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**Independent Auditor’s Report  
 To the Shareholders of BBS Limited  
 Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of BBS Limited (the Company) set out on pages 10 to 86, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of BBS Limited as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Building Societies Act (CAP 42:03).

*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 Financial Statements* section of our report. We are independent of the Company in accordance with the *International Code of Ethics for Professional Accountants (IESBA Code)* together with other ethical requirements that are relevant to our audit of the financial statements in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

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

We have fulfilled the responsibilities described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the matter was addressed in the audit
<b><i>Expected credit losses on mortgage loans and advances to customers</i></b>	
Mortgage loans and advances to customers comprise a significant portion of the Company’s total assets with BWP 3 127 million (2020: BWP 3 408 million) representing 82% (2020: 83%) of the Company’s total assets. The Company recognises	<p><u>Our audit procedures included the following:</u></p> <p>We obtained an understanding of the mortgage loan advances disbursement and collection process.</p>

<p>an Expected Credit Losses (ECL allowance) on these mortgage loans and advances to customers.</p> <p>The ECL allowance is calculated using a modelled basis and there is a combination of inherent subjectivity in the preparation of the ECL models, and judgement and estimates involved in determining the inputs into the ECL models. It also includes the involvement of quantitative specialists by management in the design and execution of these models.</p> <p>Significant management judgements which are applied in the development and execution of the ECL models include the estimation of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters.</p> <p>The impact of the COVID 19 pandemic has increased subjectivity on the judgmental inputs into the ECL models including economic forecasts, application of historical economic data during economic downturns, the allocation of probability weightings to the drivers of credit losses and determining significant increase in credit risk (SICR). The determination of SICR is assessed based on the current risk of default of an account relative to its risk of default at origination.</p> <p>Therefore, we have identified the audit of the expected credit loss (ECL) allowance applied to mortgage loans and advances to customers at the reporting date as a key audit matter due to the extent of auditor judgment required. This was primarily in assessing the macro-economic data to be included in the forward-looking information for developing the various scenario forecasts in the ECL models due to the COVID-19 pandemic. This necessitated the involvement of our internal economic and quantitative specialists and increased discussions with management during the audit.</p> <p>The disclosures associated with ECL allowance of loans and advances to customers are set out in the financial statements:</p>	<p>We tested the operating effectiveness of internal controls relating to the authorisation and disbursement of mortgage loans to customers including the internal controls over credit approval, credit monitoring and credit evaluation for mortgage loans and advances to customers.</p> <p>We performed the following procedures, with the assistance of our economic and quantitative specialists:</p> <ul style="list-style-type: none"> <li>❖ We assessed the design and execution of the ECL models including the appropriateness of significant assumptions and estimates included in the models.</li> <li>❖ We evaluated the operating effectiveness of the modelling controls, including corporate governance over the review and approval of the models, which support the assumptions used in determining the model's PD, EAD and LGD parameters.</li> <li>❖ We evaluated the data inputs used in calculating the PD, EAD and LGD parameters by reconciling these inputs to the core banking system (the Company's IT operating system).</li> <li>❖ We assessed the stage allocation for a sample of loans and individual exposures based on the SICR trigger methodologies contained in the Company's modelling documentation.</li> <li>❖ We assessed the design and application of macro-economic forecasts and models adopted by the management expert by assessing the appropriateness of the macro-economic forecasts included in the forward-looking information and scenario weightings by benchmarking these against external evidence and economic data.</li> <li>❖ We performed an independent ECL quantification analysis on economic data and industry stresses which incorporates independently estimated economic impacts as a result of the COVID-19 pandemic using third party as well as our own data to ascertain the reasonability of the macro-economic management adjustments.</li> </ul>
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<ul style="list-style-type: none"> <li>- Note 1.1 - Key sources of estimation uncertainty</li> <li>- Note 8 - Mortgage loans and advances to customers</li> <li>- Note 39 - Financial instruments and risk management</li> </ul>	<ul style="list-style-type: none"> <li>❖ We reperformed the model computations using the Company's modelling documentation, which specifies the modelling assumptions and guidelines used in the design of the model, to assess the accuracy of the ECL allowance calculation.</li> <li>❖ We assessed the adequacy of the disclosures by comparing those to the requirements of IFRS 9 <i>Financial Instruments</i>, in the notes to the financial statements.</li> </ul>
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*Other Information*

The directors are responsible for the other information. The other information comprises the information included in the 86-page document titled “BBS Limited Financial statements for the year ended 31 December 2021”, which includes the General Information, Directors’ Responsibility Statement and the Directors’ Report which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### *Responsibilities of the Directors for the Financial Statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Building Societies Act (Cap: 42:03), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing 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 Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting processes.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

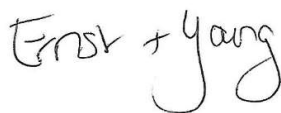
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate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

#### *Report on other legal and regulatory requirements*

In accordance with Section 54 of the Building Societies Act (CAP 42:03), we consider and report that in our opinion:

- BBS Limited has kept proper books of account with which the financial statements are in agreement,
- We have satisfied ourselves as to the existence and contents of mortgage bonds and other securities belonging to BBS Limited, and
- BBS Limited has complied with all the financial provisions of the Act.



Ernst & Young  
Practicing member: Francois Roos  
Partner  
Membership number: CAP 0013  
Gaborone  
31 March 2022