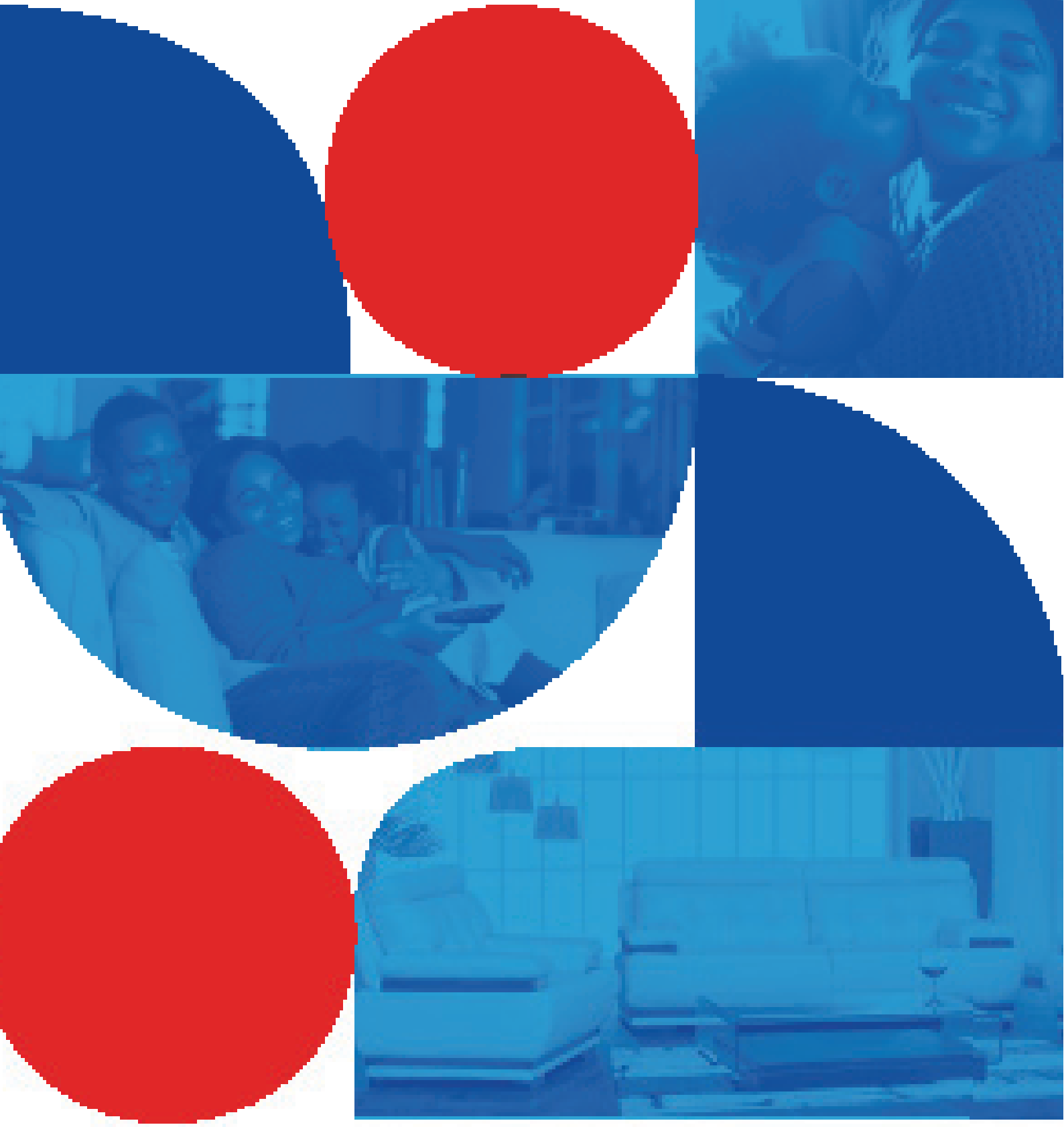


FUNMILAYO LIMITED

ANNUAL REPORT 2020

FUNMILAYO

HOME COMFORT

IN THIS REPORT

CONTENTS

DIRECTORS REPORT

The Directors have pleasure in submitting their report for the financial year ended 31 July 2020.

NATURE OF BUSINESS

Furnmart Limited retails household furniture and electrical appliances through its network of stores in Botswana, Namibia and South Africa. The merchandise mix at mass-market Furnmart stores is aimed at the middle to lower income market, thus covering the majority of the population. The Group's HomeCorp super stores, located in Gaborone, Windhoek, Swakopmund and Boksburg are aimed at the middle to higher income market. Furnmart Limited strives to establish lasting relationships with its customers through its 'value for money' and 'smart credit' policies. Furnmart Limited ("the company") is incorporated in the Republic of Botswana.

SHARE CAPITAL

The issued share capital of the company is 501 222 174 (2019: 501 222 174) shares.

DIVIDEND

A gross final dividend of 25.94 (2019: 4.49 interim and 3.52 final) thebe per share, has been proposed to be paid to the shareholders registered in the books of the company as at 6 November 2020.

Dividends are subject to withholding tax in accordance with the Botswana Income Tax Act.

SUBSIDIARY COMPANIES

The Group's shareholdings in the issued share capital of the subsidiary companies are as follows:

Company	Country held	Percentage	Nature of business
Furn Mart (Pty) Ltd	Namibia	100%	Furniture retail
Xtreme Discounters (Pty) Ltd	South Africa	100%	Furniture retail
Furniture Mart Pty Ltd	Botswana	100%	Furniture retail
Furnmart (Pty) Ltd	South Africa	100%	Distribution and shared services

DIRECTORS REPORT (CONTINUED)

DIRECTORS

The following directors served on the Board during the year:
J T Mynhardt¶ (Chairman)
T L J Mynhardt¶ (Deputy Chairman)
D S le Roux* (Managing Director)
E Odendaal* ¶
F B Lebala¶
J P McLoughlin* ¶
S Venkataramani^ ¶
L G Waldeck* ¶

* South African, ^Indian
¶ (Non-Executive)

As per article 53 and 55 of the Articles of Association of the company, the following directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election:
E Odendaal
T L J Mynhardt
S Venkataramani

DIRECTORS' INTERESTS

The aggregate number of shares directly held by the directors was Nil at 31 July 2020 and Nil at 31 July 2019. Directors indirectly held 462 096 090 shares at 31 July 2020 and 461 984 651 shares at 31 July 2019.

DIRECTORS' REMUNERATION

The independent directors are paid for meetings attended and these fees amounted to P165 200 (2019: P405 800) for the year. Other directors including those on contract to the Group from Cash Bazaar Holdings Pty Ltd, a related company, earned remuneration of P5 089 581 (2019: P6 477 929) from the Group.

COMPANY SECRETARY

The company secretary is DPS Consulting Pty Ltd.

CORPORATE GOVERNANCE

The Board is committed to achieving the overarching corporate governance principles of fairness, accountability, responsibility and transparency, whilst always acting in the best interests of the company, ensuring that the costs of compliance do not come at the expense of enterprise. The Board has reviewed the principles of the King IV Code of Corporate Governance. The following principles were not complied with, for the reasons stated below:

Principle no	Details	Explanation
2.10 & 7.1 to 7.5	Effective risk-based internal audit	There is no formal internal audit function, but in addition to the external auditors, professionals are requested to review specific areas.
2.16	Independent non-executive Chairman of the Board	Mr J.T Mynhardt is not independent, however, he has vast experience in retail sectors with skills and business acumen pertinent to Furnmart.
2.18	Majority of non-executive directors should be independent	Only two of the seven non-executive directors are independent. However, they are all highly experienced and bring a vast range of relevant business acumen.
2.20	Induction and ongoing training through formal processes	Even though no formal training is conducted, all directors have years of experience in the retail industry. Any change in legislation is discussed at board and committee level.
2.22	Annual evaluation of board, committees and directors	Deputy Chairman conducts performance appraisals as considered appropriate
2.23	Delegation to well-structured committees	RACC in place. No remuneration and nomination committee in place.
2.26	Disclosure of remuneration of individual directors	Information is disclosed in the aggregate.

DIRECTORS REPORT (CONTINUED)

INSURANCE REGULATORY FRAMEWORK IN BOTSWANA

Enactment of the Insurance Industry Act and related regulations in Botswana, in 2019, compelled all regulated insurance agents to relook their current insurance contracts and insurance related operations. The recent changes include strengthening the regulator's monitoring tools, accrediting insurance agencies, regulating insurance related contracts, implementing customer protection rules, which includes disclosure of commission earned, and streamlining market regulations. Subsequent to the year-end, Furniture Mart Pty Ltd has been in the process of finalising its licensing arrangement with the regulator.

APPROVAL OF FINANCIAL STATEMENTS

The Directors of Furnmart Limited are responsible for the preparation, integrity and objectivity of the financial statements and other information contained in these annual financial statements, which has been prepared in accordance with International Financial Reporting Standards and in the manner required by Botswana Companies Act (2003) and the Group's policies and procedures.

The directors are also responsible for the Company and its subsidiaries' systems of internal financial control. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The directors have reviewed the Group's financial projections for the year ending 31 July 2021 and are satisfied that the company and its subsidiaries have adequate resources in place to continue in operation for the foreseeable future. The financial statements have therefore been prepared on the going concern basis.

The Board of Directors approved and authorised for issue the annual financial statements presented on pages 15 to 65 on 06 November 2020.

EVENTS AFTER THE REPORTING PERIOD

Subsequent events assessment has been conducted and nothing significant came to light, that would indicate that COVID- 19 will hinder the Group's ability to continue as a going concern.

On behalf of the Board

D S le Roux
Managing Director

T L J Mynhardt
Deputy Chairman

Independent auditor's report

To the Shareholders of Furnmart Limited

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Furnmart Limited (the "Company") and its subsidiaries (together the "Group") as at 31 July 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

Furnmart Limited's consolidated and separate financial statements set out on pages 15 to 65 comprise:

- the consolidated and separate statements of financial position as at 31 July 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the International Ethics Standards Board for Accountants and other independence requirements applicable to performing audits of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and other ethical requirements applicable to performing audits of financial statements in Botswana.

Our audit approach

Overview

Overall group materiality

- Overall group materiality: BWP4,819,500, which represents 5% of consolidated profit before tax.

Group audit scope

- The Group consists of the Company and four subsidiaries, operating in Botswana, Namibia and South Africa. We performed full scope audits of the Company and all of its subsidiaries.

Key audit matters

- Allowances for expected credit losses for loans and advances to customers; and
- Adoption of IFRS 16 - Leases.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	*BWP4,819,500.*
How we determined it	5% of consolidated profit before tax.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies operating in this industry.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of the Company and four subsidiaries, operating in Botswana, Namibia and South Africa. We performed full scope audits of the Company and all of its subsidiaries, as these were all considered to be financially significant components.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we need to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

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

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	*How our audit addressed the key audit matter*

Allowance for expected credit losses on loans and advances to customers
 	
At 31 July 2020, the Group recognised net loans and advances to customers of BWP434,346,000, after recognising an allowance for expected credit losses (the "ECL allowance") of BWP266,954,000.
 	
The Group developed a model for calculation of the ECL allowance by applying the general approach under IFRS 9 - Financial Instruments ("IFRS 9") and measures the impairment allowance at an amount equal to the lifetime ECL of all loans and advances. Lifetime ECL's are based on probability weighted cash flows considering a range of possible outcomes and discounting these cash flows at the original effective interest rate, that includes initiation fees, as initiation fees are integral to the effective interest rate.
 	
In determining the ECL allowance, the following key judgements were applied by the Group:
• Determining criteria for transition events, which are used to summarise individual loans into population states, and to predict the likelihood of loans transitioning between such population states (transition rates);
• Establishing payment behaviour for population states, allowing for prediction of future payment behaviour of loans and advances;
• Establishing segments of similar loans and advances for the purposes of measuring the ECL allowance on a collective basis; and
• Establishing the number and relative weightings of forward-looking scenarios such as GDP outlook, interest rate and inflation rate forecasts, and the impact of COVID-19 on these in the model, for each type of product/market and the ECL allowance.
 	
We considered the ECL allowance on loans and advances to customers to be a matter of most significance to the current year audit due to the significant judgement and estimation applied by management in determining the ECL allowance.
 	
Refer to the following disclosures in the consolidated financial statements for detail:
• Summary of significant accounting policies note 9 "Financial Instruments" and note 14 "Loans and advances to customers";
	We performed the following audit procedures on the ECL allowance on loans and advances to customers:
	
	• We assessed the accounting policies relating to the determination of the ECL allowance on loans and advances with reference to the requirements of IFRS 9;
	
	• We utilised our actuarial expertise to assess the appropriateness of the model used by the Group with reference to the requirements of IFRS 9, and to assess whether the Group's model was consistently applied to all loans and advances portfolios. We noted no matters requiring further consideration in regard to the model used, and we noted no significant inconsistencies regarding the manner with which the model was applied across the loans and advances portfolios;
	
	• For a sample of loans and advances to customers, we agreed the underlying information with respect to individual loans and advances, as well as segments of loans and advances utilised in the model, to the relevant accounting records and underlying documents. No material differences were noted;
	
	• Utilising our actuarial expertise we performed the following procedures:
	
	  ○ Based on underlying information for individual loans and advances, we recomputed key judgemental inputs used by management in the model, including:
	  ▪ the segmentation applied;
	  ▪ the transition rates applied; and
	  ▪ the predicted payment behaviour by population state.
	  Based on our procedures performed, we did not identify any significant exceptions;
	
	  ○ We independently calculated the ECL allowance (before forward-looking information) for each segment and compared our results

Key audit matter	*How our audit addressed the key audit matter*
• Critical accounting estimates and judgements "Impairment losses on loans and advances to customers"; • Financial risk management note (b) "Credit risk – Impairment of loans and advances to customers"; and • Note 13 "Loans and advances to customers".	to those of the Group. We did not identify any significant differences; and ○ We performed an independent assessment of the impact of forward-looking information on the ECL allowance by applying available information such as Gross Domestic Product (GDP) outlooks and Basel unexpected loss models relating to past periods of economic distress evidenced by historical GDP fluctuations, to the ECL calculation, in order to independently determine a range of adjusted coverage percentages unique to each segment and each population state. We compared the additional ECL allowance determined based on these adjusted coverage rates, to the Group's forward-looking adjustments and found that the Group's adjustments were within a reasonable range of our independent expectations.
Adoption of IFRS 16 - Leases The Group adopted IFRS 16 - Leases ("IFRS 16") for the first time during the financial year to recognise, measure, present and disclose leases. In accordance with the requirements of IFRS 16, the Group reassessed the way in which it accounts for operating leases. Whereas such leases had previously been accounted for by straight-lining all unavoidable contractual lease payments over the lease term, the application of IFRS 16 requires the Group to recognise a lease liability reflecting the estimated present value of future lease payments and a right-of-use asset, which affects the majority of the Group's lease agreements. On the adoption of IFRS 16, the Group applied a modified retrospective approach. Prior periods have not been restated. On adoption of IFRS 16 on 1 August 2019 the Group recognised lease liabilities in the amount of P639,730,000 and right-of-use assets in the amount of P639,730,000 (before set-off of previously recognised deferred lease charges). In determining the appropriate amounts and	We performed the following audit procedures on the accounting for leases: • We assessed the Group's IFRS 16 adoption principles against the requirements of IFRS 16. We did not note any inconsistencies in this regard; • We tested the completeness of individual lease agreements included in the Group's IFRS 16 calculations by comparing these to: ○ samples of transactions included in underlying general ledger accounts that the Group has historically used to record operating lease payments; and ○ leases which based on our knowledge and experience, would typically apply in the Group's industry. We did not identify any significant exceptions in the above procedures performed. • For a sample of leases, we tested observable data inputs such as lease terms and unavoidable lease payments included in the IFRS 16 calculations to underlying lease

Key audit matter	*How our audit addressed the key audit matter*
balances to apply in the application of IFRS 16 and in order to measure the right-of-use asset and lease liability associated with each lease identified by the Group, the Group used observable data inputs, including contractual lease terms and its best estimates of the following: • applicable incremental borrowing rates in the jurisdiction where the leased asset is situated, as used to discount the right-of-use asset and lease liability recognised at adoption date; and • the likelihood with which contractual lease renewal and termination options are to be exercised. The adoption of IFRS 16 was considered to be a matter of most significance to the current year audit due to the complexity of measurement calculations and implicit requirement for completeness, accuracy and reasonableness of data inputs into these calculations, on the first-time adoption of IFRS 16. Refer to the following disclosures in the consolidated financial statements for detail: • Summary of significant accounting policies note 1 "Basis of preparation – New standards or amendments adopted by the Group for the first time" and note 11 "Accounting for leases (IAS17 comparatives)"; • Note 8.1 "Right of use assets"; and • Note 20 "Leases liabilities" • Note 26 "Changes in accounting policies".	agreements. Discrepancies noted were appropriately addressed by the Group as necessary and were correctly accounted for in the Group's final accounting for IFRS 16; • We compared the Group's estimate of its incremental borrowing rate as included in the IFRS 16 calculations to comparable borrowing rates offered to the Group. Based on our work performed we accepted the Group's estimates as these were within a reasonable range of comparable rates available to the Group from credit providers; • We assessed the Group's judgements as to whether contractual lease renewal and termination options are to be exercised, with reference to the Group's business plans and through enquiry from management. We noted no matters requiring further consideration; • We tested the mathematical accuracy of the IFRS 16 calculations for a sample of individual leases and found no material differences; and • • We agreed outputs from the IFRS 16 calculations to the relevant balances and amounts disclosed in the consolidated financial statements without any material differences.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Furnmart Limited Annual Report 2020". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements
The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

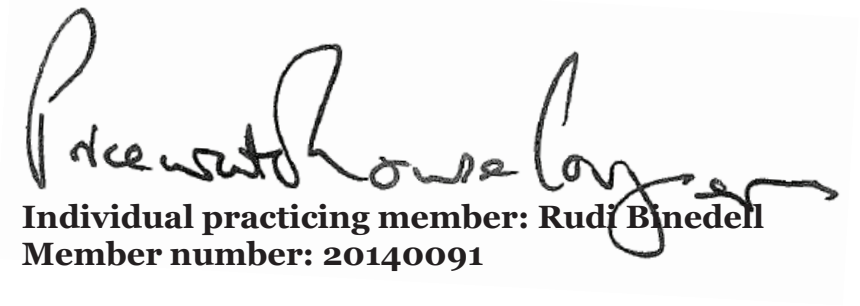
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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



Individual practicing member: Rudi Binedell
Member number: 20140091

Gaborone
31 January 2021

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 July 2020

		GROUP		COMPANY	
	Note	2020	2019	2020	2019
		P'000	P'000	P'000	P'000
Revenue	2	**1 247 988**	**1 317 999**	**315 492**	**84 166**
Cost of merchandise sold	3	(557 486)	(579 837)	-	-
Selling and distribution costs	3	(447 199)	(467 996)	-	-
Impairment costs - loans and advances	3	(96 470)	(103 223)	-	-
Administrative expenses	3	(47 709)	(30 809)	(59 694)	(33 811)
Other income	3	53 008	37 702	776	2 445
Operating profit		**152 132**	**173 836**	**256 574**	**52 800**
Finance income	4	5 377	3 238	2 299	54
Finance costs	4	(61 106)	(15 755)	(15 417)	(23 034)
Share of loss from associate	10	(13)	(59)	-	-
Profit before income tax		**96 390**	**161 260**	**243 456**	**29 820**
Income tax expense	5	(25 893)	(40 780)	2 142	(1 196)
Profit for the year		**70 497**	**120 480**	**245 598**	**28 624**
Other comprehensive income – items that may subsequently be reclassified to profit/ loss					
Currency translation differences		(55 654)	(13 834)	-	-
Total comprehensive income for the year		**14 843**	**106 646**	**245 598**	**28 624**
Earnings per share (thebe) – basic	6	14.07	21.75	-	-
– diluted	6	14.07	21.75	-	-

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
At 31 July 2020

		GROUP		COMPANY	
	Note	2020	2019	2020	2019
		P'000	P'000	P'000	P'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	77 852	86 177	978	1 819
Right of use asset	8.1	536 674	-	-	-
Intangible assets	8	3 372	5 096	3 372	5 096
Capital work in progress	8.2	3 040	-	-	-
Investment in associate	10	121	134	-	-
Contract assets	11	47 323	42 031	-	-
Investment in subsidiaries	10	-	-	329 770	321 691
Deferred income tax	9	22 725	11 878	5 908	3 766
		691 107	**145 316**	**340 028**	**332 372**
Current assets					
Inventories	12	186 692	223 626	-	-
Loans and advances to customers	13	434 346	511 762	-	-
Other Receivables	14	65 817	16 505	244 268	176 188
Income tax receivable	25	4 570	5 200	2 047	1 818
Cash and cash equivalents	15	199 601	91 008	11 915	1 359
		891 026	**848 101**	**258 230**	**179 365**
Total assets		**1 582 133**	**993 417**	**598 258**	**511 737**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	128 474	128 474	128 474	128 474
Currency translation reserve		(94 746)	(39 092)	-	-
Retained earnings		665 558	612 704	228 372	417
Total equity		**699 286**	**702 086**	**356 846**	**128 891**
Non-current liabilities					
Borrowings	17	169 593	158 038	150 000	150 000
Lease liabilities	20	505 444	-	-	-
Deferred income tax	9	1 273	8 245	-	-
		676 310	**166 283**	**150 000**	**150 000**
Current liabilities					
Borrowings	17	8 780	6 638	-	-
Trade and other payables	18	84 159	88 864	89 526	230 356
Lease liabilities	20	86 548	-	-	-
Income tax payable	25	12 586	10 036	-	-
Accruals	19	14 464	19 509	1 886	2 490
		206 537	**125 047**	**91 412**	**232 846**
Total liabilities		**882 847**	**291 330**	**241 412**	**382 846**
Total equity and liabilities		**1 582 133**	**993 417**	**598 258**	**511 737**

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 July 2020

GROUP	Share capital P'000	Currency translation reserve P'000	Retained earnings P'000	Total P'000
Balance as at 01 August 2018	**198 899**	**(25 258)**	**529 830**	**703 471**
Total comprehensive income for the year	-	(13 834)	120 480	106 646
Transactions with owners				
Dividends paid - final 2018	-	-	(15 101)	(15 101)
Dividends paid - interim 2019	-	-	(22 505)	(22 505)
Repurchase of own share capital	(70 425)	-	-	(70 425)
Balance at 31 July 2019	**128 474**	**(39 092)**	**612 704**	**702 086**
Balance as at 01 August 2019	**128 474**	**(39 092)**	**612 704**	**702 086**
Total comprehensive income for the year	-	(55 654)	70 497	14 843
Transactions with owners	-	-	-	-
Dividends paid - final 2019 (note 7)	-	-	(17 643)	(17 643)
Balance at 31 July 2020	**128 474**	**(94 746)**	**665 558**	**699 286**

COMPANY

	Share capital P'000	Retained earnings P'000	Total P'000
Balance at 01 August 2018		9 399	
Total comprehensive income for the year	-	28 624	28 624
Dividends paid - final 2018	-	(15 101)	(15 101)
Dividends paid - interim 2019	-	(22 505)	(22 505)
Repurchase of own share capital	(70 425)	-	(70 425)
Balance at 31 July 2019	**128 474**	**417**	**128 891**
Balance at 01 August 2019	**128 474**	**417**	**128 891**
Dividends paid - final 2019 (note 7)	-	(17 643)	(17 643)
Total comprehensive income for the year	-	245 598	245 598
Balance at 31 July 2020	**128 474**	**228 372**	**356 846**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 July 2020

		GROUP		COMPANY	
	Note	2020	2019	2020	2019
		P'000	P'000	P'000	P'000
Operating activities:					
Cash generated from/ (utilised in) operations	21	288 270	158 770	(208 373)	122 902
Income tax (paid)/ received (net)	25	(40 103)	(29 198)	(229)	5 198
Net cash generated from/ (utilised in) operating activities		**248 167**	**129 572**	**(208 602)**	**128 100**
Investing activities:					
Purchase of property, plant and equipment	8	(25 336)	(34 424)	(36)	(1 597)
Capital work in progress	8.2	(3 142)	-	-	-
Proceeds of property, plant, equipment		658	1 610	-	385
Dividend received from associate	10	-	532	-	532
Dividend received on investments in subsidiaries	22 (vi)	-	-	257 934	27 083
Investment in subsidiaries	10.2	-	-	(8 079)	(34 927)
Investment in contract assets (net)	11	(5 292)	9 564	-	-
Interest received	4	5 377	3 238	2 299	54
Net cash (utilised in)/ generated from investing activities		**(27 735)**	**(19 480)**	**252 118**	**(8 470)**
Financing activities:					
Repurchase of own shares		-	(70 425)	-	(70 425)
Proceeds from borrowings		20 518	-	-	-
Repayments on borrowings		(6 823)	(15 614)	-	(7 282)
Lease payments	20	(80 304)	-	-	-
Interest paid	4	(15 362)	(15 755)	(15 417)	(23 034)
Dividends paid	7	(17 643)	(37 606)	(17 643)	(37 606)
Net cash utilised in financing activities		**(99 614)**	**(139 400)**	**(33 060)**	**(138 347)**
Net increase/ (decrease) in cash and cash equivalents		120 818	(29 308)	10 456	(18 717)
Cash and cash equivalents at beginning of year		91 008	133 121	1 359	15 110
Exchange gain/ (loss) on cash and cash equivalents of foreign subsidiaries		(12 225)	(12 805)	100	4 966
Cash and cash equivalents at end of year	**15**	**199 601**	**91 008**	**11 915**	**1 359**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, and are unchanged from those applied in previous periods, unless noted otherwise.

The Board of Directors approved and authorised for issue the annual financial statements presented on page 15 to 65 on 06 November 2020.

1. GENERAL INFORMATION

Furnmart Limited retails household furniture and electrical appliances through its network of stores in Botswana, Namibia and South Africa. The merchandise mix at mass-market Furnmart stores is aimed at the middle to lower income market, thus covering the majority of the population. The Group's HomeCorp super stores, located in Gaborone, Windhoek, Swakopmund and Boksburg are aimed at the middle to higher income market. Furnmart Limited strives to establish lasting relationships with its customers through its 'value for money' and 'smart credit' policies. Furnmart Limited ("the company") is incorporated in the republic of Botswana.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Botswana Companies Act (2003). The financial statements are prepared under the historical cost convention, as modified by the valuation of certain financial assets and financial liabilities at fair value through profit and loss.

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

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

New standards or amendments adopted by the Group for the first time

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2020 including IFRIC 23.

Other than IFRS 16, these amendments and interpretations did not have a material impact on the consolidated financial statements.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal form of a lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise operating leases on the statement of financial position.

The Group has lease obligations for the rental of premises and to a lesser extent, operating equipment. These leases were previously measured in accordance with IAS 17. The Group adopted IFRS 16 using the modified retrospective simplified approach, with the date of initial application as 1 August 2019. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

term of less than twelve months, and lease contracts for which the underlying asset is of low value.

The Group did not early adopt IFRS 16 and as such, the effective date of adoption is 1 August 2019 and noted below is the detailed approach:

Overall impact
The Group has lease obligations for the rental of premises and operating equipment. These leases were previously measured in accordance with IAS 17. The Group has opted not to reassess if these leases meet the definition of a lease on initial adoption of IFRS 16; and as such, the leases were considered to have met the definition of a lease.

In addition, an assessment was done to review the composition of the lease payments in all subsidiaries to determine if there are any non-lease components. In some cases, the lease payments include an additional amount for service charges and these were considered to be non-lease components as they relate to utilities, refuse collection etc. The Group has taken the option to separate lease and non-lease components.

Statement of financial position
IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases (applying IAS 17). Leases are 'capitalised' by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment.

Furthermore, the present value of the future lease payments is recognised as a financial liability, if lease payments are made over time.

Statement of profit or loss and other comprehensive income

IFRS 16 replaces the straight-line operating lease expense for those leases applying IAS 17, with a depreciation charge for the lease asset (included within operating costs) and an interest expense on the lease liability (included within finance costs). This change aligns the lease expense treatment for all leases. Although the depreciation charge is typically straight lined, the interest expense reduces over the life of the lease, as lease payments are made. This results in a reducing total expense, as an individual lease matures.

Approach adopted by the Group
The standard allows for two approaches in the adoption; being the full retrospective approach and the modified retrospective approach. The full retrospective requires the restatement of the prior year reported numbers, whilst in the latter, the adjustments as a result of the adoption of the standard are effected in the current year. The Group has opted for the modified retrospective approach and as such the effect of the new standard has been accounted for in the current year.

Discounting factor
Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments used, to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees, the lease payments are required to be discounted using:

- The interest rate implicit in the lease, if readily determinable, or
- The lessee's incremental borrowing rate.

Right of use asset
This is the lessee's right to use an asset over the life of the lease. The right of use assets are recognised based on the amount equal to the lease liabilities and the assumption that all leases will be extended for another term; and are depreciated over those expected lease terms. The leases are mainly retail shops and warehousing, which are not subject to

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

cancellation, except in circumstances where the lessee fails to comply with any terms and conditions of the lease. Otherwise, the lease contract is of a commercial nature is not expected to be cancelled, unless under force majeure circumstances. The lessee is expected to use the asset as if it is fully owned and can do interior improvements without necessarily consulting the lessor. The lessee is not expected to vacate and subcontract the premises during the period of the lease. Punitive actions will be taken by either party if they unnecessarily terminate the agreement. The lessor does not put onerous conditions in order for the lessor to renew the lease at the end of the term, so as to enable the lessee to exercise the option to renew.

Lessee's incremental borrowing rate

Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects:

- The credit risk of the lessee
- The term of the lease
- The nature and quality of the security
- The amount 'borrowed' by the lessee and
- The economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

The Group has adopted the incremental borrowing rate as the discount factor and the applicable rates were determined per country. The discount factors take into account the interest rates on the existing facilities, where applicable; and commercial rates that the Group entities could be offered by their lenders (if they were to source funding), which management is convinced will be at rates currently enjoyed for the existing loans.

Group adopted the practical expedient that allows entities to apply the same discount rate to a portfolio of leases, that have similar characteristics. The practical expedient has been applied per country, as its effect is reasonably expected to be materially the same as the assessment of the discount rate on a lease-by-lease approach.

The weighted average incremental borrowing rate of 5.5% in Botswana, 9% in South Africa and 10.5% in Namibia, was applied in recognising the lease liabilities at the date of initial application.

The Group applied the available practical expedients as follows:

- Used a single discount rate to a portfolio of leases per subsidiary, with reasonably similar characteristics
- Excluded the direct cost from the measurement of the right of use asset, at the date of initial application.

COVID - 19 - Related Rent Concessions - Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases which was issued by the IASB on 28 May 2020. The company has elected to apply the practical expedient made available by the amendment. In cases where the company is a lessee, it has elected not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. As a result, all changes in lease payments have been accounted for in the same way as other changes which are not lease modifications. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2020 and
- There is no substantive change to other terms and conditions of the lease. Accordingly there is no material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group received concessions up to 87.5% of the rentals which were due and payable during the lock down. The overall reduction in rentals for the period of lock down, is not material to the Group.

Short term leases
Group elected not to recognise assets and liabilities for leases with a leases term of less than 12 months. Group will opt to recognise a lease expense on a straight-line basis, as permitted by IFRS 16, for such leases.

Low value leases
The Group has also opted not to recognise assets and liabilities for low value leases for operating equipment. The Group considered leases with monthly lease rental of less than one thousand, as low value leases.

As at 1 August 2019, the Group has operating lease commitments of P640million, for leases other than short-term leases and leases of low-value assets.

The Group will initially recognise a right-of-use asset of P640million, and a corresponding lease liability of P640million in respect of all these leases. The impact on profit is to decrease rental expense by P80 million, to increase depreciation by P81 million and to increase interest expenses by P46 million.

New Standards and amendments not yet adopted
A number of new standards and amendments to standards are issued but not yet effective for year ended 31 July 2020.

Those which may be relevant to the Group are set out below. The Group does not plan to early adopt these standards or amendments to standards. These will be adopted in the period that they become mandatory.

Other standards/amendments to standards
The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- Presentation of financial statements Amendments to IAS 1 – effective 1 January 2020
- Definition of Material – Amendments to IAS 1 and IAS 8 - effective 1 January 2020
- The Conceptual Framework of Financial Reporting - effective 1 January 2020
- Amendments to IFRS 3 – Business combinations – effective 1 January 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3 CONSOLIDATION

Subsidiaries

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

All Group companies have a 31 July year end and apply uniform accounting policies for like transactions.

All intercompany transactions and balances between Group entities are eliminated. The company carries its investment in subsidiaries in its separate financial statement at cost less any accumulated impairment.

Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's financial statements include the following associate whose financial year also ends on 31 July:

Company	Country	%	Nature of business	2020	2019
United Impex Pty Ltd	Botswana	25%	Financial Services (Dormant)	25%	25%

The Group's share of its associates' post-acquisition profits or losses and its share of post-acquisition movements in reserves are recognised in the Statement of Comprehensive Income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise any further losses, unless it has incurred obligations, issued guarantees or made payments on behalf of the associate.

Gains and losses arising from dilution of investments in associates are recognised in the Statement of Comprehensive Income when such dilutionary transactions become effective.

4 CONTRACT ASSETS (CELL CAPTIVE ARRANGEMENTS)

The Group has entered into cell captive arrangements for purposes of managing and administering its customer protection programmes in Namibia and South Africa. These programmes offer customer credit insurance in the event of death or certain other life changing events prior to full settlement of outstanding balances.

The cell captive arrangements do not qualify as subsidiaries as they do not exist as separate entities from the underwriter. In one of these, the Group has no recapitalisation obligation and there is no 'insurance contract' as there is no transfer of risk and the arrangement is more akin to a profit sharing arrangement. On the other, the group has a recapitalisation obligation in the event the cell captive became insolvent. The group continually assesses the cell captive status and where warranted a provision is recognised.

In both these instances, the group is the beneficiary. On this basis, where the cell captive is financially sound and has surplus cash the Group recognises its right to receive cash as a contract asset.

Obligations attached to the contract include:

i. Binder function
ii. Management and administration of claims
iii. Management and administration of premiums.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Group Executive Management Committee. The Group Executive Management Committee is responsible for allocating resources and assessing performance of the operating segments and is considered the Chief Operating Decision Maker as defined in IFRS 8.

6 REVENUE RECOGNITION

The Group operates a chain of retail outlets for selling furniture and other household appliances. Revenue for the Group comprises of the fair value of the consideration received or receivable for the sale of goods and finance and other income earned on credit granted in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Group

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific performance obligation have been met for each of the Group's activities as described below.

a) Sale of merchandise

Revenue from the sale of merchandise is recognised at a point in time upon transfer to the customer of control of a product or service. In the case of cash sales, this is generally when cash is received, an invoice is raised and delivery of the goods has taken place. In the case of credit sales, this is generally when a credit sale agreement is concluded, an invoice is raised and delivery of the goods has taken place (related delivery charges are also recognised on this basis).

b) Additional charges on credit sales

Other revenue flowing from the credit sale of merchandise comprises of the following significant components.

- Finance income: Over time on a proportion basis that takes into account the effective yield over the loan life cycle on the principal amount outstanding;
- Service fees: Once-off upfront initiation fees are recognised when raised. Monthly fees are recognised over time on a straight-line basis, over the debt repayment period.
- Customer protection plan income: These are recognised over time on a straight-line basis over the debt repayment period of the invoiced amount;
- FM Club membership fees: Over time on the accrual basis as charged every month;
- Debt follow-up charges: Upon customer falling into arrears and on additional follow-up services being rendered.

Customer protection plan income, FM Club membership fees, service fees and finance income are classified as financing services. Delivery charges are classified as ancillary services.

Company

Interest income

Over time on the time apportionment basis, taking into account the effective interest yield on underlying balances. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding discounted interest income.

Dividend Income

Dividend income is recognised at a point in time when the right to receive payment is established.

Administration Fee

Administration fee represents sale of managerial and infrastructure services to Group companies. Revenue from sale of services is recognised over time in the period in which the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 CURRENT AND DEFERRED INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for current tax purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively by the reporting date.

The principal temporary differences arise from differing tax depreciation rates on property, plant and equipment. Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefits will be realised, or raised/ re-instated when a reasonable probability exists.

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight line method to allocate their amounts to their residual values over their estimated useful lives as follows:

Freehold buildings	40 years
Furniture, office equipment and intangibles	5 – 10 years
Motor vehicles	4 years
Computer equipment	3 - 5 years
Shop refurbishment expenses	3 years

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken to the Statement of Comprehensive Income in the period of disposal.

9 FINANCIAL INSTRUMENTS

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Risk management section of the financial statements presents the financial instruments held by the Group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 FINANCIAL INSTRUMENTS (CONTINUED)

Recognition and measurement
Financial assets are recognised when the Group becomes a party to the contractual provisions of the asset. The assets are measured, at initial recognition, at fair value plus transaction costs, if any.
They are subsequently measured at amortised cost.

Impairment
The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date. The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Reclassification
Financial assets
The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated. The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities
Financial liabilities are not reclassified.

Derecognition
Financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and other non-current assets with finite useful lives are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed annually for possible reversal of the impairment.

Assets that have infinite useful life are not subject to amortisation and are tested annually for impairment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11 ACCOUNTING FOR LEASES (IAS17 COMPARATIVES)

a) Finance leases

Leases of property, plant and equipment, where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged to the Statement of Comprehensive Income over the lease period. Property, plant and equipment, acquired under finance leases, are depreciated over the useful lives of the assets.

b) Operating leases - as a lessee

Lease arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Group as a lessee (IFRS16)

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Leases

Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re measurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Property 1 to 10 years

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12 COMPUTER SOFTWARE DEVELOPMENT COSTS (INTANGIBLES)

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development Costs that are directly attributed to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell;
- there is the ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet this criteria are recognised as an expense as incurred.

Depreciation on intangibles is calculated using the straight line method over the estimated useful life - currently set at six (6) years

13 INVENTORIES

Inventories are stated at the lower of cost and estimated fair value less cost to complete and sell. Cost is determined by the first in first out (FIFO) method. Fair value is the estimated selling price in the ordinary course of business, less applicable selling expenses and provision for obsolescence.

14 LOANS AND ADVANCES TO CUSTOMERS

Loans originated by the Group, by providing money directly or indirectly to the borrower, are categorised as loans and advances to customers and are carried at amortised cost, which is defined as the fair value of the cash consideration given to originate those loans as is determined by reference to market prices at origination date.

All loans and advances are recognised when an underlying credit agreement has been signed and the Group has supplied the related goods to the borrower.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (i.e. likelihood of customers defaulting and resulting in losses) by duration on the book as well as forward looking information.

When a loan is uncollectible, it is written off against the related provision for impairments; subsequent recoveries are credited to the provision for loans losses in the Statement of Comprehensive Income.

If the amount of the impairment subsequently decreases due to an event occurring after the write down, the release of the provision is credited as a reduction of the provision for loan impairment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15 OTHER RECEIVABLES

Other receivables arise in the normal course of business and are stated at lower of amortised cost or recoverable value.

16 CASH AND CASH EQUIVALENTS

Cash and cash equivalent includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. Cash and cash equivalents are measured at amortised cost using the effective interest rate method on a time proportionate basis.

17 SHARE CAPITAL

Ordinary share capital is recognised at the fair value of the consideration received, less financial value paid for shares repurchased.

Dividends on ordinary shares are recorded in the Group's financial statements in the period in which they are paid or approved by the Group's shareholders, whichever is earlier.

18 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

19 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs. In subsequent periods, borrowings are stated at amortised cost using the effective yield method on a time apportionate basis; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

20 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group financial statements are presented in Botswana Pula, which is the holding company's functional and presentation currency.

Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20 FOREIGN CURRENCY TRANSLATION (continued)

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each statement of other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction) and;
- all resulting exchange differences are recognised in the statement of other comprehensive income and as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and intercompany dues that are considered of a capital investment nature, are recognised in the statement of other comprehensive income.

21 EMPLOYEE BENEFITS

(i) Short term employee benefits

The cost of short term employee benefits (those payable within 12 months after the service is rendered, such as paid leave and bonuses) are recognised in the period in which the service is rendered and are not discounted.
The cost of paid leave is recognised as an expense as the employee render services that increases the entitlement or, in the case of non-accumulating absence, when absence occurs.

The expected cost of bonus payment is recognised as an expense when there is a legal or constructive obligation to make such payment as a result of past performance.

(ii) Defined contribution plans

The Group operates retirement schemes, which are defined contribution plans in Namibia, South Africa and Botswana. The defined contribution scheme in Botswana commenced in August 2018, voluntary for existing employees and compulsory for new employees. These schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a retirement plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contribution if the fund does not hold sufficient assets to pay all employees the benefits relating to employees service in the current and prior periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

21 EMPLOYEE BENEFITS (continued)

(iii) Gratuity and severance plans

In Botswana, the Group operates gratuity schemes for expatriate employees in terms of their employment contracts and a severance benefit scheme for citizens who opted not to join the defined contribution scheme, in terms of the Employment Act of Botswana. Severance pay is not considered to be a retirement benefit plan as the benefits are payable on completion of each 60 month period of continuous employment or on termination of employment, at the option of the employee. The expected gratuity and severance benefits liability is provided for on the accrual basis, based on completed (and unredeemed) periods of service at the financial year end.

22 RELATED PARTY TRANSACTIONS

Related parties comprise directors of the company and companies with common ownership and/or directors. Transactions with related parties are in the normal course of business.

23 DIVIDEND DISTRIBUTION

Dividend distribution to the Group's shareholders is recognised as a liability in the financial statements in the period in which the dividends are proposed by the directors.

24 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the net profit attributable to ordinary shareholders.

25 CURRENT ASSETS AND LIABILITIES

Current assets and liabilities have maturity terms of less than 12 months, except for instalment sale and loan receivables. Instalment sale and loan receivables, which are included in trade and other receivable, have maturity terms of between 6 to 30 months but are classified as current as they form part of the normal operating cycle.

26 TRADE PAYABLES

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method on a time proportionate basis.

27 GOVERNMENT GRANTS

Grants from government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The Group adopted the policy to offset income received against related costs as opposed to recognising income with regards grants receivable as compensation for costs already incurred or for immediate financial support, with no future related costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In arriving at the amounts at which assets and liabilities are measured in the financial statements, the Group makes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1 USEFUL LIVES AND RESIDUAL VALUES FOR PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

The Group tests annually whether the useful life and residual value estimates for property, plant, equipment and intangibles were appropriate and in accordance with its accounting policy. Residual values of buildings and motor vehicles are based on current estimates of the value of these assets at the end of their useful lives. The estimate residual values of the buildings and motor vehicles have been determined by the Directors based on their knowledge of the industry.

2 INCOME TAXES

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

3 IMPAIRMENT LOSSES ON LOANS AND ADVANCES TO CUSTOMERS

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (i.e. likelihood of customers defaulting and resulting in losses) by duration on the book as well as forward looking information.

Due to the complexity of the business, management adopted a general approach for its IFRS 9 model which also gave management room to apply judgement with regard to the choice of the appropriate model and assumptions under the selected model for the measurement of expected credit losses.

Judgement was also exercised in establishing groups of similar financial assets for the purposes of measuring expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4 ESTIMATING THE INCREMENTAL BORROWING RATE USED IN LEASE LIABILITIES

The Group applied judgement in determining the interest rate implicit in its lease liabilities. The Group uses its incremental borrowing rate, which reflects what the Group will borrow in the respective jurisdictions in which it operates. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for financed transactions and is required to make certain entity specific estimates, such as the rates for the subsidiaries' standalone borrowing rates for the existing facilities.

LEASES RENEWAL AND TERMINATION OPTIONS

The Group applies judgement in determining the lease term by considering all facts and circumstances that create an economic incentive to exercise an extension option to renew, or exercise termination option and whether it is reasonably likely that options will be exercised by considering factors such as how far in the future an option occurs, the Group's business planning cycle and past history of terminating leases. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The average lease term for recognised leases ranges from one to ten years.

The Group performed a sensitivity analysis on leases based on incremental borrowing rate utilised on initial recognition of leases and during the financial year. Results indicated that an increase in incremental borrowing rate by 1% would result in a decrease of Right of use asset and Lease liability being recognised at 1 Aug 2019 by P21 854 196 and a decrease in incremental borrowing rate by 1% would result in an increase in Lease liability and Right of use asset recognised at day 1 by P23 131 447. If the period was increased by one year Right of use asset and Lease liability would increase by P80 622 913 and if the period is reduced by one year Right of use asset and Lease liability would decrease by P83 965 096.

5 IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES

The Company considers both long term debt and equity in the subsidiaries as its investments in these subsidiaries. These investments are assessed for impairment when there is objective evidence such as, continuous losses, need for additional equity, etc.

In assessing impairment the Company takes into account future budgets and cash flow forecasts. The estimated recoverable value is calculated based on value in use. If the carrying value of the investment exceed the value in use, a provision for impairment is recognised.

During the year the Company identified its investment in Xtreme Discounters (Pty) Ltd, as most vulnerable and has carried out an impairment assessment.

For assessing the value in use of Xtreme Discounters, (Pty) Ltd, the following key assumptions are used:
- terminal growth rate of 4.5%
- discount rate of 12.4%

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

5 IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES (Continued)

The outcome of the impairment calculated is most sensitive to discount rate and growth rate. The impairment of investment in Xtreme Discounters (Pty) Ltd will only be indicated when these assumptions reach the following levels of:
- terminal growth rate of 4.5%
- discount rate of 14.7%

6 RECOGNITION OF REVENUE AND ALLOCATION OF CONTRACT PRICE

The Group operates a chain of retail stores, selling a range of furniture and electronic equipment. Revenue from the same is recognised when a group entity transfers control over the product to the customer.

Payment of the transaction price is due immediately when the customer purchases the furniture and takes delivery, except in case of credit sales. There is no right of return on the sales and the obligation to repair or replace faulty products, under standard warranty terms; is covered by the supplier, except where the customer applies for an extended warranty which, based on accumulated experience, rarely occurs but gives rise to recognition of a potential provision.

There is an element of financing present on sales made on credit (additional contractual charges). These are recognised over time on a proportion bases that takes into account the effective yield over the loan life cycle on the principal amount outstanding.

Customer protection plan income is recognised on a straight line bases over the debt repayment period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) and credit risks. Details of these assets and liabilities are set out in the notes to the financial statements. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

a) Market Risk

The Group is exposed to market risk primarily related to foreign exchange currency rates and interest rates. The Group actively monitors these risks. The Group's objective is to reduce, where it deems appropriate to do so, fluctuations in earnings and cash flows associated with changes in interest rates, foreign currency exchange rates and market rates for investments in liquid funds. The Group only sells existing assets or enters into future transactions that it confidently expects it will be able to fulfil based on past experience.

i) Foreign currency risk

The Group operates within the Southern African region and uses the Pula as the reporting currency. As a result the Group is exposed to foreign exchange rate fluctuations arising from various currency exposures, primarily with respect to the Namibian Dollar and the South African Rand. Foreign exchange risk arises from imports of merchandise and net investments in foreign operations. However, as the financial instruments held in foreign currencies are denominated in the functional currency of that country, the Group's risk to foreign currency fluctuations is largely mitigated through the operation of such natural hedges.

Changes in foreign exchange rates also affect the group's operating profit in connection with the translation of the income statement of foreign subsidiaries to Botswana Pula. The group does not hedge such risks. The translation exposures arising from the balance sheets of foreign subsidiaries are included in the foreign currency translation reserve.

ii) Cash flow and fair value interest rate risk

The interest rate risk arises mainly from long-term loans and advances to customers. All loans and advances to customers are issued at fixed interest rates, which exposes the Group to fair value interest rate risk. However, as these loans and advances are accounted for at amortised cost, such risk has no direct impact on the financial results.

There is exposure to cash flow interest rate risk on borrowings due to the variable interest rates. Such cash flows vary according to movements in underlying market rates.

The balances subject to foreign currency and interest rate risks are as follows:

		GROUP		COMPANY	
		2020	2019	2020	2019
		P'000	P'000	P'000	P'000
Amount subject to foreign currency rate risk					
Namibian Dollar	- Net investment in foreign operations	191 007	227 901	69 591	55 494
	- Imports of merchandise	(25 609)	(22 889)	-	-
South African Rand	- Net investment in foreign operations	236 708	185 609	68 789	72 570
	- Imports of merchandise	(54 619)	(51 278)	-	-
Amount subject to cash flow interest rate risk					
In South Africa		28 373	14 677	-	-
In Botswana		-	-	131 166	144 640

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT (Continued)

a) Market Risk (continued)

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
The following tables show the effect on net income that would result from reasonably possible changes in the relevant foreign currency exchange or interest rate.				
Exchange rate sensitivities				
+/ (-) 5% Pula to Namibian dollar	8 270	10 251	3 314	2 643
+/ (-) 5% Pula to South African rand	(2 744)	6 288	3 276	3 456
Interest rate sensitivities				
1% increase/ (decrease) in Botswana interest rates	-	-	1 312	1 446
1% increase/ (decrease) in South African interest rates	284	147	-	-

The above sensitivities are calculated with reference to a single moment in time and will change due to a number of factors including:

- Fluctuating trade receivables and payables balances;
- Fluctuating cash balances; and
- Changes in currency mix

b) Credit risk

The financial assets of the Group which are subject to credit risk consist mainly of cash resources and debtors. Credit risk arises from granting loans and advance to customers and holding cash and cash equivalents with third parties. Cash resources are placed with reputable financial institutions. Financial institutions are not individually rated, however the Group's policy is to hold cash resources in subsidiaries of highly rated Banks. The Group has policies to ensure that sales of products and services are made to customers with appropriate credit history and earnings capacity. The Group exposure to credit risk is limited to the carrying value of financial assets as at the 31 July 2020.

The main activity of the Group is the sale of goods on credit. The Board of Directors has delegated responsibility for the oversight of credit risk to a sub-committee of the board and to its respective general managers and credit departments of each country in which it operates.

The Group has developed advanced credit-granting systems to properly assess the customer. The credit underwriting process flows through obtaining full and detailed customer credentials and subjecting these to several fully automated checks that include (i) Pre-bureau assessment - predetermined demographic criteria and contactability plus identity and income/ employment verification; and (ii) Post-bureau assessment - automated credit bureau analysis against predetermined payment criteria and behaviour application of a set affordability table that calculates maximum monthly net disposable income taking into full cognisance of acceptable living expenses and existing commitments and applying a conservative formula, thereby avoiding over-indebtedness.

The credit granting systems enable the Group to determine its appetite for risk. In determining the acceptable level of risk, the potential loss is weighed up against the revenue potential using the predictive behavioural models inherent in the credit-granting system. The Group monitors any variances from the level of risk that has been adopted and adjusts the credit-granting process on a dynamic basis. The Group manages its risk effectively by assessing the borrower's ability to service the proposed monthly instalment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (continued)

The maximum amount subject to credit risk is as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
Contract assets	47 323	42 031	-	-
Loans and advances to customers - Gross	701 300	765 655	-	-
Other receivables	62 242	12 318	244 246	176 188
Cash and cash equivalents	199 566	90 970	11 915	1 359
	1 010 430	**910 974**	**256 161**	**177 547**

Impairment of intra-group receivables

Related party balances at a Group level represent amounts receivable from the companies within the CBH Group, whereas the company includes loans to Furnmart Group companies.

Group balances are repayable on demand and therefore expected credit losses are based on the assumption that repayment is demanded at the reporting date.

At the reporting date management performed an assessment of its inter-company receivables, for both the Group and the Company, taking into account forward looking information, even though there was no repayment trigger at group level. All the entities having balances with the Group were assessed to have highly liquid assets to repay the balances on demand.

Impairment trigger was only identified at company level after taking into account the performance of Xtreme Discounters. However, despite making losses and not having highly liquid assets, the entity is in a positive net asset position. Projected cash flows also depict profitability in the foreseeable future.

Considering the above conditions management believes that the impact of assessed credit losses is therefore immaterial at both Group and Company level.

Contract assets represent amounts held in South African Rand/Namibian Dollar through independent units of Mutual and Federal Risk Financing Ltd/ Old Mutual Short Term Insurance Ltd. The Group is entitled to the net proceeds from these units ("cell captives") which have been created solely to manage and administer the Group's customer protection programmes in Namibia and South Africa. The counter party is a well known listed South African insurer of good reputation and standing. The Group monitors the financial standing of the counter-party, and ability of the individual cell captives to remit funds on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (continued)

Cash, cash equivalents and similar deposits are placed with financial institutions of high repute only. These include domestic subsidiaries of international and regional institutions. The Group regularly monitors the outcomes of relevant regulatory inspections and reports with respect to these counterparties. The Group is not aware of any facts or circumstances which would indicate that institutions where cash, cash equivalents and similar deposits were held at the year-end expose the Group to levels of credit risk beyond those normally associated with such relationships.

Impairment of loans and advances to customers

The following process and methodology is used by the Group to assess impairment on loans and advances, under IFRS 9:

i. Process & Methodology

- The data structure developed allows the model to account for payment behaviour by duration on book. This is done by identifying "transition events" and calculating the probability of the transition event occurring within a particular state and at a particular duration on book. The typical transition events identified within a lending product include:
  - Normal payment
  - Missing a payment
  - Curing (making additional payments to reduce the arrears status)
  - Pre payment (making additional payments if account has no arrears)
  - Settlement
  - Write-off
  - Collection proceeds

- These events result in accounts moving between payment arrear states over time and eventually being captured within a final state both as paid- up and consequently closed or having been written off. The survivorship of the account is therefore modelled with allowance for movements between specified states over the term of the account.
- Model Development, is initiated with the determination of the states achievable and the possible events that cause accounts to move between these states since inception. Movements in states are quantified by calculating transition rates, which determine the likelihood of an event occurring for an account, in a given state and at a specific point in time since inception.
- Transition rates are calculated from the data using exposure techniques.
- Good accounts & worsening accounts incorporate missed payment rates and curing rates.
- Default accounts incorporate paid up accounts, written off accounts and % of installments paid whilst in "default".
- The total cash flow arising by duration on book is weighted by the probability of an account being within a particular payment state and the particular cash flow occurring within that state (e.g. the payment recognised based on the instalment amount). The model output results (provisions) are calculated by applying a discounting mechanism to these total cash flows for each state.

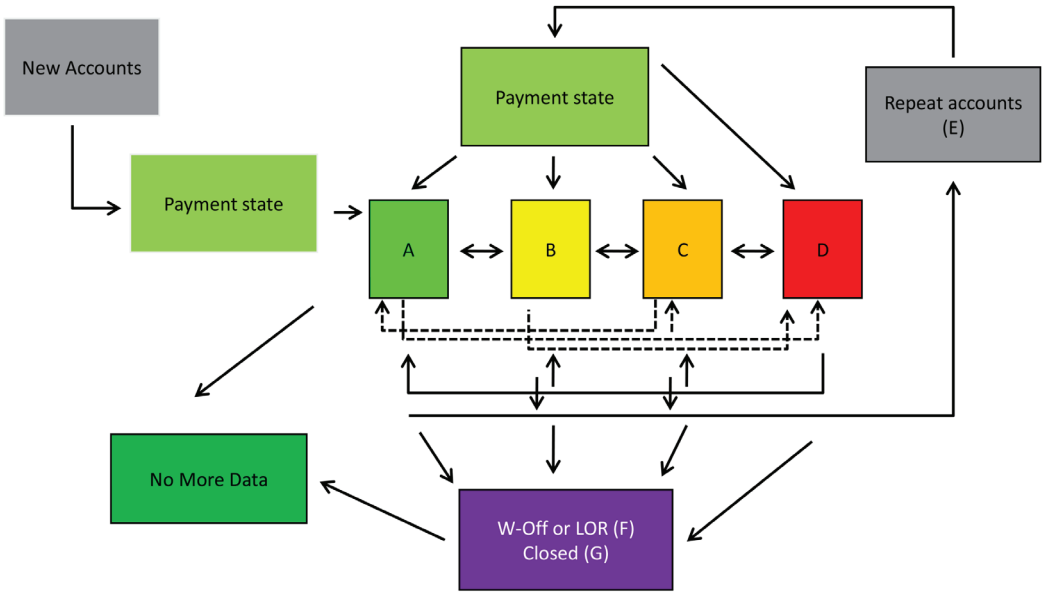
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT

b) Credit risk (continued)

i. Process & Methodology (continued)

- Developing Projection models to understand the states achievable and the possible events that cause accounts to move between these states since inception. Events cause an account to move from one state to another. These movements are quantified by calculating transition rates, which determine the likelihood of an event occurring for an account, in a given state and at a specific point in time since inception.



NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (continued)

ii. Population States

- The more states defined the more realistic the model will be, however, the model will also become more complex. There is thus a continuous trade-off between simplicity, accuracy and fair representation of the real world. The following states are modelled for Furnmart Stores: -

- A–Arrears-0	Current
- B–Arrears-1	More than 30 days past due
- C–Arrears-2	More than 60 days past due
- D–Arrears-3	More than 90 days past due
- 9–Arrears-4	More than 120 days past due
- 8–Arrears-5	More than 150 days past due
- 7–Arrears-6	More than 180 days past due
- 6–Arrears-7	More than 210 days past due
- 5–Arrears-8	More than 240 days past due
- 4–Arrears-9	More than 270 days past due
- 3–Arrears-10	More than 300 days past due
- 2–Arrears-11	More than 330 days past due
- 1–Arrears-12	More than 365 days past due
- S – Arrears –13+	More than 390 days past due
- Y - Cancellations	Absorbing state
- I - Insurance Claim	Absorbing state
- W - Write-Off	Absorbing state
- Z - Closed	Absorbing state

iii. Transition and Population Model

Transition Calculation

- Exposure (Et) is defined as the number of accounts that are active at the beginning of statement "t" and which can contribute to an event occurring during statement "t". Accounts which cannot contribute to an event occurring are excluded.
- Events (nt) is defined as the number of events observed during statement "t".
- Transition Rate (rt) is defined as the factor solving the equation below.

$$n_t = E_t \times r_t$$

iv. Population Model

- The Population Model combines the population default risk assumption, product term features and population payment behaviour – modelled using transition rates.
- At each statement the number of events modelled are dependent on the number of accounts available to contribute to the events. For example: if we simulate an increased flow of accounts into arrear states then there will automatically be fewer accounts remaining in the current state, which will result in a reduced number of accounts being available to settle at expiry of the product term. This is the basic premise of the model i.e. The probabilities are applied based on time on book and the arrears state that the account is in to project what we expect will happen to an account for the remaining period.
- The Cash Components i.e. % of Instalments paid can be measured or empirically derived by state over time.
- These expected payments are combined with the population model results to calculate the population weighted cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT

b) Credit risk (continued)

v. Segmentation

- A Population Model has been constructed for the following segments:
  - South Africa Furnmart
  - Botswana Furnmart
  - Namibia Furnmart
  - HomeCorp - all countries

vi. Expected credit loss rates and analysis of exposure

On the basis illustrated above, the loss allowance as at 1 August 2019 and 31 July 2020 was determined as follows for trade receivables:

31-Jul-20 Arrear days Effective ECL Rate	A	B	C	D	9-S	Total
Furnmart	14%	28%	37%	36%	58%	
Home corp	11%	18%	25%	42%	75%	
Country ECL range	11% to 23%	22% to 40%	30% to 49%	31% to 52%	54% to 69%	
Gross carrying amount – trade receivables	P'000	P'000	P'000	P'000	P'000	P'000
Furnmart	421 066	69 551	60 230	50 033	225 116	825 996
Home corp	53 528	4 738	3 790	2 570	11 890	76 516
	474 594	74 289	64 020	52 603	237 006	902 512
State ratio - Gross	53%	8%	7%	5%	26%	100%
Country State range	39% to 71%	7% to 9%	5% to 9%	4% to 7%	14% to 36%	
Loss allowance						
Furnmart	60 189	19 356	22 010	18 192	129 554	249 301
Home corp	5 810	854	936	1 082	8 971	17 653
	65 999	20 210	22 946	19 274	138 525	266 954

1 August 2019 Arrear days Effective ECL Rate	A	B	C	D	9-S	Total
Furnmart	9%	24%	30%	39%	66%	
Home Corp	7%	19%	23%	62%	97%	
Country ECL range	6% to 15%	18% to 32%	22% to 40%	34% to 46%	62% to 72%	
Gross carrying amount – trade receivables	P'000	P'000	P'000	P'000	P'000	P'000
Furnmart	548 326	72 228	45 362	40 531	213 068	919 515
Home Corp	66 629	5 739	3 453	2 344	9 662	87 827
	614 955	77 967	48 815	42 875	222 730	1 007 342
State ratio - Gross	61%	8%	5%	4%	22%	100%
Country State range	52% to 69%	7% to 8%	4% to 6%	4% to 5%	15% to 32%	
Loss allowance						
Furnmart	50 183	17 228	13 587	15 759	139 677	236 434
Home Corp	4 737	1 079	795	1 459	9 389	17 459
	54 920	18 307	14 382	17 218	149 066	253 893

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT (Continued)

b) Credit risk (continued)

vi. Expected credit loss rates and analysis of exposure (continued)

The loss allowances for trade receivables as at 31 July, reconcile to the opening loss allowances as follows:

	2020	2019
	P'000	P'000
Opening balance	**253 893**	**157 758**
Amounts restated through opening retained earnings – Transitional IFRS 9 Adjustment	-	87 780
Opening loss allowance as at 1 August – calculated under IFRS 9	**253 893**	**245 538**
Write-offs during the period	(50 387)	(50 755)
Increase in receivable loss allowance recognised during the period	61 680	58 535
Exchange movement on translation of foreign subsidiaries	1 768	575
Closing balance at 31 July	**266 954**	**253 893**

Loans, advances and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group and a failure to make contractual payments. The write off policy is of 12 months non- payment and full arrears.

Impairment losses on loans, advances and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Choosing an appropriate model and assumptions for the measurement of ECL, determining appropriate Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") applying to loans and advances, determining criteria for significant increase in credit risk ("SICR"), identifying correlation between historical write offs and movements in interest rates, GDP and inflation, applying forward looking information such as GDP outlook, interest rate and inflation rate forecasts and the impact of COVID-19 on these on the model, establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL, establishing portfolios of similar loans and advances for the purposes of measuring ECL on a collective basis were key judgements applied by the Group.

Company

Receivables mainly comprise of intercompany balances, which were assessed for impairment with reference to factors such as the solvency, trading patterns, etc. of the related party.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT

c) Liquidity risk

Liquidity risk is the risk that operations cannot be funded and financial commitments cannot be met timeously and cost effectively. The risk arises from both the difference between the magnitude of assets and liabilities and the disproportion in their maturities. Liquidity risk management deals with the overall profile of the Statement of Financial Position, the funding requirements of the Group and cash flows. The Group ensures sufficient flexibility by maintaining available committed credit lines. The Group monitors rolling forecast of liquid reserves, comprising cash and cash equivalents and available facilities.

The table below shows the analysis of the Group's financial liabilities into relevant maturity groupings based on gross contractual repayments and the remaining period from the Statement of Financial Position to the contractual maturity date:

GROUP	Less than 6 months	6 -12 months P'000	Between 1-5 years P'000	More than 5 years P'000	Total P'000
31 July 2020					
Borrowings	10 790	11 992	172 077	-	194 859
Trade and other payables	84 159	-	-	-	84 159
Lease liabilities	64 409	64 409	461 365	205 390	795 573
	159 358	**76 401**	**633 442**	**205 390**	**1 074 591**
31 July 2019					
Borrowings	10 163	9 832	158 539	-	178 534
Trade and other payables	88 864	-	-	-	88 864
	118 378	**9 832**	**158 539**	**147 464**	**286 749**

COMPANY	less than 6 months P'000	6 - 12 months P'000	Between 1-5 years P'000	Total P'000
31 July 2020				
Borrowings	6 150	6 150	150 000	162 300
Trade and other payables	90 829	-	-	90 829
	96 979	**6 150**	**150 000**	**253 129**
31 July 2019				
Borrowings	6 150	6 150	150 000	162 300
Trade and other payables	232 692	-	-	232 692
	238 842	**6 150**	**150 000**	**394 992**

d) Early settlement risk

Early settlement risk is the risk that loans and advances to customers will be settled before the end of their term. An increase in early settlements may result in a reduction in financial interest income. At the year end, loans and advances to customers under early notice were not significant.

e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group also monitors applicable debt covenants to ensure there are no breaches.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

FINANCIAL RISK MANAGEMENT (Continued)

e) Capital risk management (continued)

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the Group Statement of Financial Position) less cash and cash equivalents. Total capital employed is calculated as 'equity' as shown in the Group Statement of Financial Position plus net debt.

The strategy, which is unchanged from 2009, is to maintain the gearing ratio below 50% at Group level. The gearing ratios at 31 July 2020 and 2019 were as follows:

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
Total borrowings	178 373	164 676	150 000	150 000
Less: Cash and cash equivalents	(199 601)	(91 008)	(11 915)	(1 359)
Net debt	(21 228)	73 668	138 085	148 641
Total equity	709 570	702 086	356 846	128 891
Total capital employed	**688 342**	**775 754**	**494 931**	**277 532**
Gearing ratio	**-3%**	**9%**	**28%**	**54%**

f) Financial instruments by category

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
Financial assets by category				
Amortised cost				
- Other receivables	62 242	12 318	244 246	172 646
- Loans and advances to customers	434 346	511 762	-	-
- Cash and cash equivalent	199 601	91 008	11 915	1 359
- Contract assets - cell captive	47 323	42 031	-	-
Total	**743 511**	**657 119**	**256 161**	**174 005**
Financial liabilities by category				
Financial liabilities at amortised cost				
Borrowings	178 373	164 676	150 000	150 000
Trade and other payables	98 623	108 374	91 412	232 846
Lease liabilities	591 992	-	-	-
Total	**868 988**	**273 050**	**241 412**	**382 846**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2020

1. Segment information

The Group's operating businesses are organised and managed separately according to the nature of the products and services offered by each of such segments representing a strategic business unit. The Group is organised into two principal business areas and these make up the two reportable operating segments as follows:

Retail - retail sale of furniture and appliances
Financial Services - provider of consumer finance

The Group Executive Management Committee acts as the Chief Operating Decision Maker of the Group and it assesses the performance of the operating units based on the measure of operating profit. This measurements basis assesses performance on bases of recognition and measurement which are consistent with the accounting policies of the Group.

Inter-segment transactions between business segments are entered into in a manner similar to transactions with third parties. Revenue is derived from a very broad and diversified customer base, with no dependence on any significant customer.
The segment information provided to the Group Executive Management Committee for the reportable segments For the year ended 31 July 2020 is as follows:

Year ended 31 July 2020	Retail	Financial Services	Unallocated	Total
	P'000	P'000	P'000	P'000
Total revenue	**848 741**	**399 247**	**-**	**1 247 988**
Depreciation	(109 564)	-	-	(109 564)
Impairment and write off loans and advances	-	(96 470)	-	(96 470)
Other costs	(755 820)	(179 970)	(7,040)	(942 830)
Other Income	40 223	12 785	-	53 008
Operating profit	**23 580**	**135 592**	**(7 040)**	**152 132**
Finance income				5 377
Finance cost				(61 106)
Share of profits from associate				(13)
Profit before tax				**96 390**
Income tax expense				(25 893)
Net profit for the year				**70 497**
Total assets	**1 077 618**	**481 669**	**22 846**	**1 582 133**
Total liabilities	**(676 151)**	**(178 373)**	**(28 323)**	**(882 847)**

Foreign exchange (losses)/gains resulting from the treasury function are included under unallocated.
Other reconciling items relates to the head office functions (such as centralised finance and administration) which do not earn revenue from third parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

1. Segment information (continued)

Year ended 31 July 2019	Retail	Financial Services	Unallocated	Total
	P'000	P'000	P'000	P'000
Total revenue	**887 529**	**430 470**	**-**	**1 317 999**
Depreciation	(25 731)	-	-	(25 731)
Impairment and write off loans and advances	-	(103 223)	-	(103 223)
Other costs	(863 869)	(179 148)	(9 894)	(1 052 911)
Other Income	7 612	30 090	-	37 702
Operating profit	**5 541**	**178 189**	**(9 894)**	**173 836**
Finance income				3 238
Finance cost				(15 755)
Share of loss from associate				(59)
Profit before tax				**161 260**
Income tax expense				(40 780)
Net profit for the year				**120 480**
Total assets	**385 580**	**553 793**	**54 044**	**993 417**
Total liabilities	**(88 863)**	**(164 677)**	**(37 790)**	**(291 330)**

2. Revenue

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
Merchandise sales	848 741	887 529	-	-
Financing services (net) (note 13)	350 309	374 008	-	-
Ancillary services	48 938	56 462	-	-
Interest income – subsidiaries (note 22)	-	-	27 829	29 316
Administration fees – subsidiaries and associate (note 22)	-	-	29 729	27 235
Dividend Income – subsidiaries and associate (note 22)	-	-	257 934	27 615
	1 247 988	1 317 999	315 492	84 166

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
3. Expenses by nature				
Cost of merchandise sold	557 486	579 837	-	-
Auditors remuneration	1 468	2 533	145	85
Directors' remuneration – managerial services (paid to related company) (note 22)	5 708	7 402	5 708	7 402
Depreciation on property, plant and equipment (note 8)	29 042	25 731	2 501	1 969
Depreciation on right of use assets (note 8.1)	80 522	-	-	-
Rentals and rates	11 702	96 988	569	628
Repairs and maintenance	3 176	3 641	13	20
Marketing	19 438	26 951	4	-
Professional and other service fees	4 643	3 820	1 183	929
Travel and transport	19 223	24 196	230	368
Branch and office administration expenses	32 417	33 881	283	223
Staff costs - Salaries and wages (net of government grants)	204 613	211 822	14 509	11 565
Staff costs - Leave and other contractual benefits (note 19)	1 363	3 591	1 000	775
Exchange losses	18 977	5 309	32 836	9 623
Warehouse costs	39 592	41 315	-	-
Other expenses	23 024	11 625	713	224
Total cost of sales, distribution costs and administrative expenses	**1 052 394**	**1 078 642**	**59 694**	**33 811**

The Group received government grants amounting to P11.9 million, from the governments of Botswana and South Africa, to assist the Group to reduce the impact of the COVID 19 pandemic. The amount was accounted as a reduction in staff costs.

Impairment costs - Loans and advances				
Impairment of loans and advances (note 13)	61 680	58 535	-	-
Repossession losses	34 790	44 688	-	-
	96 470	**103 223**	**-**	**-**
Other income				
Profit on sale of property, plant and equipment	658	1 116	-	261
Service fees (note 22)	3 465	3 272	754	594
Interest on staff loans	161	262	-	-
Income from cell captive (note 11)	40 223	30 090	-	-
Sundry income	8 501	2 962	22	1 590
	53 008	**37 702**	**776**	**2 445**
4. Finance income and costs				
Interest income - Bank deposit	5 377	3 238	35	54
Related party (note 22)	-	-	2 264	-
Finance income	**5 377**	**3 238**	**2 299**	**54**
Interest expense - Bank overdraft	(1 216)	(268)	(40)	(30)
- Related party loans (note 22)	-	-	(3 077)	(9 630)
- Bank borrowings	(1 754)	(3 043)	-	(1 074)
- Lease interest	(45 744)	-	-	-
- Finance leases	(5)	(61)	-	-
- Bond	(12 300)	(12 300)	(12 300)	(12 300)
- Others	(87)	(83)	-	-
Finance costs	**(61 106)**	**(15 755)**	**(15 417)**	**(23 034)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
5. Income tax expense				
Current income tax	43 283	40 945	-	-
Withholding tax on dividend income	-	878	-	878
Add: Net deferred tax (credit)/ charge for the year (note 9)	(17 390)	(1 043)	(2 142)	318
Tax charge to the Statement of Comprehensive Income	**25 893**	**40 780**	**(2 142)**	**1 196**
The tax on Group income differs from the theoretical amount that would arise using the basic tax rate of the home country of the Group as follows:				
Profit before tax	**96 390**	**161 260**	**243 456**	**29 820**
Tax calculated at domestic tax rates applicable (rate 15%)	14 459	24 189	36 518	4 473
Expenses not deductible for tax	337	8	30	-
Income not subject to tax	-	-	(38 690)	(4 155)
Irrecoverable withholding taxes	-	878	-	878
Adjustment in respect of prior years	-	(890)	-	-
Effect of rates in non IFSC entities	11 097	16 595	-	-
	25 893	**40 780**	**(2 142)**	**1 196**

Deferred tax assets not recognised relate to the estimated tax losses of start-up entities within the Group which have not yet reached a stage of generating sustained taxable income. These losses amounting to P126 406 494 (2019: P138 284 317) do not expire and are to be offset against future taxable profits.

Furnmart Limited obtained IFSC status in 2013/2014 financial year and as a result income earned outside of Botswana is taxed at a lower rate of 15%.

6. Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the holding company by the weighted average number of ordinary shares in issue during the year (note 16).

	GROUP	
	2020	2019
	P'000	P'000
Net profit attributable to shareholders (P'000)	70 497	120 480
Weighted average number of shares in issue	501 222 174	553 834 127
Basic earnings per share (thebe)	14.07	21.75
Diluted earnings per share (thebe)	14.07	21.75

7. Dividend paid and proposed

For the year ended 31 July 2020, a dividend of P130.000m has been proposed (2019: P40.148m).

	GROUP		COMPANY	
	2020	2019	2020	2019
Dividend paid	P'000	P'000	P'000	P'000
Prior year final dividend 3.52 (2019: 2.49) thebe per share	17 643	15 101	17 643	15 101
Current year interim dividend (2019: 4.49 thebe per share)	-	22 505	-	22 505
	17 643	**37 606**	**17 643**	**37 606**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

8. Property, plant and equipment and intangibles

GROUP	Freehold Land P'000	Building P'000	Leased Motor Vehicle P'000	Own Motor Vehicle P'000	Furniture and Office Equipments P'000	Sub-Total P'000	Intangibles P'000	Total P'000
Period ended 31 July 2020								
Opening net book amount	**9 833**	**24 990**	**206**	**19 681**	**31 467**	**86 177**	**5 096**	**91 273**
Exchange movement on translation of foreign subsidiaries	(916)	(2 305)	-	(1 020)	(1 681)	(5 922)	-	(5 922)
Additions	-	9	-	8 101	17 226	25 336	-	25 336
Transfers	-	-	(206)	206	-	-	-	-
Disposals at cost	-	-	-	(3 954)	(46 781)	(50 735)	-	(50 735)
Depreciation on disposals	-	-	-	3 534	46 780	50 314	-	50 314
Depreciation and amortisation charge	-	(731)	-	(8 194)	(18 393)	(27 318)	(1 724)	(29 042)
Net book amount	**8 917**	**21 963**	**-**	**18 354**	**28 618**	**77 852**	**3 372**	**81 224**
AT 31 July 2020								
Cost	8 917	28 255	-	57 974	112 498	207 644	16 940	224 584
Accumulated depreciation	-	(6 292)	-	(39 620)	(83 880)	(129 792)	(13 568)	(143 360)
Net book amount	**8 917**	**21 963**	**-**	**18 354**	**28 618**	**77 852**	**3 372**	**81 224**
Period ended 31 July 2019								
Opening net book amount	10 126	26 535	358	16 581	25 537	79 137	5 643	84 780
Exchange movement on translation of foreign subsidiaries	(293)	(774)	(11)	(250)	(378)	(1 706)	-	(1 706)
Additions	-	-	-	11 337	21 949	33 286	1 138	34 424
Disposals at cost	-	-	(906)	(4 304)	(1 435)	(6 645)	-	(6 645)
Depreciation on disposals	-	-	869	3 870	1 412	6 151	-	6 151
Depreciation and amortisation charge	-	(771)	(104)	(7 553)	(15 618)	(24 046)	(1 685)	(25 731)
Net book amount	**9 833**	**24 990**	**206**	**19 681**	**31 467**	**86 177**	**5 096**	**91 273**
AT 31 July 2019								
Cost	9 833	31 148	3 440	53 227	140 905	238 553	16 941	255 494
Accumulated depreciation	-	(6 158)	(3 234)	(33 546)	(109 438)	(152 376)	(11 845)	(164 221)
Net book amount	**9 833**	**24 990**	**206**	**19 681**	**31 467**	**86 177**	**5 096**	**91 273**

The bank facilities provided to Furnmart (Pty) Ltd, South Africa is secured by first mortgage over the group's freehold land and building to the value of R 40 000 000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

8. Property, plant and equipment and intangibles (Continued)

COMPANY

	Own Motor Vehicle P'000	Furniture and Office Equipments P'000	Sub-Total P'000	Developed Software P'000	Total P'000
Period ended 31 July 2020					
Opening net book amount	1 760	59	1 819	5 096	6 915
Additions	-	36	36	-	36
Disposals at cost	(926)	(14 509)	(15 435)	-	(15 435)
Depreciation on disposals	827	14 508	15 335	-	15 335
Depreciation charge	(736)	(41)	(777)	(1 724)	(2 501)
Net book amount	**925**	**53**	**978**	**3 372**	**4 350**
AT 31 July 2020					
Cost	2 191	1 986	4 178	16 940	21,118
Accumulated depreciation	(1 266)	(1 933)	(3 200)	(13 568)	(16 768)
Net book amount	**925**	**53**	**978**	**3 372**	**4 350**
Period ended 31 July 2019					
Opening net book amount	1,663	105	1 768	5 643	7 411
Additions	459	-	459	1 138	1 597
Disposals at cost	(504)	-	(504)	-	(504)
Depreciation on disposals	380	-	380	-	380
Depreciation charge	(238)	(46)	(284)	(1 685)	(1 969)
Net book amount	**1 760**	**59**	**1 819**	**5 096**	**6 915**
AT 31 July 2019					
Cost	3 117	16 459	19 576	16 941	36 517
Accumulated depreciation	(1 357)	(16 400)	(17 757)	(11 845)	(29 602)
Net book amount	**1 760**	**59**	**1 819**	**5 096**	**6 915**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

8.1 Right of use assets

Cost	Group Property 2020 P'000	Group Total 2020 P'000
Balance as at 1 August 2019	-	-
Implementation of IFRS 16 - Assets at 1 August 2019	639 730	639 730
Deferred lease liability at 1 August 2019	(10 284)	(10 284)
Implementation of IFRS 16 - Additions during the year	15 949	15 949
Forex Translation	(29 453)	(29 453)
	615 942	**615 942**
Accumulated depreciation		
Balance at 1 August 2019	-	-
Charge for the year	80 522	80 522
Forex translation	(1 254)	(1 254)
Balance at 31 July 2020	**79 268**	**79 268**
Net book value at 31 July 2020	**536 674**	**536 674**

8.2 Capital work in progress

Capital work in progress	Group 2020 P'000	Group Total P'000
Period ended 31 July 2020		
Opening net book amount	-	-
Exchange movement on translation of foreign subsidiaries	(102)	(102)
Additions	3 142	3 142
Depreciation and amortisation charge	-	-
Net book amount	**3 040**	**3 040**
AT 31 July 2020		
Cost	3 040	3 040
Accumulated depreciation	-	-
Net book amount	**3 040**	**3 040**

9. Deferred income tax	GROUP 2020 P'000	GROUP 2019 P'000	COMPANY 2020 P'000	COMPANY 2019 P'000
Deferred income tax assets	**22 725**	**11 878**	**5 908**	**3 766**
Deferred income tax liabilities	**1 273**	**8 245**	**-**	**-**
The movement on the deferred tax asset account is as follows:				
Balance at the beginning of the year	**11 878**	**7 613**	**3 766**	**4 084**
Statement of comprehensive income credit/(charge) (note 5)	10 977	(1 515)	2 142	(318)
Effect of IFRS 9 opening adjustment	-	6 487	-	-
Exchange movement on translation of foreign subsidiaries	(130)	(707)	-	-
Balance at the end of year	**22 725**	**11 878**	**5 908**	**3 766**
The movement on the deferred tax liability account is as follows:				
Balance at the beginning of the year	**8 245**	**25 329**	**-**	**-**
Statement of Comprehensive Income charge/ (credit) (note 5)	(6 413)	(2 558)	-	-
Effect of IFRS 9 opening adjustment	-	(14 184)	-	-
Exchange movement on translation of foreign subsidiaries	(559)	(342)	-	-
Balance at the end of year	**1 273**	**8 245**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
9. Deferred income tax (continued)	P'000	P'000	P'000	P'000
The deferred income tax asset arises from the following:				
Accelerated tax depreciation	1 069	1 951	172	177
Accelerated tax depreciation - Right of use assets	(64 124)	-	-	-
Lease liabilities	67 453	-	-	-
Recognition of previously unrecognised deferred taxes	-	5 618	-	-
Deferred tax on tax losses	5 736	3 589	5 736	3 589
Lease and other adjustments	12 591	720	-	-
	22 725	**11 878**	**5 908**	**3 766**

This deferred tax asset is expected to be recovered when it is crystalised.

The deferred income tax liability arises from the following:				
Accelerated tax depreciation	1 547	1 607	-	-
Accelarated tax depreciation - Right of use assets	49 503	-	-	-
Lease liabilities	(54 817)	-	-	-
Instalment sale allowance on loans and advances	6 648	6 437	-	-
Lease and other adjustments	(1 608)	201	-	-
	1 273	**8 245**	**-**	**-**

This deferred tax liability is expected to be settled when it is crystalised.

	GROUP	
10 Investment	2020	2019
	P'000	P'000
10.1 Investment in associate	121	134
Investment in associate includes equity investments of P25 shares in United Impex Pty Ltd		
The movement during the year comprises		
Balance at beginning of the year	134	725
Dividend received (note 22)	-	(532)
Share of loss for the year	(13)	(59)
Balance at the end of year	**121**	**134**

The Group's associate is unlisted and domiciled in Botswana and was in the business of providing personal finance, but is currently winding down. The investment is valued at net asset value. The Associate's assets and liabilities, and results are summarised as follows:

	As at 31 July 2020	As at 31 July 2019
	P'000	P'000
Assets		
Cash and cash equivalents	49	182
Other assets	436	436
	485	**618**
Liabilities		
Trade and other payables	-	82
	-	82
Net assets	**485**	**536**
Revenue (net)	-	-
Loss before tax	(12)	(64)
Total comprehensive loss	**(12)**	**(64)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	COMPANY	
	2020	2019
	P'000	P'000
10.2 Investment in subsidiaries		
Investment in Furn Mart (Pty) Ltd, Namibia (Equity)	15 109	15 109
Investment in Xtreme Discounters (Pty) Ltd, South Africa (Equity)	183 495	161 942
Investment in Furnmart (Pty) Ltd, South Africa (Debt)	27 358	30 168
Investment in Xtreme Discounters (Pty) Ltd, South Africa (Debt)	103 808	114 472
Total investment in subsidiaries	**329 770**	**321 691**
The investment in subsidiaries includes equity investment in Furniture Mart Pty Ltd, Botswana of P2 shares and Furnmart (Pty) Ltd, RSA of R100 shares.		
The movement during the year comprises:		
Balance at the beginning of the year	321 691	290 628
Investment during the year - Xtreme Discounters (Pty) Ltd, South Africa	21 553	19 843
Loans given to subsidiaries considered as part of investment - Furnmart (Pty) Ltd, South Africa	-	15 084
Exchange loss arising from loans considered as part of investment	(13 474)	(3 864)
Total investment	**329 770**	**321 691**

SUBSIDIARY COMPANIES

The Group's shareholdings in the issued share capital of the subsidiary companies are as follows:

Company	Country held	Percentage	Nature of business
Furn Mart (Pty) Ltd	Namibia	100%	Furniture retail
Xtreme Discounters (Pty) Ltd	South Africa	100%	Furniture retail
Furniture Mart Pty Ltd	Botswana	100%	Furniture retail
Furnmart (Pty) Ltd	South Africa	100%	Distribution and shared services

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

11. Contract assets (cell captive)

	GROUP	
	2020	2019
	P'000	P'000
Investment in contract assets	47 323	42 031
This represents the balances due from cell captive arrangements entered into by the Group.		
The movement is analysed as follows:		
Balance at beginning of year	42 031	51 595
Net income earned by Group (note 3)	40 223	30 090
Premium charges deposited - net of claims and costs	(34 931)	(39 654)
Balance at end of year	**47 323**	**42 031**

These investments are held as balances of first recourse in the event of a claim under the customer protection plans sold by the Group in South Africa and Namibia.

Furnmart Limited, through its subsidiaries in South Africa and Namibia, has participated in some cell captive arrangements, which are unconsolidated structured entities. These are not consolidated as part of the group as the relevant assets of the cell captive are not ring-fenced from that of Mutual and Federal (South Africa) and Old Mutual Short Term Insurance Company (Namibia), the ultimate underwriters of the insurance policies issued by the cells.

These structured entities are financed by the insurance premium collected by Furnmart subsidiaries to provide insurance services to the Group's customers, effectively insuring the debtors' balance of the Group's subsidiaries in Namibia and South Africa against any losses arising from death, disability and certain other life changing events of the customers.

The cell captive in Namibia does not have any recapitalisation obligations and the maximum loss exposure of the Group is restricted to the carrying amount of the investment. In South Africa, the Group is obligated to recapitalise the cell captive in the event that the cell is financially insolvent due to excessive claims. As at the balance sheet date, the directors have assessed the financial status of the cell captive in South Africa and based on available cash reserves, have concluded that there is no obligation to recapitalise at that date. Accordingly no liability has been recognised in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

11. Contract assets (continued)

The scale of the unconsolidated structured entities and the carrying amount of the investment in the entities by the Group are as follows:

	GROUP	
	2020	2019
	P'000	P'000
Total assets of the unconsolidated structured entities (aggregate amount)	47 323	42 031
The carrying amount of the investment recognised by the Company	47 323	42 031
Total	**47 323**	**42 031**

12. Inventories

Merchandise	**186 692**	**223 626**

Inventories excludes value of obsolescence amounting to P8.0m (2019: 8.2m) for the stock carried at fair value less costs to sell and complete. Inventories with a value of P50.0m (2019: P50.0m) are held as collateral for borrowings as set out in note 17

13. Loans and advances to customers

Trade receivables – gross	902 512	1 007 342
Unearned finance and other charges	(201 212)	(241 687)
	701 300	765 655
Expected credit loss on originated loans	(266 954)	(253 893)
Approximate their fair values	**434 346**	**511 762**
Expected credit loss on originated loans		
Opening balance	253 893	245 539
Write offs during the year	(50 387)	(50 755)
Charge for the year (note 3)	61 680	58 535
Exchange movement on translation of foreign subsidiaries	1 768	574
Closing balance	**266 954**	**253 893**
Unearned finance and other charges		
Opening balance	241 687	243 916
Additions during the year	309 834	371 779
Earned during the year (note 2)	(350 309)	(374 008)
Closing balance	**201 212**	**241 687**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
14. Receivables and prepayments				
Staff loans	261	481	-	-
Advances and prepayments	2 617	1 750	21	3 542
Indirect taxes paid in advance	958	2 437	-	-
Other receivables	6 394	11 175	-	-
Related companies (note 22)	55 587	662	244 247	172 646
The carrying amount of receivables and prepayments approximate their fair values	**65 817**	**16 505**	**244 268**	**176 188**
15. Cash and cash equivalents				
Bank balances	199 566	90 970	11 915	1 359
Cash in hand	35	38	-	-
Cash and bank balances	**199 601**	**91 008**	**11 915**	**1 359**
For the purposes of the cash flow statement, the cash and cash Equivalents comprise the following:				
Cash and bank balances	199 601	91 008	11 915	1 359
Net cash and cash equivalents approximate their fair values	**199 601**	**91 008**	**11 915**	**1 359**
16. Share capital				
Authorised and issued				
501 222 174 (2019: 501 222 174) issued and fully paid ordinary **Shares at no par value**	**128 474**	**128 474**	**128 474**	**128 474**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
17. Borrowings				
Current				
Bank loan	8 780	6 380	-	-
Finance lease liabilities	-	258	-	-
	8 780	**6 638**	-	-
Non-current				
Bank loan	19 593	8 038	-	-
Bond	150 000	150 000	150 000	150 000
	169 593	**158 038**	150 000	150 000
Total borrowings	**178 373**	**164 676**	150 000	150 000
Finance lease liabilities - minimum lease payments				
Not later than one year	-	266	-	-
	-	266	-	-
Future finance charges on finance leases	-	(8)	-	-
Present value of finance lease liabilities	-	**258**	-	-
The present value of finance lease liabilities is as follows;				
Not later than one year	-	258	-	-
	-	**258**	-	-
Bond issue				
Balance at the beginning of year	**150 000**	**150 000**	150 000	150 000
Balance at the end of year	**150 000**	**150 000**	150 000	150 000

The total fair value of borrowings at year end amount to P194 858 827 (2019: P178 533 979).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

17. Borrowings (continued)

Furnmart Limited, on 18 October 2013 issued the second tranche of P 150m Notes, which forms part of the P 500m notes program. These notes are non-convertible, unsubordinated and unsecured. The second tranche bears interest at 8.20 % per annum, payable semi-annually; and matures on 23 October 2025.

The Group's banking facilities are as follows:

(a) Short term facility of N$ 57 m to finance working capital requirements, with First National Bank of Namibia Limited, at Namibian prime rate (currently 7.75% per annum). This facility is secured by cession of book debts and suretyship in the amount of N$60m from Furnmart Limited, Botswana. The outstanding balance as at 31 July 2020 is N$ nil (2019: N$ nil).

(b) Performance guarantee facility amounting to P15 m, Foreign exchange contract facility amounting to P 0.8 m and facility for Credit Card amounting to P 0.2 m, with Rand Merchant Bank of Botswana, secured by limited cession of book debts and suretyship of P 15 m from Furniture Mart (Pty) Limited. This facility shall rank pari passu with Absa Bank of Botswana Limited.

(c) Overdraft facilities with Absa Bank of Botswana Limited, amounting to P30.0m, at Botswana prime rate (currently at 5.75% per annum) less 1%. The outstanding balance as at 31 July 2020 is P nil (2019: P nil).

(d) Payment guarantee facility amounting to R 20 m and USD 0.1m. These facilities are secured by stock of P 50 m and limited cession of book debts of P 60 m. The facility with Absa Bank of Botswana Limited shall rank pari passu with Rand Merchant Bank of Botswana.

(e) Letter of Credit facility amounting to USD 0.3 m, with Absa Bank of Botswana Limited. The outstanding balance as at 31 July 2020 is P nil (2019: P nil)

(f) Term loan facility of R 40.0m from Nedbank Limited. The loan bears interest at South African prime rate less 1% (currently 7.0% per annum) and is repayable in 120 months ending August 2021; secured by mortgage bond over property at Erf13 Meadowdale, Gauteng Province, RSA and limited suretyship from Furnmart Limited Botswana. The outstanding balance as at 31 July 2020 is R 6.39 m (2019: R 11.6 m).

g) Term loan facility of R 5.0m from Nedbank Limited. The loan bears interest at South African prime rate (currently 7.0% per annum) less 1% and is repayable in 84 months ending December 2020 and secured by a bank guarantee from Absa Bank of Botswana Limited. The outstanding balance as at 31 July 2020 is R 0.5 m (2019: R 1.7 m).

(h) Term loan facility of R 10.0m from Nedbank Limited. The loan bears interest at South African prime rate (currently 7.0% per annum) less 1% is repayable in 84 months ending March 2022 and is secured by a bank guarantee from Absa Bank of Botswana Limited. The outstanding balance as at 31 July 2020 is R 3.8 m (2019: 5.9 m).

(i) General banking facility by way of overdraft and/or letters of credit and/or forward exchange contract facility amounting to R6 m with Nedbank Limited, at South Africa prime rate (currently 7.0% per annum). This facility is for Furnmart (Pty) Ltd. This is secured by a general notarial bond over stock limited to the facility of R 6 m; and limited suretyship. The outstanding balance as at 31 July 2020 is nil (2019: nil).

(j) A vehicle and asset finance facility at Nedbank Limited for Xtreme Discounters (Pty) Ltd and Furnmart (Pty) Ltd. The outstanding balance as at 31 July 2020 is nil (2019:R 0.3 m).

(k) Term loan facility of R 30.0 m from First Capital Bank , Botswana to Xtreme Discounters (Pty) Ltd, at South African prime rate (currently 7.0% per annum) less 0.25% per annum repayable over a period of 60 months ending February 2025. This facility is secured by Corporate Guarantee from Furnmart Limited and subordination of shareholders' loan, limited to R60 m. Moratorium on principal payments for the first twelve months, thereafter principal and interest to be served till the loan is fully serviced. The outstanding balance is R 30 m (2019: nil)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
18. Trade and other payables	P'000	P'000	P'000	P'000
Trade payables	53 469	47 349	-	313
Related companies (note 22)	57	1 091	85 211	224 240
Other payables	20 129	25 690	4 315	5 803
Deferred lease liabilities	-	10 284	-	-
Advance receipts	10 504	4 450	-	-
The carrying amount of trade payables approximate their fair values.	**84 159**	**88 864**	**89 526**	**230 356**
19. Accruals				
Opening balance	19 509	22 251	2 490	1 954
Charge for the year (note 3)	1 363	3 590	1 000	775
Paid during the year	(6 408)	(6 332)	(1 604)	(239)
Closing balance	**14 464**	**19 509**	**1 886**	**2 490**

Accruals related to the Group's liabilities to employees for compensated absences from work, contractual gratuities and statutory long-service benefits.

20. Leases liabilities	Carrying amount at 1 August 2019	Implementation of IFRS16	Additions	Interest Expense	Cash payment	Forex translation	Carrying amount at 31 July 2020
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Leases liabilities	-	639 730	15 949	45 744	(80 304)	(29 127)	591 992

The following are the amounts recognised in the profit or loss:

	2020
	P'000
Depreciation expense of right of use asset (note 3)	80 522
Interest expense on lease liabilities (note 4)	45 744
Expenses relating to short leases and low value leases	9 792

The Group has entered into commercial leases for premises and operating equipment. The leases have an average life of between one and ten years. The Group elected not to recognise assets and liabilities with a lease term of less than 12 months; and with low value leases for operating equipment. There are no restrictions placed upon the lessee by entering into these. The Group's leases are mainly non-cancellable and refer to the ageing of future lease payments as at 31 July 2020:

	2020
	P'000
Within one year	86 548
After one year but not more than five years	366 195
More than five years	139 249
Total	**591 992**

Concession

The entity received COVID -19 related rental concessions and has applied the practical expedient introduced in May 2020. The practical expedient has been applied to all qualifying rent concessions as follows:

	2020
	P'000
Lease payments arising from rental	75 083
Lease payments arising from concessions	5 221
Total lease payments	**80 304**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	Group		Company	
	2020	2019	2020	2019
21. Cash generated from operations	P'000	P'000	P'000	P'000
Operating profit	152 132	173 836	258 838	52 800
Adjustment for:				
Dividend received (note 2)	-	-	(257 934)	(27 615)
Depreciation and amortisation (note 8)	29 042	25 731	2 501	1 969
Right of use asset depreciation (note 8.1)	80 522	-	-	-
Profit on sale of property, plant and equipment (note 3)	(658)	(1 116)	-	(261)
Cash inflow before working capital changes	**261 038**	**198 451**	**3 405**	**26 893**
Changes in working capital				
- loans and advances to customers, receivables and prepayments	53 515	(9 161)	3 521	(3 934)
- related party receivables	(54 925)	(607)	(71 601)	(14 882)
- inventories	22 938	(32 354)	-	-
- trade and other payables and accruals	5 704	2 441	(141 434)	114 825
Cash generated from operations	**288 270**	**158 770**	**(206 109)**	**122 902**

22. Related party transactions

The Group is managed as part of the Cash Bazaar Holding Pty Ltd Group. Related parties comprise the directors and other entities with common directors or shareholders.

The following transactions were carried out with related parties:

(i) Trade of goods and services				
- Lease liability interest paid to related parties	13 970	-	-	-
- Fees paid to Cash Bazaar Holdings Pty Ltd for managerial services rendered by directors and other senior staff*	5 708	7 402	5 708	7 402
Service fees received from (note 3)				
- Cash Bazaar Holdings Pty Ltd, Botswana	253	123	253	123
- Afritec Pty Ltd, Botswana	3 212	3 149	501	471
Total	**3 465**	**3 272**	**754**	**594**
Management and service fees (note 2)				
- Xtreme Discounters (Pty) Ltd, South Africa	-	-	6 234	7 584
- Furn Mart (Pty) Ltd, Namibia	-	-	7 945	8 397
- Furniture Mart Pty Ltd, Botswana	-	-	15 550	11 254
Total	**-**	**-**	**29 729**	**27 235**

* Some of the Group's directors and executives are employed as executives of Cash Bazaar Holdings Pty) Ltd, and perform managerial and oversight duties at various entities throughout the Furnmart Group of companies, for which Cash Bazaar Holdings Pty Ltd charges the company based on an agreed formula.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
22. Related party transactions (continued)				
(ii) Receivables from related parties (note 14)				
Afritec Pty Ltd	-	604	-	604
Xtreme Discounters (Pty) Ltd, South Africa	-	-	72 713	64 676
Furn Mart (Pty) Ltd, Namibia	-	-	74 132	61 984
Furnmart (Pty) Ltd, South Africa	-	-	41 815	45 326
Nafprop Pty Limited, Botswana	126	56	126	56
Cash Bazaar Holdings Pty Ltd, Botswana	55 461	2	55 461	-
	55 587	**662**	**244 247**	**172 646**
(iii) Payable to related parties (note 18)				
Cash Bazaar Holdings Pty Ltd, Botswana	-	1 091	-	1 091
Afritec Pty Ltd, Botswana	57	-	57	-
Furniture Mart Pty Ltd, Botswana	-	-	85 154	223 149
	57	**1 091**	**85 211**	**224 240**
(iv) Lease liability payable to related parties (NAP)	**229 508**	**-**	**-**	**-**
(v) Interest Income (note 2)				
Furn Mart (Pty) Ltd, Namibia (@ 18% per annum on monthly balance)	-	-	9 872	8 687
Xtreme Discounters (Pty) Ltd, South Africa (@ SA prime +5% per annum on the loan balance)	-	-	15 054	17 233
Furnmart (Pty) Ltd, South Africa (@ SA prime +1.25% per annum on the loan balance)	-	-	2 903	3 396
	-	**-**	**27 829**	**29 316**
(vi) Dividend income (note 2 and 10)				
Furniture Mart Pty Ltd, Botswana	-	-	185 000	9 250
United Impex Pty Ltd, Botswana (note 10)	-	-	-	532
Furn Mart Pty Ltd, Namibia	-	-	72 934	17 833
	-	**-**	**257 934**	**27 615**
(vii) Interest receivable from related parties (included in total receivables)				
Furn Mart (Pty) Ltd, Namibia	-	-	18 685	8 813
Xtreme Discounters (Pty) Ltd, South Africa	-	-	32 287	17 233
Furnmart (Pty) Ltd, South Africa	-	-	6 288	3 386
	-	**-**	**57 260**	**29 432**
(viii) Interest Expense (note 4)				
Furniture Mart Pty Ltd, Botswana(@ BW prime -2% per annum on the average loan balance)	-	-	3 077	9 630
	-	**-**	**3 077**	**9 630**
(ix) Other Interest Income				
Cash Bazaar Holdings Pty Ltd, Botswana (@ BW prime +1% per annum on the loan balance)	-	-	2 264	-

The nature and terms of intercompany loans between Furnmart Limited and its subsidiaries and related parties are:

1. Furn Mart (Pty) Limited, Namibia; Furniture Mart Pty Limited, Botswana and Cash Bazaar Holdings Pty Ltd, Botswana:
   - Short term loan/intercompany balances are payable on demand.

2. Xtreme Discounters Pty Ltd, SA & Furnmart (Pty) Limited, SA:
   - Long term debt with no fixed repayment term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
23. Capital and loan commitments				
Capital expenditure authorised but not contracted for	48 269	50 468	3 427	795
Financing commitments to customers	3 144	2 380	-	-

The capital expenditure and loan commitments will be funded from borrowings and internal sources.

24. Contingent liability

24.1 Legal action

The Group is party to a number of legal suits as at the financial year-end. The most significant of these relates to claims laid against the Group's Namibian subsidiary by a group of former employees. The Group does not anticipate any significant cash out-flow from these claims.

24.2 Guarantees

Company

The company has issued bank guarantees in the ordinary course of the business to various parties, the total amount of such guarantees are 2020: P5.53m (2019: P12.71m).

	GROUP		COMPANY	
	2020	2019	2020	2019
	P'000	P'000	P'000	P'000
25. Income Tax paid				
Balance brought forward (net)	4 836	(6 746)	(1,818)	(8 212)
Charge for the year (note 5)	43 283	40 780	-	1 196
Balance carried forward(net)	(8 016)	(4 836)	2 047	1 818
Net income tax paid	**40 103**	**29 198**	**229**	**(5 198)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

26 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. As indicated on page 19 under "new standards or amendments adopted by the Group for the first time", the Group has adopted IFRS 16 Leases retrospectively from 1 August 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the modified retrospective approach provisions in the standard. The classifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 August 2019. The new accounting policies are disclosed under "significant accounting policies" on page 19.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 August 2019. The Group's incremental borrowing rate applied to the lease liabilities are set on page 21.

i. Practical expedients applied

- The Group has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.
- The use of a single discount rate to a portfolio of leases with similar characteristics.
- Excluding initial direct costs from the measurement of right-of-use asset at the date of initial application.
- Use of hindsight in determining the lease term, if the contract contains options to extend or terminate the lease term.
- We elected to account for rent concessions related to COVID 19 in the same way as they would if they were not lease modifications. This resulted in accounting for the concession as variable lease payments in the period in which the event or condition that triggers the reduced payment occurred. The Group received concessions amounting to P5,221,435.

ii. Measurement of lease liabilities

	2020 P'000
Operating lease commitments disclosed as at 31 July 2019	233 276
Lease liabilities discounted using the lessee's incremental borrowing rate	639 730
Lease liability	
Current lease liabilities	87 790
Non-current lease liabilities	551 940
	639 730

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2020

26 Changes in accounting policies (continued)

iii. Adjustments recognised in the balance sheet

The change in accounting policy affected the following items in the balance sheet

	P '000
Increase in right-of-use assets by	639 730
Increase in lease liabilities	639 730
The net impact on right of use asset on 1 August 2019 (deferred lease)	(10 284)
The net impact on lease payments (COVID -19 related concession ammendment to IFRS 16)	5 221

27. Going concern

Impact of COVID-19

On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, the disease caused by a novel coronavirus, a Pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect the Group, the economies and the general population in which the group operates. The financial impact of these events is still unknown globally, but for the financial year ended 31 July 2020, given the limited time that this pandemic has been in effect, the impact is not considered significant for the Group, to the extent that the Group managed to achieve expected revenues, albeit at a lower profitability.

Management is not aware of any significant cases of COVID-19 infection among its employees and the outbreak has not had a significant impact on the Group's operations to date. Management currently has an appropriate response plan in place. The Group fully implemented the respective COVID-19 protocols as directed by the Ministry of Health and Wellness in each of the countries in which it operates. No non- compliance of COVID-19 protocols has been identified to date. Management will continue to monitor and assess ongoing developments and respond accordingly. The pandemic is an extraordinary challenge for humanity and for the economy globally, and at the date of finalization of the financial statements, its effects are subject to significant levels of uncertainty. The impact of the coronavirus will be closely monitored and assessed for its impact on the business.

The following protocols have been put in place to curb infections within the Group's workforce:

- Implementation of social distancing within the work place.
- Employees working from home wherever possible.
- Wearing of face masks is mandatory.
- Encouraged to restrict movement.
- Regular sanitising of the work place and full deep cleaning in case there is a reported case of COVID-19, at any store or offices.

The Group has ring-fenced all corners of the business; from upstream to downstream, in order to minimise the impact of the COVID-19 pandemic.

The Directors are of the view that the Group remains a Going Concern and that there are no material uncertainties that would impact the financial statements as at the reporting date. The effects of expected credit losses as a result of the Covid-19 pandemic, have been incorporated into the Group's impairment model. A post- balance sheet assessment has been conducted and nothing significant came to light, that would indicate that COVID- 19 will hinder the Group's ability to continue as a going concern.

CORPORATE INFORMATION

Directorate
J T Mynhardt
T L J Mynhardt
D S le Roux*
E Odendaal*
F B Lebala
J P McLoughlin*
S Venkataramani^
L G Waldeck*

(*South African)
(^Indian)

Bankers
ABSA Bank Limited
First National Bank Limited
Bank Windhoek Limited
Nedbank Limited
Standard Bank Limited
First Capital Bank Limited
BancABC Limited

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Fairground Office Park
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(PO Box 294, Gaborone, Botswana)

Secretary
DPS Consulting Services Pty Ltd
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Transfer Secretaries
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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the company for the year 2020 will be held in the Board Room, Furnmart Limited, Plot 20573/4 Magochanyama Road, Gaborone at 15.00 hrs on 17 March 2021, for the following purposes:

1. To consider and adopt the annual financial statements, including the report of the auditors for the year ended 31 July 2020.

2. To consider and ratify the dividends proposed by the directors.

3. To consider and individually elect the directors, who retire at the annual general meeting. In terms of the constitution of the company, being eligible, they offer themselves for re-election.

   i E Odendaal
   ii T L J Mynhardt
   iii S Venkataramani

Biographical information of the directors to be re-elected is set out on pages 68 of the Annual Report.

4. To consider and ratify the directors' remuneration for the year ended 31 July 2020 (page 5).

5. To re-appoint PricewaterhouseCoopers as auditors of the company for the ensuing year.

6. To approve the auditors' remuneration for the past audit (note 3, page 48).

7. Approve distribution of communications by electronic means.

8. To transact any other business, which may be transacted at an annual general meeting.

A member who is entitled to attend and vote at a general meeting is entitled to appoint one or more persons as a proxy to attend, speak and vote in his/her stead and the proxy so appointed need not be a member of the company. Proxy forms should be forwarded to reach the company's registered office at least 24 hours before the time fixed for the meeting.

By order of the Board

DPS Consulting Services Pty Ltd
Company Secretaries

06 November 2020

NOTICE OF ANNUAL GENERAL MEETING

BIOGRAPHICAL INFORMATION OF THE DIRECTORS STANDING FOR RE-ELECTION

Eric Odendaal
Non-Executive Director

Eric Odendaal joined Furnmart in August 1997 as Group Operations Manager where after he progressed to Director Operations. He has overseen the expansion of the business in Botswana and RSA and has been fully involved in the opening of Home Corp Stores in both these countries. He has more than 40 years of experience in the furniture retail industry. He retired in 2019 and continues to be a non executive director.

Tobias Louis John Mynhardt
Deputy Chairman [B.Comm (Hons-UCT) MSc Econ(LSE)]

Tobias Mynhardt is the Deputy Chairman of the CBH Group which has investments in a number of industries including property, retail, tourism, hospitality, building manufacturing and supplies and financial services. He has assumed responsibility for various CBH Group divisions since being appointed a director in 2003. Mr Mynhardt assisted with the listing of Furnmart in 1998 and joined the management team in 2006. He was appointed Deputy Managing Director of Furnmart in 2007 and was Managing Director from 2009 until his appointment as Deputy Chairman in 2016. Mr Mynhardt led the 2011 listing of New African Properties Limited and has been Managing Director of this associated company since. Mr Mynhardt's early career encompassed a broad exposure to the investment industry through an investment advisory and fund of hedge funds firm in London, following the completion of his Masters in Economics from the London School of Economics.

Subbarao Venkataramani
Non Executive Director [B.Com, ACA, ACS]

Subbarao Venkataramani qualified as a Chartered Accountant in 1978. He has more than 40 years of experience in financial management, treasury and accounting, as head of finance in various listed companies. He joined Furnmart in May, 1998 as Group Financial Manager. He became Chief Financial Officer of Furnmart Group in 2007. He was fully involved in the implementation of Argility Furniture Retail operations and information systems and involved in the issue and listing of rights shares and bonds. He was appointed as the Finance Director on 15 August 2011 and he continued till 12 July 2016, when he relinquished his position as head of finance. He continues to be a board member of Furnmart Limited, and is also overseeing the microlending activities of the CBH Group.

PROXY FORM

I/We_____

Of_____

Being the registered holder/s of_____ ordinary shares in the Company, at the close of business on Friday, 20 November 2020, hereby appoint:

_____of _____

Or failing him/her;

_____ of _____

Or failing him/her the Chairman of the meeting as my/our proxy to attend, speak and vote for me/us on my/our behalf at the annual general meeting of the company to be held at 15:00 hrs on Wednesday, 17 March 2021, and at any adjournment thereof and to vote for or against the restrictions or to abstain from voting in respect of the shares registered in my /our name(s), in accordance with the following instructions**:**

Resolution number	Detail	In favour	Against	Abstain
1	To consider and adopt the annual financial statements, including the report of the auditors.			
2	To consider and ratify the dividends proposed by the directors.			
3	To consider and individually elect the directors, who retire at the annual general meeting. In terms of the constitution of the company, being eligible, they offer themselves for re-election. i E Odendaal			
	ii T L J Mynhardt			
	iii S Venkataramani			
4	To consider and ratify the directors' remuneration for the year ended 31 July 2020 (page 5).			
5	To re-appoint PricewaterhouseCoopers as auditors of the company for the ensuing year.			
6	To approve the auditors' remuneration for the past audit (note 3, page 48).			
7	Approve distribution of communications by electronic means.			
8	To transact any other business, which may be transacted at an annual general meeting.			

PROXY FORM

Signed this _____ day of _____

Full name: _____

Signature: _____

Assisted by (Guardian): _____

A member who is entitled to attend and vote at a general meeting is entitled to appoint one or more persons as a proxy to attend, speak and vote in his/her stead and the proxy so appointed need not be a member of the Company.

Registered office

Plot 50371 Fairground Office Park, Gaborone

Fax: +267 397 3901

INSTRUCTIONS ON SIGNING AND LODGING THIS PROXY FORM

1. This must be deposited at the Registered Office of the Company not less than 24 (twenty four) hours before the time of the scheduled meeting.
2. A deletion of any printed matter and the completion of any blank space(s) need not be signed or initialled. Any alteration or correction made on this form must be signed, not initialled, by the signatory/signatories.
3. The Chairman of the meeting shall be entitled to decline to accept the authority of the signatory:

a. Under a power of attorney; or

b. On behalf of a company or any other entity;

Unless such power of attorney or authority is deposited at the Registered Office of the Company not less than 24 (twenty four) hours before the scheduled time for the meeting

4. The authority of a person signing as a Proxy in a representative capacity must be attached to the Proxy form unless the authority has previously been recorded by the Secretary.
5. The signatory may insert the name of any person(s) whom the signatory wishes to appoint as his proxy in the blank space(s) provided for that purpose.
6. When there are joint holders of shares and if more than one such joint holder is present in person or represented by proxy, then the person whose name stands first in the register in respect of such shares, or his/her Proxy, as the case may be, shall alone be entitled to vote in respect thereof.
7. The completion and lodging of this Proxy shall not preclude the signatory from attending the meeting and speaking and voting in person thereat to the exclusion of any Proxy appointed in terms hereof should such signatory wish to do so.
8. The Chairman of the meeting may reject or accept my Proxy form which is completed and/or submitted other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.
9. If the shareholding is not indicated on the Proxy form, the Proxy will be deemed to be authorised to vote the total shareholding.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, applicable, unless relevant documents establishing his/her capacity are produced or have previously been registered.

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