.

These summary consolidated financial statements for the year-ended 31 March 2023 have been audited by PricewaterhouseCoopers 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 website, www.lewisgroup.co.za.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS

2.1 Trade, insurance and other receivables

		2023 Audited Rm	2022 Audited Rm
Trade and insurance receivables		**6 122.4**	5 696.7
Trade receivables		**6 013.2**	5 581.3
Insurance receivables		**109.2**	115.4
Provision for impairment		**(2 213.4)**	(2 300.4)
Trade receivables		**(2 162.5)**	(2 233.3)
Insurance receivables		**(50.9)**	(67.1)
Trade and insurance receivables (net)		**3 909.0**	3 396.3
Due within 12 months		**2 436.5**	2 162.4
Due after 12 months		**1 472.5**	1 233.9
Other receivables		**162.5**	138.7
Total trade, insurance and other receivables		**4 071.5**	3 535.0
Debtors impairment provision as a percentage of debtors at gross carrying value	(%)	**36.2**	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.

Other receivables consist of prepayments, VAT, foreign reinsurance receivables, enterprise development loans and investment in insurance cell captive.

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. The discount rate used was 27.0% (2022: 26.6%). Cash flows are forecast up to month 60 of the account.

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

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

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

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

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

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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

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 enhanced collection strategies as evidenced by the improvement in satisfactory paid customers from 74.4% in 2021 to 80.4% in the current year with the value of the satisfactory paid increasing by 26.9% over the corresponding period.

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.

Global and local macroeconomic factors are likely to put additional strain on consumer disposable income during the coming year and consequently management has assigned a probability of 70% to the downside scenario, 25% to the base scenario and 5% to the upside scenario for the 12-month forecast. The resultant impact of R168.9 million (2022: R270.4 million) was included in the Group's ECL impairment provision.

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	2023 Rm	2023 % change	2022 Rm	2022 % change
	168.9		270.4	
100% downside scenario	**193.4**	**14.5**	302.1	11.7
100% base scenario	**124.5**	**(26.3)**	211.6	(21.7)
100% upside scenario	**48.4**	**(71.3)**	120.3	(55.5)

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.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

2. TRADE, OTHER RECEIVABLES AND DEBTOR COSTS CONTINUED

2.1 Trade, insurance and other receivables continued

Debtor analysis – 31 March 2023

Customer grouping	Number of customers Total	Gross carrying value R'000	Impairment provision R'000	Impairment provision %	Total arrears R'000	Instalments in arrears ≤3 months R'000	Instalments in arrears >3 months R'000
Satisfactory paid	478 396	4 488 557	1 005 591	22.4	623 336	406 214	217 122
(%)	80.4	73.3	45.4				
Slow payers	74 964	904 546	590 886	65.3	539 279	183 314	355 965
(%)	12.6	14.8	26.7				
Non-performing accounts	41 444	729 323	616 970	84.6	535 225	113 338	421 887
(%)	7.0	11.9	27.9				
Total	594 804	6 122 426	2 213 447	36.2	1 697 840	702 866	994 974

Credit impaired debtors as at 31 March 2023

Credit impaired categories	Non-performing accounts R'000	*In duplum* Satisfactory R'000	*In duplum* Slow pay R'000	Debt counselling Satisfactory R'000	Debt counselling Slow pay R'000	No payment in three consecutive months Satisfactory R'000	No payment in three consecutive months Slow pay R'000	Total R'000
Gross carrying value	729 323	1 020	761	67 148	75 722	49 618	73 685	997 277
Impairment provision	(616 970)	(410)	(551)	(19 086)	(49 468)	(14 918)	(48 085)	(749 488)
Amortised cost	112 353	610	210	48 062	26 254	34 700	25 600	247 789

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	Instalments in arrears ≤3 months* R'000	Instalments in arrears >3 months R'000
Satisfactory paid	455 999	3 905 943	841 709	21.5	592 552	371 027	221 525
(%)	79.0	68.6	36.6				
Slow payers	69 098	819 412	599 732	73.2	530 575	166 922	363 653
(%)	12.0	14.4	26.1				
Non-performing accounts	51 796	971 311	858 977	88.4	759 918	139 792	620 126
(%)	9.0	17.0	37.3				
Total	576 893	5 696 666	2 300 418	40.4	1 883 045	677 741	1 205 304

* *The table was condensed to enhance usability and present pertinent financial information more concisely to the users of the financial statements.*

Credit impaired debtors as at 31 March 2022

Credit impaired categories	Non-performing accounts R'000	*In duplum* Satisfactory R'000	*In duplum* Slow pay R'000	Debt counselling Satisfactory R'000	Debt counselling Slow pay R'000	No payment in three consecutive months Satisfactory R'000	No payment in three consecutive months Slow pay R'000	Total R'000
Gross carrying value	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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

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 21.6% (2022: 20.8%).

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

		2023 Audited Rm	2022 Audited Rm
Bad debts		**919.2**	902.0
Bad debts before adjustment for interest on credit impaired accounts		**1 011.0**	1 021.3
Adjustment for interest on credit impaired accounts		**(91.8)**	(119.3)
Bad debt recoveries		**(80.5)**	(76.3)
Movement in debtors impairment provision		**(87.0)**	(123.3)
Closing balance		**2 213.4**	2 300.4
Opening balance		**(2 300.4)**	(2 423.7)
Total debtor costs		**751.7**	702.4
Debtor costs as a percentage of debtors at gross carrying value	(%)	**12.3**	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.

3. INSURANCE

3.1 Insurance investments

	2023 Audited Rm	2022 Audited Rm
Financial assets – insurance investments		
Listed investments		
Fixed income securities – FVOCI	**257.3**	266.1
Unlisted investments		
Money market floating rate notes – FVTPL	**138.9**	156.7
	396.2	422.8
Analysed as follows:		
Non-current	**257.3**	266.1
Current	**138.9**	156.7
	396.2	422.8
Movement for the year		
Beginning of the year	**422.8**	477.3
Additions to investments	**32.1**	51.2
Disposals of investments	**(83.3)**	(152.8)
Interest	**33.5**	34.6
Fair value adjustment	**(8.9)**	12.5
End of the year	**396.2**	422.8

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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

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
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**
31 March 2022		
Insurance investments:		
Fixed income securities – FVOCI	266.1	266.1
Money market floating rate notes – FVTPL	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

	2023 Audited Rm	2022 Audited Rm
Interest – insurance business	**33.5**	34.6

4. REVENUE

4.1 Revenue

	2023 Audited Rm	2022 Audited Rm
Retail revenue – revenue from contracts with customers	**5 268.1**	5 200.5
Merchandise sales	**4 443.1**	4 382.5
Ancillary services	**825.0**	818.0
Insurance revenue	**881.0**	776.0
Effective interest income	**1 333.9**	1 279.6
Finance charges and initiation fees earned	**1 425.7**	1 398.9
Adjustment for interest on credit impaired accounts	**(91.8)**	(119.3)
	7 483.0	7 256.1

4.2 Retail revenue

	Traditional Rm	Cash Rm	Group Rm
31 March 2023			
Merchandise sales			
– Cash	**1 284.1**	**498.1**	**1 782.2**
– Credit	**2 660.9**	**–**	**2 660.9**
Ancillary services			
– At a point in time	**191.6**	**7.7**	**199.3**
– Over time	**625.7**	**–**	**625.7**
	4 762.3	**505.8**	**5 268.1**
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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

5. GROSS PROFIT

		2023 Audited Rm	2022 Audited Rm
Merchandise sales		**4 443.1**	4 382.5
Cost of merchandise sales		**(2 637.0)**	(2 607.6)
Merchandise gross profit		**1 806.1**	1 774.9
Gross profit margin	(%)	**40.6**	40.5

6. REPORTABLE SEGMENTS

Primary		Note	Traditional Rm	Cash Rm	Group Rm
For the year ended 31 March 2023					
Revenue			**6 977.2**	**505.8**	**7 483.0**
Merchandise sales			**3 945.0**	**498.1**	**4 443.1**
Segment operating profit before impairments and capital items			**698.4**	**4.4**	**702.8**
Segment operating margin before impairments and capital items	(%)		**17.7**	**0.9**	**15.8**
Impairments and capital items		8.2	**(26.0)**	**128.2**	**102.2**
Segment operating profit/(loss)			**724.4**	**(123.8)**	**600.6**
Segment operating margin	(%)		**18.4**	**(24.9)**	**13.5**
Segment assets [1]			**4 603.0**	**175.3**	**4 778.3**
For the year ended 31 March 2022					
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
Impairments and capital items		8.2	24.0	74.9	98.9
Segment operating profit/(loss)			704.2	(36.3)	667.9
Segment operating margin	(%)		18.5	(6.4)	15.2
Segment assets [1]			4 211.4	203.7	4 415.1

[1] *Segment assets include net trade and insurance receivables of R3 909.0 million (2022: R3 396.3 million) and inventory of R869.3 million (2022: R1 018.8 million).*

6. REPORTABLE SEGMENTS CONTINUED

Geographical	South Africa Rm	Namibia Rm	BLE [1] Rm	Group Rm
For the year ended 31 March 2023				
Revenue	**6 326.5**	**580.1**	**576.4**	**7 483.0**
For the year ended 31 March 2022				
Revenue	6 165.6	545.3	545.2	7 256.1

[1] *Botswana, Lesotho and Eswatini*

7. LEASES

	2023 Audited Rm	2022 Audited Rm
7.1 Lease liabilities		
Opening balance	**950.3**	805.8
Additions and renewed leases	**297.6**	444.9
Expired, renegotiated and modified leases	**1.7**	(4.1)
Rent concessions	**–**	0.3
Principal portion of lease liabilities	**(304.6)**	(296.6)
Interest on lease liabilities	**69.6**	62.1
Lease liability payments	**(374.2)**	(358.7)
Closing balance	**945.0**	950.3
Analysed as follows:	**945.0**	950.3
Non-current	**680.3**	700.1
Current	**264.7**	250.2
7.2 Right-of-use assets		
Retail premises		
Opening balance	**747.1**	635.0
Additions and renewed leases	**297.6**	444.9
Expired, renegotiated and modified leases	**2.7**	(2.6)
Remeasurement of restoration provision	**(12.7)**	1.1
Rent concessions	**–**	0.3
Depreciation	**(251.8)**	(232.4)
Net impairment	**(22.9)**	(99.2)
Closing balance	**760.0**	747.1

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

8. DEPRECIATION, AMORTISATION, IMPAIRMENT AND CAPITAL ITEMS

	Note	2023 Audited Rm	2022 Audited Rm
8.1 Depreciation and amortisation			
Depreciation			
Right-of-use assets		**251.8**	232.4
Property, plant and equipment		**83.1**	81.1
Buildings		**1.2**	1.2
Vehicles		**28.0**	32.1
Furniture, fixtures and equipment		**53.9**	47.8
Amortisation			
Intangible assets		**16.0**	14.3
		350.9	327.8
8.2 Impairments and capital items[1]			
Impairment of right-of-use assets		**22.9**	99.2
Impairment of goodwill		**91.1**	31.4
Total impairments		**114.0**	130.6
Profit on disposal of fixed assets		**(1.9)**	(17.7)
Profit on scrapping of fixed assets due to civil unrest	13	**(9.9)**	(14.0)
Losses due to scrapping of assets		**–**	9.8
Insurance recoveries due to damaged assets		**(9.9)**	(23.8)
		102.2	98.9

[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 1/2021: Headline Earnings.*

9. BORROWINGS, CASH AND NET FINANCE COSTS

		2023 Audited Rm	2022 Audited Rm
9.1 Borrowings, banking facilities and cash			
Short-term interest-bearing borrowings		**(367.5)**	(80.8)
Cash-on-hand and deposits		**183.0**	308.1
Cash and cash equivalents		**(184.5)**	227.3
Available facilities			
Banking facilities		**950.0**	950.0
Domestic Medium-Term Note programme		**2 000.0**	2 000.0
		2 950.0	2 950.0

Available facilities
Available facilities include revolving credit and overnight facilities (short-term interest-bearing borrowings). Revolving credit facilities are at interest rates linked to three-month JIBAR. The interest rates on the overnight facilities are based on rates as determined by each of the banks based on market conditions.

Interest rate profile
The weighted average interest rate at the end of the reporting period for overnight facilities was 9.4% (2022: 6.0%).

		2023 Audited Rm	2022 Audited Rm
9.2 Capital management			
Net debt		**1 129.5**	723.0
Shareholders' equity		**4 609.9**	4 717.0
Gearing ratio	(%)	**24.5**	15.3
9.3 Net finance costs			
Interest paid		**(110.9)**	(48.9)
Borrowings		**(34.4)**	(12.6)
Lease liabilities		**(69.6)**	(62.1)
Other		**(6.9)**	25.8*
Interest received – bank		**16.1**	14.4
Interest received – other		**0.3**	11.0
Foreign exchange gains/(losses)		**21.9**	(5.1)
		(72.6)	(28.6)

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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

10. TAXATION

		2023 Audited Rm	2022 Audited Rm
Taxation charge			
Normal taxation		**94.7**	160.6
Current year		**101.3**	150.9
Prior year		**(6.6)**	9.7
Deferred taxation		**44.7**	30.2
Current year		**56.5**	19.3
Tax rate change		**–**	2.2
Prior year		**(11.8)**	8.7
Withholding tax		**15.0**	–
Taxation per income statement		**154.4**	190.8
Tax rate reconciliation			
Profit before taxation		**561.5**	673.9
Taxation calculated at a tax rate of 27% (2022: 28%)		**151.6**	188.7
Differing tax rates in foreign countries		**3.1**	4.1
Disallowances		**49.2**	36.0
Exemptions		**(46.1)**	(58.6)
Foreign withholding tax		**15.0**	–
Prior years		**(18.4)**	18.4
Tax rate change		**–**	2.2
Taxation per income statement		**154.4**	190.8
Effective tax rate	(%)	**27.5**	28.3

11. CASH FLOW FROM OPERATIONS

	Notes	2023 Audited Rm	2022 Audited Rm
11.1 Cash flow from trading		**981.2**	1 019.5
Operating profit		**600.6**	667.9
Adjusted for:			
Share-based payments		**55.2**	68.4
Depreciation and amortisation	8.1	**350.9**	327.8
Impairment	8.2	**114.0**	130.6
Profit on disposal of fixed assets		**(1.9)**	(17.7)
Profit on scrapping of fixed assets due to civil unrest	13	**(9.9)**	(14.0)
Movement in debtors impairment provision	2.2	**(87.0)**	(123.3)
Movement in other provisions		**(37.7)**	(9.2)
Other non-cash flow movements		**(3.0)**	(11.0)
Included in cash flow from trading is interest earned on trade receivables of R1 425.7 million (2022: R1 398.9 million).			
11.2 Changes in working capital		**(239.3)**	(156.2)
Decrease/(Increase) in inventories		**154.1**	(49.8)
Increase in trade and other receivables		**(432.7)**	(58.1)
Increase/(Decrease) in trade and other payables		**20.2**	(45.7)
Increase in payments in advance		**8.5**	18.3
Increase/(Decrease) in insurance liabilities		**10.6**	(20.9)
11.3 Interest paid per cash flow statement		**(105.7)**	(74.7)
Interest paid per the income statement		**(110.9)**	(48.9)
Non-cash flow movement		**5.2**	(25.8)

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE SUMMARY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 March 2023

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
Share repurchases made during the 2023 financial year	**5 521**	**49.96**	**275.7**
Share repurchases made during the 2022 financial year	8 756	40.34	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 IN SOUTH AFRICA

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 and has submitted a claim for the losses incurred, however this is still being finalised.

14. NEW STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

IFRS 17 *Insurance Contracts*

The Group offers customer protection insurance, under its micro-insurance licence, to its customers through its subsidiary company, Monarch Insurance Company Limited ("Monarch"). Customer protection insurance provides cover to customers purchasing goods on an instalment sale basis in the event of death, disability, material damage, or loss of income.

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

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

Under IFRS 17, the standard prescribes a general measurement model (GMM) and provides for a simplified model under the premium allocation approach (PAA). This simplified model is applicable to certain types of contracts, including those with a coverage period of one year or less and where the eligibility test results in there not being a material difference between the GMM and PAA. The coverage period provided by Monarch is the same as the instalment sale contract (i.e. longer than one year), therefore eligibility testing needs to be performed. The conclusion reached was that the insurance business is likely to be eligible to apply the PAA model.

IFRS 17 will not change the amount of profit that is earned over the lifetime of the insurance contract but does impact the trajectory of profit recognition.

Whilst the assessment of the profitability impact has not yet been completed, the known impacts on the profitability trajectory will result from the discounting of the insurance liabilities, the risk adjustment to the liability for incurred claims and the impact of amortising acquisition costs over the coverage period.

The adoption of IFRS 17 will have a material impact on the presentation of the Group income statement and supporting disclosures. The main impact being that the attributable costs of providing insurance services will be reallocated from operating costs and separately disclosed as insurance service expenses.

Implementation project update

A project team which comprises of a third-party implementation partner and the senior Lewis finance management team is responsible for the implementation of IFRS 17. The project team is chaired by the Group CFO and overall governance of the project resides with the Group's audit committee.

The key milestones of the implementation project are on track and the Group's interim results for the half year ended 30 September 2023 will include the adoption of IFRS 17.

15. 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 the King IV report on Corporate Governance for South Africa, 2016 (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. A report on the Group's application of the principles is presented on the website: www.lewisgroup.co.za/governance/king-iv/.

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

BOARD COMPOSITION

The board consists of six non-executive directors and two executive directors. Five of the non-executive directors are independent, with the majority of the board being composed of independent non-executive directors.

The board is satisfied that it has the appropriate mix of knowledge, skills, experience, diversity and independence 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.

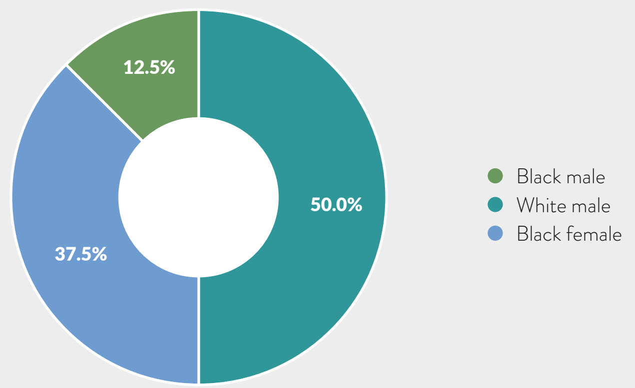
The age, tenure, experience and expertise of board members are set out briefly in the board of directors' report on pages 31 and 32.

KEY RESPONSIBILITIES

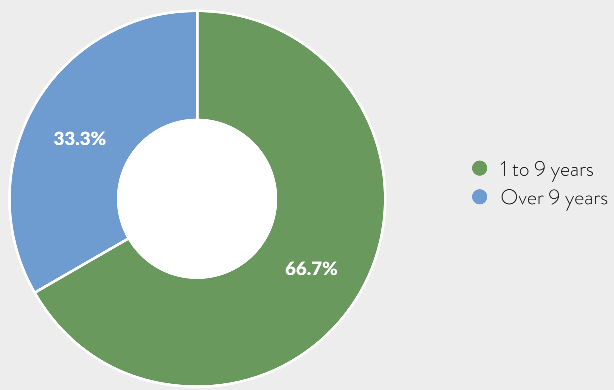
The board is governed in terms of a charter which sets out its role and responsibilities, which mainly include the following:

- 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 DIVERSITY



NON-EXECUTIVE DIRECTOR TENURE



CORPORATE GOVERNANCE REPORT CONTINUED

CHANGES TO THE BOARD OF DIRECTORS

Independent non-executive Brendan Deegan was appointed as a non-executive director and as a member of the audit, risk, remuneration and nominations committees in August 2022.

Directors appointed during the year are required to have their appointments ratified at the following AGM. The chairman is elected by the board at the board meeting following the AGM each year.

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.

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 further required to declare any conflicts 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 were ended in 2021 and Adheera commenced a two-year "cooling-off" period before she can be classified as an independent non-executive director in 2024.

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

BOARD DIVERSITY

The board's diversity policy is aimed at enhancing diversity. In 2023 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 Broad-Based Black Economic Empowerment (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.

There were no major concerns raised during the 2023 board evaluation. The evaluation concluded that the board was satisfied with its overall functioning and governance.

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 the 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 was appointed as company secretary with effect from 1 June 2022. The company secretary acts as adviser to the board and plays a pivotal role in ensuring compliance with regulations, the induction of new directors and providing advice to directors on governance, compliance and their fiduciary responsibilities.

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 of 2008.

The board is satisfied that it meets the King IV principle of having 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. As such, the board confirms that an arm's-length relationship has been maintained between the board and the company secretary.

GOVERNANCE STRUCTURE

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

Each committee has a charter and a year plan, and the directors confirm that the committees have functioned in accordance with these written terms of reference during the financial year.

Refer to the full Corporate governance report on www.lewisgroup.co.za for details of board committees.

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD MEETINGS

2023 meeting attendance

	Board	Audit	Risk	Remuneration	Nomination	Social, ethics and transformation
Number of meetings	4	4	4	2	2	2
Non-executive directors						
H Saven	4+	4*	4	2	2+	2
F Abrahams	4	4	4	2+	2	2+
A Bodasing	4	4*	4	2	2	–
B Deegan#	2	2	2	1	1	–
D Motsepe	4	4+	4+	2	2	2
T Njikizana	4	4	4	2	2	–
Executive directors						
J Enslin	4	4*	4	2*	2*	2
J Bestbier	4	4*	4	–	–	–

+ *Chairman*
* *Attends by invitation*
\# *Appointed as an independent non-executive director with effect from 15 August 2022*

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 has 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 the risks;
- the residual risk ratings;
- the tolerance levels based on the 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.

The key risks are documented in the Material issues and risks report on pages 11 to 14.

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

A well-established control environment, which incorporates risk management and internal control procedures, exists to provide reasonable, but not absolute, assurance that assets are safeguarded and the risk facing the business is being adequately managed.

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

GOING CONCERN

The board is satisfied that the Group will be a going concern for the foreseeable future, based on the current financial position as well as the budget and cash flows for the year to 31 March 2024. The financial statements have therefore been prepared on the going concern basis. The board appraises the Group's going concern status at the board meetings coinciding with the interim and final results.

EXTERNAL AUDIT FIRM ROTATION

The committee recommended Ernst & Young Inc. (EY) as the external auditor with effect from the financial year ending 31 March 2024.

The appointment is subject to approval by shareholders at the AGM to be held in 2023.

The incumbent external auditor, PricewaterhouseCoopers Inc. (PwC), will continue as the external auditor for the financial year ended 31 March 2023.

PwC's appointment will be terminated upon the conclusion of the audit of the financial year ended 31 March 2023.

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 has 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 has been approved by the audit committee.

Refer to the audit committee report in the annual financial statements.

INFORMATION TECHNOLOGY GOVERNANCE

Information technology (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.

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 of 2008, 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.

CORPORATE GOVERNANCE REPORT CONTINUED

Legal and regulatory compliance

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

- Basic Conditions of Employment Act, Act 75 of 1997
- Companies Act, Act 71 of 2008
- Consumer Protection Act, Act 68 of 2008
- Financial Advisory and Intermediary Services Act, Act 37 of 2002
- Financial Markets Act, Act 19 of 2012
- JSE Listings Requirements
- National Credit Act, Act 34 of 2005
- Short Term Insurance Act, Act 53 of 1998
- Promotion of Access to information Act, Act 2 of 2000
- Protection of Personal Information Act, Act 4 of 2013

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 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 takes all complaints received seriously. 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 monitors 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 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.

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 wants to deal in shares, he is required to obtain written permission from the chairman 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

The directors confirm that to their knowledge the Group was not involved in or associated with any material transgressions or 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-orientated 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 2022 financial year covered the period up to 15 June 2022. Consequently, this year's report covers the period from 16 June 2022 to the date of this report, being 31 May 2023.

Committee composition and meetings

The committee met on 14 March 2023 and 23 May 2023.

The composition of the committee is as follows:

Director	Status
Prof. Fatima Abrahams	Independent non-executive director
Adheera Bodasing	Non-executive director
Brendan Deegan	Independent non-executive director (appointed 15 August 2022)
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 (AGM) in October 2022, the remuneration policy was endorsed by shareholders and received 92.3% of the votes cast while the implementation report received 93.6% support (85.6% and 85.4% respectively in 2021).

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

- Considered and approved the total guaranteed pay for executive directors and the internal audit executive for the 2024 financial year
- Reviewed and approved the remuneration and implementation report included in the 2023 Integrated Report
- Set the Group's performance targets for all share incentive schemes, the cash settled plan and cash-based performance bonus scheme for the 2024 financial year
- Considered the measurement of the actual performance against targets for the 2023 financial year for the Lewis 2019 Executive Performance Scheme (2019 LEPS) and Cash Settled Long Term and Short Term Executive Performance Plan (CSLSPP)
- Considered the measurement of the actual performance against targets for the 2023 financial year for the cash-based performance bonus scheme

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 2023

REMUNERATION REPORT CONTINUED

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 individual 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
- Setting 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 ascertain 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 CEO and CFO have service contracts and 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.

Annual cash-based performance bonus

Executive directors and senior management participate in a performance bonus scheme which is linked to their base salary. No portion of any participants' bonus is guaranteed. Bonus payments are based on Group performance relative to board-approved budgeted targets. The performance of the executive directors and senior management is evaluated against all or some of the following financial and operating targets:

- Revenue growth
- Merchandise sales growth
- Gross profit margin
- Operating cost management
- Debtor cost management and debtor performance
- Net profit before taxation
- Headline earnings per share

The targets for revenue growth, merchandise sales growth, net profit before taxation and headline earnings per share are not disclosed as this is considered by the board to be market and price sensitive information. The performance against the targeted net profit before tax is disclosed on page 70.

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 2023 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 CEO: 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 CEO: 85%) to 150% of cash salary (for the CEO:170%) at 106%

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
CEO, CFO and executive team	0%	25% increasing *pro-rata* to 75% (CEO – 85%)	75% increasing *pro-rata* to 150% (CEO – 170%)
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.

REMUNERATION REPORT CONTINUED

Medium- and long-term share-based incentives

Share incentive schemes are aimed at motivating the 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 Share 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 Share 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.

Lewis 2022 Executive Retention Scheme

This scheme was approved at the last AGM held on 28 October 2022. The first awards were due to be issued in June 2023, but as there was no annual cash-based performance bonus earned (refer page 70), no awards will be made under this scheme.

This scheme contains substantially the same terms as were contained in the Lewis 2019 Executive Retention Scheme as described, except that in terms of this scheme, selected executives will be required to hold (or 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.

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 28 August 2020, 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 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, where after 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,

REMUNERATION REPORT CONTINUED

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 Executive Retention Scheme (LERS)

There are no outstanding awards under the LERS as the last remaining award vested on 30 June 2022. No further awards will be made under this scheme as the scheme limits have been reached.

The terms of the scheme are substantively the same as the 2019 LERS except for the following clauses included in the 2019 LERS, but not in the LERS scheme:

- The percentage of the cash-based performance bonus that can be invested in the scheme is at the discretion of the committee with the minimum percentage being 25% and the maximum percentage is 100%
- 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 to perform their duties;
  - is accused of serious misconduct that would warrant dismissal, he or she resigns from his/her employment prior to the outcome of the disciplinary proceedings.

The company will utilise a maximum of 1 million shares for purposes of the LERS, irrespective of the source of those shares. The maximum number of shares that can be awarded to an individual executive is 400 000 shares over the lifetime of the LERS.

Lewis 2021 Executive Performance Scheme (2021 LEPS) and Lewis 2019 Executive Performance Scheme (2019 LEPS) (together as "Executive Performance Schemes")

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

The 2021 LEPS was approved by shareholders at the AGM on 22 October 2021. The awards granted under this scheme include a short-term award and long-term awards granted on 6 July 2022.

The 2019 LEPS was approved by shareholders at the AGM held on 25 October 2019. Currently, short-term awards made under this scheme include those on 28 August 2020, 9 June 2021 and 6 July 2022.

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-orientated 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. 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
- Gross profit 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

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 or 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 macro-economic 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 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 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;

REMUNERATION REPORT CONTINUED

- 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.

It is the intention of the company to request approval from the shareholders at the AGM in October 2023 for a new scheme, being the Lewis 2023 Executive Performance Scheme which will be based on the same rules, terms and conditions as contained in the 2021 LEPS and 2019 LEPS.

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

The committee have 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 28 August 2020 and 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 this plan 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 Lewis 2022 Cash Settled Executive Performance Plan which is totally aligned with the 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 2021 LEPS and 2019 LEPS, which were not in the CSLSPP, are now included in this plan.

The first awards made under this plan were on 6 July 2022. 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 eight 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 CONTINUED

IMPLEMENTATION REPORT 2023

Approvals granted by shareholders

The Group's remuneration policy and implementation report was proposed to shareholders for a non-binding advisory vote at the AGM on 28 October 2022. The remuneration policy and implementation report were endorsed by shareholders and received 92.3% and 93.6% respectively as set out below:

	Votes for %		Votes against %		Abstentions %	
Resolution	2022	2021	2022	2021	2022	2021
Approval of the company's remuneration policy	92.3	85.6	7.7	7.3	0.0	7.1
Approval of the company's implementation report	93.6	85.4	6.4	7.5	0.0	7.1

Shareholders also approved the fees payable to non-executive directors for the 2023 financial year by a vote of 91.1%.

Annual salary increase

The average staff increase, excluding unionised staff, was 6.5% for April 2023 (2022: 6%). Increases for senior management and executives were merit-based and averaged 6% in April 2023 and 9% in April 2022. Increases as a result of promotions were excluded from these averages.

Implementation of 2022 remuneration benchmarking survey

A detailed remuneration benchmarking survey was conducted for the executives in 2022 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.

The recommendations of the survey were implemented as follows:

- Amendments to the annual cash-based performance bonus were implemented and the updated rules are reflected in the remuneration policy
- The level of the share awards to the CEO was adjusted upwards to align with the peer group. This was implemented in the share award made on 6 July 2022
- The requirement for qualifying shares was included in the Lewis 2022 Executive Retention Scheme that was approved by shareholders at the AGM held on 28 October 2022

Annual cash-based performance bonus scheme

The committee approved a net profit before taxation target of R652.4 million for the 2023 financial year. The Group achieved R561.5 million which was below the minimum of 90% of target. Consequently, executives and senior management did not qualify for cash bonuses in terms of this scheme.

The committee approved a net profit before taxation target of R551.5 million for the 2022 financial year. The Group achieved R673.9 million or 122% of target and executives and senior management qualified for cash bonuses of between 50% and 150% of annual cash salary.

REMUNERATION REPORT CONTINUED

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 2023 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
August 2020 Awards	28/08/2023	R17.17	137 398	249 081

Lewis Executive Retention Scheme (LERS)

Similarly to the 2019 LERS, the 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. There are differences to the 2019 LERS which have been articulated in the remuneration policy. The remaining award under this scheme vested on 30 June 2022.

Executive Performance Schemes (2021 LEPS and 2019 LEPS)

The committee decided to accelerate the vesting of the awards granted on 28 August 2020 under the Lewis 2019 Executive Performance Scheme to 5 June 2023 from the original vesting date of 28 August 2023. In reaching this decision, the committee considered the following:

- Awards are normally issued in June or early July
- The delay in the grant date in respect of the awards granted in 2020 was due to exceptional circumstances arising from the delay in the release of the financial results for March 2020 as a consequence of the global pandemic at the time
- The performance targets associated with the awards have already been determined with the release of our results on 25 May 2023. In other words, the acceleration of the vesting date has no impact on the measurement of the performance targets (refer 2023 targets below)

The awards granted under the Lewis 2019 Retention Scheme on 28 August 2020 will vest on 28 August 2023 as originally scheduled.

The committee has also approved the new short-term awards under these schemes to be granted on 5 June 2023. An appropriate SENS announcement will be made at the time.

Targets for the Executive Performance Schemes

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.

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 short-term award share allocations for executive directors are disclosed in the outstanding share awards table on page 74.

2023 financial year

For the 2023 financial year, all the targets for the respective measures were met as set out below:

	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 margin	≥ 40.5%	40.6%	Achieved

The reasons for exceeding the 2023 HEPS target was the following:

- Strong collections performance during the year with satisfactory paid customers being 80.4%, the highest in 16 years, supported the solid result
- With strong collections and tight cash flow management, the Group was able to leverage its share repurchase programme aggressively to improve the Group's per share metrics such as HEPS

Prior years

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

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

2020 Targets	2020 Target	2020 Actual	2020 Adjusted [1]	2020 Award
Headline earnings per share	404.2 cents	260.2 cents	544.4 cents	Achieved
Quality of the debtors book				
– Level of satisfactory paid customers	≥ 70.0%	70.5%	70.5%	Achieved
– Debtor costs as percentage of net debtors	≤ 14.0%	17.6%	12.1%	Achieved
Gross margin	≥ 40.0%	41.0%	41.0%	Achieved

[1] *The remuneration committee amended the performance targets as per the scheme rules as a consequence of the hard Covid-19 lockdown in March 2020.*

REMUNERATION REPORT CONTINUED

Long-term awards – Five-year awards

A long-term award, being a five-year award, was granted to executives 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 shareholder's equity ("ROE"), weighted at 50%
- Headline Earnings per share ("HEPS"), weighted at 30%
- 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 remuneration committee approved the granting of the first awards under this scheme on 6 July 2022 being a short-term award and long-term awards:

Lewis 2021 Executive Performance Scheme	2022 Share award	Total Share awards
Share price at award date	R48.77	
	Number of shares	
Three-year awards	226 518	226 518
Total forfeitures – staff leaving	–	–
Total forfeitures – non-performance	–	–
Shares vested	–	–
Total three-year awards	226 518	226 518
Five-year awards	464 461	464 461
Total forfeitures – staff leaving	(53 783)	(53 783)
Total forfeitures – non-performance	–	–
Shares vested	–	–
Total five-year awards	410 678	410 678
Shares awards – 31 May 2023	**637 196**	**637 196**

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 following awards are outstanding as at 31 May 2023:

Lewis 2019 Executive Performance Scheme	2020 Share award	2021 Share award	2022 Share award	Total Share awards
Share price at award date	R17.30	R33.47	R48.77	
	Number of shares	Number of shares	Number of shares	
Three-year awards	1 148 374	549 496	257 722	1 955 592
Total forfeitures – staff leaving	(49 843)	(47 451)	(53 783)	(151 077)
Total forfeitures – non-performance				–
Shares vested	(99 686)	(23 725)		(123 411)
Shares awards – 31 May 2023	**998 845**	**478 320**	**203 939**	**1 681 104**

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 described above, 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
- There is no clawback clause in the CSLSPP plan as there is in the 2019 LEPS scheme

The committee decided to accelerate the vesting of the awards granted on 28 August 2020 under this plan to 5 June 2023 for the same reasons as set out under the Executive Performance Schemes.

The outstanding awards under this scheme as at 31 May 2023 are as follows:

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan	2019 Notional share award	2020 Notional share award	2021 Notional share award	Total Notional share awards
Share price at award date	R33.39	R17.30	R33.47	
	Number of shares	Number of shares	Number of shares	
Three-year awards	1 200 299	1 037 873	529 439	2 767 611
Total forfeitures – staff leaving	(106 483)	(24 530)		(131 013)
Total forfeitures – non-performance				–
Shares vested	(1 093 816)	(12 265)		(1 106 081)
Shares remaining – 31 May 2023	**–**	**1 001 078**	**529 439**	**1 530 517**

REMUNERATION REPORT CONTINUED

Below is a table setting out the movements for 2023 and 2022 financial years (i.e. from 1 April to 31 March):

Lewis Cash-Settled Long-Term and Short-Term Executive Performance Plan – Notional Shares	2023	2022
Beginning of year	2 522 635	2 182 538
Granted	–	529 439
Forfeited	–	(75 379)
Vested	(992 118)	(113 963)
End of year	1 530 517	2 522 635

Lewis 2022 Cash-Settled Executive Performance Plan

As noted above, this scheme operates on the same basis as the 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 also approved the new short term awards under this plan to be granted on 5 June 2023.

The outstanding awards under this scheme as at 31 May 2023 are as follows:

Lewis 2022 Cash-Settled Executive Performance Plan	2022 Notional share award	Total Notional share awards
Share price at award date	R48.77	
	Number of shares	
Three-year awards	437 713	437 713
Total forfeitures – staff leaving		
Total forfeitures – non-performance		
Shares vested		
Shares remaining – 31 May 2023	437 713	437 713

Below is a table setting out the movements for 2023 and 2022 financial years (i.e. from 1 April to 31 March):

Lewis Cash-Settled 2022 Executive Performance Plan – Notional Shares	2023
Beginning of year	
Granted	437 713
Forfeited	
Vested	
End of year	437 713

Summary of all equity-settled awards as at 31 March 2023

2023	Lewis 2019 Executive Retention Scheme	Lewis 2021 Executive Performance Scheme	Lewis 2019 Executive Performance Scheme
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		

2022	Lewis 2019 Executive Retention Scheme	Lewis 2019 Executive Performance Scheme
Beginning of year	292 241	1 148 374
Granted	485 417	549 496
Forfeited	(1 878)	–
Vested	(853)	–
End of year	774 927	1 697 870
Maximum awards available over the life of the scheme	1 500 000	2 250 000
Utilised for the scheme to date	775 780	1 697 870
Invested shares	426 613	

REMUNERATION REPORT CONTINUED

2023	Lewis Executive Retention Scheme	Lewis Long-Term and Short-Term Executive Performance Scheme
Beginning of year	**433 538**	–
Granted	–	–
Forfeited	–	–
Vested	**(433 538)**	–
End of year	–	–
Maximum awards available over the life of the scheme	**1 000 000**	**3 500 000**
Utilised for the scheme to date	**986 396**	**3 377 174**
Invested shares	–	
2022		
Beginning of year	878 386	1 053 059
Granted	–	–
Forfeited	(3 284)	–
Vested	(441 564)	(1 053 059)
End of year	433 538	–
Maximum awards available over the life of the scheme	1 000 000	3 500 000
Utilised for the scheme to date	986 396	3 377 174
Invested shares	238 767	

Shareholder dilution

As at 31 March 2023, the maximum potential dilution is 3 532 034 shares i.e. 6.2% of issued share capital. The dilution as calculated in terms of IAS 33 to determine the diluted weighted average shares in issue is 2 030 073 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 2023 financial year

	J Enslin (CEO)				J Bestbier (CFO)		
Executive directors' remuneration	**Number of shares**	**Share price**	**2023 R'000**	2022 R'000	**Number of shares**	**2023 R'000**	2022 R'000
Cash remuneration							
Total guaranteed pay			**6 551**	5 633		**3 730**	3 330
Cash performance bonus			**7 035**	6 541		**4 306**	4 034
Total GP and CPB			**13 586**	12 174		**8 036**	7 364
Share awards							
LERS – matching award			**5 768**	3 926		**3 499**	1 598
– Face value of award	**115 816**	**33.027**	**3 825**	3 575	**70 258**	**2 320**	1 455
– Share price performance	**115 816**	**16.773**	**1 943**	351	**70 258**	**1 179**	143
LSPS – three-year award				6 208			3 766
– Face value of award				5 757			3 492
– Performance criteria				–			-
– Share price performance				451			274
	Notional Shares						
CSLSPP – three-year award			**9 109**			**5 650**	
– Face value of award	**187 347**	**33.38**	**6 254**		**116 217**	**3 879**	
– Performance criteria			**–**			**–**	
– Share price performance	**187 347**	**15.24**	**2 855**		**116 217**	**1 771**	
Total share awards			**14 877**	10 134		**9 149**	5 364
Total earned remuneration			**28 463**	22 308		**17 185**	12 728

REMUNERATION REPORT CONTINUED

Non-executive directors' fees

	Directors' fees R'000	Audit committee member R'000	Risk committee member R'000	Remuneration committee member R'000	Nomination committee member R'000	SET committee member R'000	Monarch directors' fees R'000	Monarch audit and risk committee member R'000	Total non-executive directors' fees R'000
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
2022									
H Saven	678*	139	98	77	107*	77	268*	80	1 524
F Abrahams	329	139	98	156*	45	156*	188	109*	1 220
A Bodasing	326	139	98	77	45				685
D Motsepe	327	242*	119*	77	46	77			888
T Njikizana	326	139	98	77	45				685
D Westcott[(2)]	155	158	76	37	22		94	81	623
Total	2 141	956	587	501	310	310	550	270	5 625

(1) Appointed 15 August 2022
(2) Passed away 19 August 2021
** Chairperson*

Proposed non-executive director fees for 2024

Board/committee position	% Increase	Proposed fees for 2024 R'000	Fees earned for 2023 R'000
Non-executive chairman	7.0	839	784
Non-executive director	7.2	370	345
Audit committee chairman	7.0	380	355
Audit committee member/invitee	7.2	163	152
Risk committee chairman	7.1	182	170
Risk committee member	7.5	114	106
Remuneration committee chairman	7.1	182	170
Remuneration committee member	7.1	90	84
Nomination committee chairman	7.7	126	117
Nomination committee member	7.0	54	50
Social, ethics and transformation committee chairman	7.1	182	170
Social, ethics and transformation committee member	7.1	90	84

Directors' interests

At 31 March 2023, the directors' beneficial direct and indirect interest in the company's issued shares were as follows:

	2023		2022	
	Direct	Indirect	Direct	Indirect
H Saven		6 440		6 440
J Bestbier	126 573	126 583	87 932	116 566
J Enslin	581 077	205 269	581 077	189 473
	707 650	338 292	669 009	312 479

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SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS

SHAREHOLDERS' SPREAD AS AT 31 MARCH 2023

	Number of shareholders Total	%	Number of shares Total	%
1 – 1 000 shares	2 682	75.72	409 856	0.72
1 001 – 10 000 shares	535	15.10	1 788 710	3.12
10 001 – 100 000 shares	231	6.52	7 208 872	12.59
100 001 – 1 000 000 shares	82	2.32	23 518 461	41.07
1 000 001 shares and over	12	0.34	24 333 153	42.50
	3 542	100.00	57 259 052	100.00

DISTRIBUTION OF SHAREHOLDERS AS AT 31 MARCH 2023

	Number of shareholders Total	%	Number of shares Total	%
Public:	3 537	99.85	55 539 902	96.99
Banks and brokers	45	1.27	15 185 380	26.52
Unit Trusts/Mutual Funds	75	2.12	18 173 468	31.74
Retirement and Pension Funds	133	3.75	10 526 255	18.38
Other	3 284	92.71	11 654 799	20.35
Non-public:	5	0.15	1 719 150	3.01
Lewis Employee Incentive Scheme Trust	1	0.03	173 545	0.30
Directors:				
Lewis Group Limited				
Direct	2	0.06	707 650	1.24
Indirect	2	0.06	331 852	0.58
Lewis Stores Proprietary Limited				
Direct	2	0.06	353 826	0.62
Indirect	2	0.06	152 277	0.27
	3 542	100.00	57 259 052	100.00

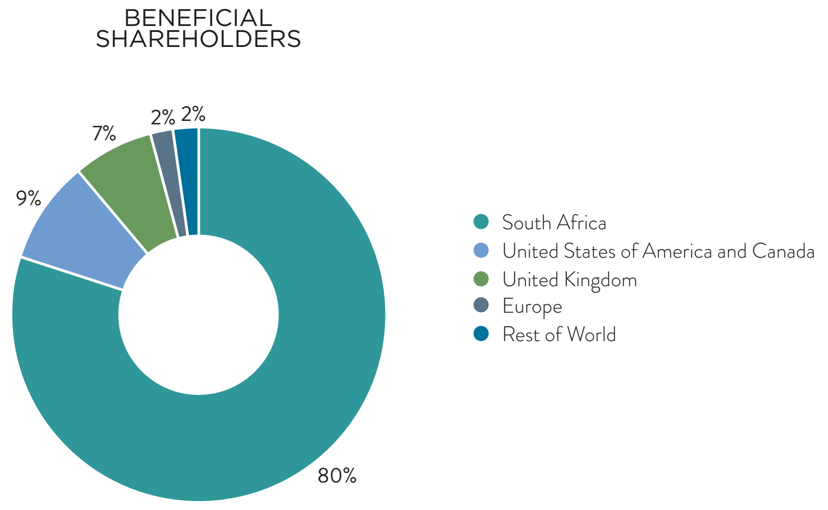
MAJOR SHAREHOLDINGS AS AT 31 MARCH 2023

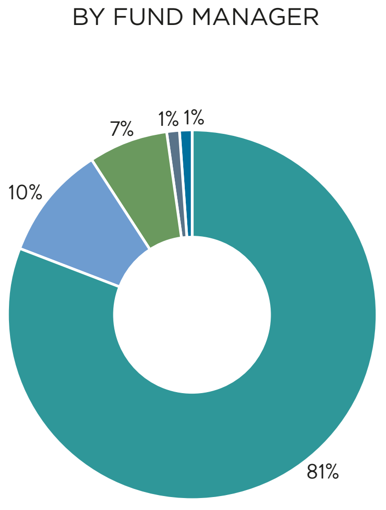
According to the company's register of disclosures of beneficial interests made by registered shareholders acting in a nominee capacity, and the disclosures made by fund managers in terms of section 56 of the Companies Act of 2008, the following entities owned in excess of 5% of the company's shares as at 31 March 2023:

	Number of shares Total	%
Beneficial shareholders:		
Coronation Fund Managers (SA)	9 255 539	16.16
Peresec Prime Brokers (SA)	4 800 503	8.38
By fund manager:		
Coronation Fund Managers (SA)	16 506 503	28.83
Peresec Prime Brokers (SA)	4 800 503	8.38
Ninety One (SA)	3 080 270	5.38
Dimensional Fund Advisors (US)	3 009 002	5.26

GEOGRAPHIC ANALYSIS OF SHAREHOLDERS

Number of shares





SHAREHOLDERS' DIARY

Record date for voting at the annual general meeting	2 October 2023
Annual general meeting	12 October 2023
Interim profit announcement	30 November 2023
Financial year-end	31 March 2024
Final profit announcement	May 2024
Final dividend declared	May 2024
Integrated Report	June 2024

CORPORATE INFORMATION

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

Lewis Group Ltd

www.lewisgroup.co.za

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