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Independent Auditor's Report
To the Shareholders of Furnmart Limited
Report on the Audit of the Consolidated and Separate Financial Statements

Opinion
We have audited the consolidated and separate financial statements of Furnmart Limited and its subsidiaries ("the Group") and Company set out on pages 12 to 54, which comprise the consolidated and separate statements of financial position at 31 July 2023, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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 at 31 July 2023, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01).

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 are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (including International Independence Standards) *(IESBA Code*) together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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. 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 Consolidated and Separate 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 consolidated and separate 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 consolidated and separate financial statements.

The key audit matter applies only to the audit of the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
Allowance for expected credit losses on trade receivables	
As at the 31st of July 2023, the net trade receivables of P584,6 million represented 37% (2022: P535,6 million represented 34%) of the Group's total assets. The related ECL impairment allowance amounted to P240 million (FY22: P214 million) in the current year, representing a 12% increase in the impairment allowance from the prior year. The Group's profitability continues to be significantly influenced by movements in the ECL allowances. The Group's ECL allowance is calculated using a modelled basis, which calculates the loss allowance at an amount equal to the lifetime expected credit losses based upon debtor categories. The development and execution of these models requires management to use the services of external quantitative specialists in the design and use of the models and significant judgement is required in determining the forward-looking macroeconomic factors and scenarios for inputs for which management does not have access to independent statistical data. These judgements are further complicated by the different jurisdictions in which the Group operates, with each jurisdiction having its own factors and economic outlook that is required to be applied. The model also considers the Group's historical experience within these jurisdictions and the debtor subcategories for which judgement is applied by management. The Group applies judgement in selecting the assumptions and inputs to be applied to the debtor categories for the ECL calculation. The key inputs are: - Determining the disaggregation to be applied to the loan books within the Group. -Determining appropriate forward-looking information (which were inflation, interest rates and GDP rates) to be applied to the respective loan books due to data and resource limitations in certain geographies in which the Group operates. The key inputs noted above are inherently subjective and thus required the involvement of our internal quantitative specialist in the audit. We considered the calculation of the ECL allowance in accordance with IFRS 9 – Financial Instruments as applicable to the Group's trade receivables to be the key audit matter in the current year audit given the above complexity and subjectivity involved in the calculation.	We performed the following audit procedures, amongst others: ► We obtained an understanding and tested the operating effectiveness of controls over credit origination, credit monitoring and credit remediation, as well as the governance process over the ECL models. ► With the assistance from our internal quantitative specialists, we: o Assessed the methodologies and assumptions adopted in the design and execution of the models by comparing these to the requirements of IFRS 9 – Financial instruments. o Assessed the Group's model design and build, ensuring the models were designed and are functioning consistent with the Group's documented methodologies and assumptions. o Assessed the appropriateness of the disaggregation of the Group's debtor balances into the debtor sub-categories and jurisdictions against their product composition and geographical location. o Assessed the risk of default and expected loss rates applied to the disaggregated debtor sub-categories by comparing these to the Group's historical experience. o Assessed the appropriateness of the forward-looking information applied in the model to calculate the ECL allowance by comparing the forward-looking information to relevant external independent data sources for each of the different jurisdictions. o For models for which the Group had no external independent data sources available to apply as forward-looking information, we independently performed regression analysis on forward-looking information obtained from our external independent data sources to identify variables with the strongest relationships to expected cash flows and designed challenger models to calculate the impact of the using the external independent forward-looking information application to the model outputs.

Refer to the disclosures relating to the ECL for trade receivables in the consolidated financial statements: - Accounting policies note 9 “Financial Instruments” - Critical accounting estimates and judgements note 3 “Impairment losses on trade receivables” - Financial risk management – “Credit risk” - Note 3 – Impairment costs - receivables - Note 13 – Trade receivables	o Independently performed a sensitivity analysis on the results obtained from the ECL models, considering a range of most likely changes in the forward-looking macro-economic factors (comprising mainly of interest and consumer price inflation rates) and the impact on the ECL allowance. ▸ We assessed the completeness, accuracy and reliability of the data inputs used in the ECL models by reconciling these inputs to the general ledger, customer agreements and supporting documentation, including contract amendments. ▸ We assessed the adequacy and completeness of the financial statement disclosures included in the Group’s financial statements relating to the expected credit losses on trade receivables to determine compliance with IFRS 9 – *Financial instruments*.

Other matter

The annual financial statements of Furnmart Limited and its subsidiaries as at and for the year ended 31 July 2022 were audited by another auditor who expressed an unmodified opinion on the consolidated and separate financial statements on 31 October 2022.

Other Information

Other information consists of the information included in the 54-page document titled “Furnmart Limited and its subsidiaries Annual Report 2023”, which includes the Corporate Information and the Directors’ Report, as required by the Companies Act (CAP 42:01). Other information does not include the consolidated or the separate financial statements and our auditor’s report thereon. The directors are responsible for the other information.

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 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.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) 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 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 or Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate 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 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 and 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 and 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 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 and separate financial statements. We are responsible for the direction, supervision and performance of the Group and Company 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.

Ernst + Young

Ernst & Young
Firm of Certified Auditors
Practicing Member: Francois Roos (CAP 0013 2023)
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30 October 2023