Furnmart

HOME CORP
MEGA STORE • MEGA SAVINGS

IN THIS REPORT

CONTENTS

FURNMART LIMITED AND ITS SUBSIDIARIES
ANNUAL FINANCIAL STATEMENTS

DIRECTORS REPORT

The Directors have pleasure in submitting their report for the financial year ended 31 July 2019.

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, Boksburg and Kempton Park 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.

SHARE CAPITAL

The issued share capital of the company is 501 222 174 (2018: 606 446 080) shares. During the year 105 223 906 shares were bought back as part of an offer prior to delisting from the Botswana Stock Exchange.

DIVIDEND

A gross interim dividend of 4.49 thebe per share was paid to the shareholders who were registered as at 17 May 2019. A gross final dividend of 3.52 thebe per share has been approved to be paid to the shareholders registered in the books of the company as at 10 January 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 (Proprietary) Limited	Namibia	100%	Furniture retail
Xtreme Discounters (Proprietary) Limited	South Africa	100%	Furniture retail
Furniture Mart (Proprietary) Limited	Botswana	100%	Furniture retail
Furnmart (Proprietary) Limited	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

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:

J T Mynhardt
F B Lebala
L G Waldeck

DIRECTORS' INTERESTS

The aggregate number of shares directly held by the directors was Nil at 31 July 2019 and 1 127 685 at 31 July 2018. Directors indirectly held 461 984 659 shares at 31 July 2019 and 26 159 080 shares at 31 July 2018.

DIRECTORS' REMUNERATION

The independent directors are paid for meetings attended and these fees amounted to P405 800 (2018: P353 656) for the year. Other directors including those on contract to the Group from Cash Bazaar Holdings (Pty) Ltd, a related company, earned remuneration of P6 477 929 (2018: P7 417 657) from the Group.

COMPANY SECRETARY

DPS Consulting Services (Pty) Ltd were appointed as company secretaries during the year under review.

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 III 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)

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 2020 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 the annual financial statements presented on pages 15 to 65 on 10 February 2020.

EVENTS AFTER THE REPORTING PERIOD

There are no post balance sheet events of any significance.

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 2019, 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 of:

- the consolidated and separate statements of financial position as at 31 July 2019;
- 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;
- a summary of significant accounting policies;
- critical accounting estimates and judgements;
- financial risk management; and
- notes to the financial statements.

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.

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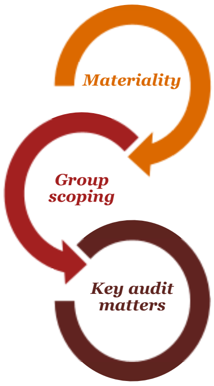
Our audit approach

Overview



Overall group materiality

- *P8 million which represents 5% of consolidated profit before income tax*

Group audit scope

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

Key audit matters

- *Allowances for expected credit losses for loans and advances to customers*
- *Assessment of impairment on intercompany loan receivable*

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	P 8 million
How we determined it	5% of consolidated profit before income tax
Rationale for the materiality benchmark applied	We chose consolidated profit before income 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.

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.

In doing so, full scope audits were performed for the Company and all its subsidiaries, as based on materiality and risk, these could individually or in aggregate have a material impact on the consolidated financial statements.

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 Group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
This key audit matter relates to the consolidated financial statements ***Allowance for Expected Credit Losses on Loans and Advances to customers***	
The Group adopted IFRS 9 - Financial Instruments (IFRS 9) for the first time in the 2019 reporting period. As a result, the accounting policies applicable to financial instruments have been amended. With the adoption of IFRS 9, the Group developed its own impairment model using an expert to calculate Expected Credit Losses ("ECL"). In determining the ECL, the following key judgements were applied by the Group: • 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"); • Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and • Establishing portfolios of similar loans and advances for the purposes of measuring ECL on a collective basis. We considered the allowance for expected credit losses on Loans and Advances to customers to be a matter of most significance to the current year audit due to the following: • The first time adoption of IFRS 9 by the Group, • The significant judgement and estimation applied by management in determining the PD, LGD and EAD, and • The significant judgement applied in determining the SICR thresholds.	Our audit procedures on the allowance for ECL on loans and advances to customers included the following: • We assessed the accounting policies relating to the determination of ECL on loans and advances to customers and found these to be in accordance with the requirements of IFRS 9. • We utilised our actuarial expertise to assess the appropriateness of the model used by the Group, with reference to IFRS 9, and whether management's model was consistently applied to all loans and advances portfolios. We found the model to be in line with the requirements of IFRS 9 and no material inconsistencies regarding the manner that the model was applied across the loans and advances portfolios were noted. • We tested, on a sample basis, the underlying information with respect to loans and advances and portfolios of loans and advances utilised in the model by agreeing to underlying accounting records and relevant supporting documents. No material differences were noted. • Using our actuarial expertise, we evaluated the reasonableness of key judgemental inputs used by management in the model, including: ○ the PDs applied; ○ the LGDs applied; ○ the EADs applied; and ○ the definition and application of SICR. The judgement applied was in line with our understanding. • We re-performed the valuation of the allowance for expected credit losses and compared our results to those of the Group. No material differences were noted.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Refer to the following disclosures in the consolidated and separate financial statements:
• Summary of significant accounting policies “8 Financial Instruments” and “13 Loans and advances to customers”;
• Critical accounting estimates and judgements in applying accounting policies, “(3) allowance for expected credit losses on loans and advances”;
• Financial risk management, “(b) Credit risk allowance for expected credit losses on loans and advances”
• Note “13 Loans and advances to customers”</td><td></td></tr>
<tr><td>This key audit matter relates to the separate financial statements

Assessment of impairment on intercompany loan receivable

Xtreme Discounters (Pty) Ltd (“Xtreme”) is a subsidiary of the Company which operates in South Africa. Due to continued operating losses incurred by Xtreme, management applied significant judgement in their impairment testing of loans to subsidiary at year end amounting to P114.47 million (ZAR151.77 million).

Based on the assessment performed by the management, no impairment was recognised on intercompany loan receivables in the current financial year.

We determined the impairment on intercompany loan receivables to be a matter of most significance to our current year audit due to the following:
• the first time adoption of IFRS 9 by the Company;
• the magnitude of the loan; and
• the degree of judgement and estimation regarding the ability to repay and forecasting of financial results which includes key inputs such as growth rate and discount rate</td><td>Our audit procedures addressed the areas of significant judgement and estimation in determining the ECL on loan receivables as follows:

• We assessed the accounting policies relating to the impairment of loans receivable and found these to be in accordance with the requirements of IFRS 9.

• Using our actuarial expertise, we assessed the reasonability of the ECL on loans receivable by evaluating management’s assessment of the recoverability of intercompany loans receivable. We found management’s judgement and estimation to be in line with our understanding and independent expectations.

• We tested management’s assessment of the ability of the subsidiary to repay the loan by comparison to net assets and forecast financial results of the counterparty. We assessed the reasonability of key inputs used by the</td></tr>
</table>

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Key audit matter	*How our audit addressed the key audit matter*
applied by management in determining the ECL. Refer to the following disclosures in the consolidated and separate financial statements: • Financial Risk Management "(b) credit risk - Impairment of intra-group receivables" • Note "10.2 - Investment in subsidiaries" • Note "14.1 - Receivable from related companies" • Note "21 (ii) receivable from related parties"	management in forecasting of financial results, such as growth rate and discount rate. We found these to be reasonable.

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 2019*", which we obtained prior to the date of this auditor's report. The other information does not include the consolidated or 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 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 that we 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 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 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's 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, related safeguards.

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.

PricewaterhouseCoopers

Individual practicing member: Rudi Binedell
Registration number: 20040091

Gaborone
13 February 2020

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 July 2019

		GROUP		COMPANY	
			Restated		
	Note	2019	2018	2019	2018
		P'000	P'000	P'000	P'000
Revenue	2	1 317 999	1 246 490	84 166	79 140
Cost of merchandise sold	3	(579 837)	(557 316)	-	-
Selling and distribution costs	3	(571 219)	(532 219)	-	-
Administrative expenses	3	(30 809)	(26 528)	(33 811)	(25 525)
Other income	3	37 702	24 415	2 445	720
Operating profit		173 836	154 842	52 800	54 335
Finance income	4	3 238	2 455	54	28
Finance costs	4	(15 755)	(17 204)	(23 034)	(18 824)
Share of profit/(loss) of associate	10	(59)	206	-	-
Profit before income tax		161 260	140 299	29 820	35 539
Income tax expense	5	(40 780)	(37 859)	(1 196)	(1 920)
Profit for the year		120 480	102 440	28 624	33 619
Other comprehensive income – items that may subsequently be reclassified to profit/ loss					
Currency translation differences		(13 834)	(2 627)	-	-
Total comprehensive income for the year		106 646	99 813	28 624	33 619
Earnings per share (thebe) – basic and diluted	6	21.75	16.89		

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
At 31 July 2019

		GROUP		COMPANY	
			Restated		
	Note	2019	2018	2019	2018
		P'000	P'000	P'000	P'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	86 177	79 137	1 819	1 768
Intangible assets	8	5 096	5 643	5 096	5 643
Investment in associate	10	134	725	-	-
Contract assets	11	42 031	51 595	-	-
Investment in subsidiaries	10	-	-	321 691	290 628
Deferred income tax	9	11 878	7 613	3 766	4 084
		145 316	**144 713**	**332 372**	**302 123**
Current assets					
Inventories	12	223 626	191 272	-	-
Loans and advances to customers	13	511 762	587 538	-	-
Other receivables	14	16 505	18 741	176 188	158 156
Income tax receivable	25	5 200	16 849	1 818	8 212
Cash and cash equivalents	15	91 008	133 121	1 359	15 110
		848 101	**947 521**	**179 365**	**181 478**
Total assets		**993 417**	**1 092 234**	**511 737**	**483 601**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	16	128 474	198 899	128 474	198 899
Other reserves		(39 092)	(25 258)	-	-
Retained earnings		612 704	596 939	417	9 399
Total equity		**702 087**	**770 580**	**128 891**	**208 298**
Non-current liabilities					
Borrowings	17	158 038	164 997	150 000	150 000
Deferred income tax	9	8 245	25 329	-	-
		166 283	**190 326**	**150 000**	**150 000**
Current liabilities					
Borrowings	17	6 638	15 293	-	7 282
Trade and other payables	18	88 864	83 681	230 356	116 067
Income tax payable	25	10 036	10 103	-	-
Accruals	19	19 509	22 251	2 490	1 954
		125 047	**131 328**	**232 846**	**125 303**
Total liabilities		**291 330**	**321 654**	**382 846**	**275 303**
Total equity and liabilities		**993 417**	**1 092 234**	**511 737**	**483 601**

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 July 2019

GROUP	Stated capital P'000	Foreign currency translation reserve P'000	Retained earnings P'000	Total P'000
Balance at 01 August 2017	198 899	(22 631)	529 006	705 274
Total comprehensive income for the year	-	(2 627)	107 940	105 313
Transactions with owners				
Dividends paid - final 2017	-	-	(13 645)	(13 645)
Dividends paid - interim 2018	-	-	(20 862)	(20 862)
Balance at 31 July 2018	**198 899**	**(25 258)**	**602 439**	**776 080**
Opening balance as previously stated	198 899	(25 258)	602 439	776 080
Prior year adjustment (note 27)	-	-	(5 500)	(5 500)
Balance as at 31 July 2018 restated	**198 899**	**(25 258)**	**596 939**	**770 580**
IFRS 9 transitional adjustment (note 26)	-	-	(67 110)	(67 110)
Adjusted 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)**	**612 705**	**702 087**

COMPANY	Stated capital P'000	Retained earnings P'000	Total P'000
Balance at 01 August 2017	198 899	10 287	209 186
Total comprehensive income for the year	-	33 619	33 619
Dividends paid - final 2017	-	(13 645)	(13 645)
Dividends paid - interim 2018	-	(20 862)	(20 862)
Balance at 31 July 2018	**198 899**	**9 399**	**208 298**
Balance at 01 August 2018	198 899	9 399	208 298
Dividends paid - prior year (gross)	-	(15 101)	(15 101)
Dividends paid - Interim (gross)	-	(22 505)	(22 505)
Total comprehensive income for the year	-	28 624	28 624
Repurchase of own share capital	(70 425)	-	(70 425)
Balance at 31 July 2019	**128 474**	**417**	**128 891**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 July 2019

		GROUP		COMPANY	
			Restated		
	Note	2019	2018	2019	2018
		P'000	P'000	P'000	P'000
Operating activities:					
Cash generated from operations	20	158 770	130 301	122 902	55 668
Income tax (paid) received (net)	25	(29 198)	(41 779)	5 198	(3 105)
Net cash generated from operating activities		**129 572**	**88 522**	**128 100**	**52 563**
Investing activities:					
Purchase of property, plant and equipment and intangibles	8	(34 424)	(32 922)	(1 597)	(2 991)
Disposals of property, plant, equipment		1 610	810	385	126
Dividend received on investment in subsidiary	21	-	-	27 083	26 825
Dividend received from associate	10	532	1 080	532	1 080
Investment in subsidiaries	10	-	-	(34 927)	-
Investment in other financial assets (net)	11	9 564	15 594	-	-
Interest received	4	3 238	2 455	54	28
Net cash (utilised in)/ generated from investing activities		**(19 480)**	**(12 983)**	**(8 470)**	**25 068**
Financing activities:					
Repurchase of own shares		(70 425)	-	(70 425)	-
Repayments on borrowings	17	(15 614)	(26 260)	(7 282)	(14 656)
Interest paid	4	(15 755)	(17 204)	(23 034)	(18 824)
Dividends paid	7	(37 606)	(34 507)	(37 606)	(34 507)
Net cash (utilised) in financing activities		**(139 400)**	**(77 971)**	**(138 347)**	**(67 987)**
Net increase/ (decrease) in cash and cash equivalents		(29 308)	(2 432)	(18 717)	9 644
Cash and cash equivalents at beginning of year		133 121	136 049	15 110	4 894
Exchange (loss)/gain on cash and cash equivalents of foreign subsidiaries		(12 805)	(496)	4 966	572
Cash and cash equivalents at end of year	15	**91 008**	**133 121**	**1 359**	**15 110**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
For the year ended 31 July 2019

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.

These financial statements have been approved by the board of directors on 10 February 2020.

1. 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 has applied the following standards and amendments for the first time for its annual reporting period commencing 1 August 2018:

IFRS 9, Financial instruments

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that had initially only two classification categories: amortised cost and fair value.

In July 2014, the IASB made further changes to the classification and measurement rules and introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduced:

- a third measurement category Fair Value through Other Comprehensive Income ("FVOCI") for certain financial assets that are debt instruments.
- a new expected credit loss ("ECL") model which involves a three stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment loss and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12-month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

New standards or amendments adopted for the first time (Continued)

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a transition date of 1 August 2018, and elected to apply the general approach available under the new standard which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of the standard, the Group elected not to restate comparative figures. The comparative period note disclosures repeat those of disclosures made in the prior period. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings. The Group does not hedge its financial risks and therefore hedge accounting is not relevant. The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. Set out under financial risk management-credit risk section and note 26 are disclosures relating to the impact of adoption of IFRS 9 on the Group.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 replaced the previous revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. IFRS 15 introduces a five-step approach to revenue recognition. Far more prescriptive guidance has been added to deal with specific scenarios.

The Group has applied IFRS 15 in accordance with the modified retrospective approach as per IFRS 15.C3 (b). Under this transition method, the Group elected to apply this Standard retrospectively only to contracts that are not completed at the date of initial application. The application of IFRS 15 had no impact on the opening balance of retained earnings at 1 August 2018 which is the date of initial application because there is no change in revenue recognition pattern for goods and services that are supplied and rendered by the Group. The application of IFRS 15 had no significant impact on the financial position and/or financial performance of the Group.

IFRIC 22 Foreign currency transactions and advance consideration

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

The Group adopted the new standards and there is no impact to the Financial statements and the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations that are applicable to the Group with an effective date after the date of these financial statements, have not been applied in preparing these consolidated and separate financial statements. These include:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

New standards and interpretations not yet adopted (continued)

IFRS 16 - Leases (effective for the Group for the financial year ending July 2020)

The objective of the project was to develop a new leases standard that sets out the principles that both parties to a contract, i.e. the customer (“lessee”) and the supplier (“lessor”) apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, IFRS 16 requires lessees to account for all leases under a single on balance sheet model in a similar manner to finance leases under IAS 17. The Group has an extensive operating lease portfolio, acting as lessee (refer to note 22). The application of IFRS 16 may result in changes in the manner in which such agreements are accounted for on a prospective basis (as and when new leases are entered into or leases existing at 1 August 2019 are modified). Given the prospective nature of application of this standard, the exact impact cannot be fully modelled at this time, however, management has assessed the likely impact of this accounting standard which has been disclosed under note 26.

Amendments to IAS 19 - Employee Benefits Plan Amendment, Curtailment or Settlement (effective for the Group for the financial year ending July 2020)

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

2 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 seperate 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	2019	2018
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.

3 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

4 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.

5 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 perfomance 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 intiation 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
Overtime on the accrual 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.

The accounting policy has been applied prospectively from 1 August 2019 (refer "Basis of preparation" and Note 26 Changes in accounting policies) and thus do not apply to comparative information. The accounting policy relevant to comparative information was set out in the 2018 Annual Report.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

6 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.

7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less depreciation. 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.

Leasehold land is depreciated over the lease period.

Depreciation on other 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

7 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.

8 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

8 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.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The accounting policy has been applied prospectively from 1 August 2019 (refer "Basis of preparation" and Note 26 Changes in accounting policies) and thus do not apply to comparative information. The accounting policy relevant to comparative information was set out in the 2018 Annual Report.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

9 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.

10 ACCOUNTING FOR LEASES

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.

11 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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

12 INVENTORIES

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined by the first in first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses and provision for obsolesence.

13 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.

The accounting policy with respect to loan impairment provision does not apply to comparative information (refer 8 Financial Instruments)

14 OTHER RECEIVABLES

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

15 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.

16 STATED CAPITAL

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

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

17 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.

18 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; 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.

19 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.

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.

When a foreign entity is sold, exchange differences that were recorded in equity are recognised in the Statement of Comprehensive Income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

20 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.

(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.

21 RELATED PARTY TRANSACTIONS

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

22 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
For the year ended 31 July 2019

23 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.

24 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.

25 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
For the year ended 31 July 2019

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 foward looking information.

For details of transition events taken into consideration refer to note (b)i. under the financial risk management note to the consolidated and separate financial statements (pages 37 and 38).

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.

The adoption of the new standard resulted in a change in accounting policy, (see the related disclosure from page 37 and assesment of impact in note 26).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)
For the year ended 31 July 2019

4 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, 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 6.0%
- discount rate of 14.61%

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 1.0%
- discount rate of 17.9%

5 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 for 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 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 oustanding.

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

FINANCIAL RISK MANAGEMENT
For the year ended 31 July 2019

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. As part of this process, the Group has taken decisions not to sell short assets it does not have, or does not know it will have in the future. 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	
		2019	2018	2019	2018
		P'000	P'000	P'000	P'000
Amount subject to foreign currency rate risk					
Namibian Dollar	– Net investment in foreign operations	227 901	286 003	55 494	55 850
	– Imports of merchandise	(22 889)	(28 030)	-	-
South African Rand	– Net investment in foreign operations	185 609	200 228	72 570	83 969
	– Imports of merchandise	(51 278)	(59 804)	-	-
Amount subject to cash flow interest rate risk					
In Namibia		-	1 226	-	-
In South Africa		14 677	21 710	-	-
In Botswana		-	7 282	144 640	140 701

FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

a) Market Risk (continued)

	GROUP		COMPANY	
	2019	2018	2019	2018
	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	10,251	12 899	2,643	2 810
+/ (-) 5% Pula to South African rand	6,288	6 449	3,456	3 999
+/ (-) 5% Pula to Zambian kwacha	-	8	-	8
Interest rate sensitivities				
1% increase/ (decrease) in Botswana interest rates	-	73	1 446	1 334
1% increase/ (decrease) in Namibian interest rates	-	12	-	-
1% increase/ (decrease) in South African interest rates	147	217	-	-

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 2019.

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.

FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

b) Credit risk (continued)

The maximum amount subject to credit risk is as follows:

	GROUP		COMPANY	
		Restated		
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Contract assets	42 031	51 595	-	-
Loans and advances to customers - Gross	765 655	745 296	-	-
Staff advances and other receivables (inludes related parties)	16 505	18 741	176 188	158 156
Cash and cash equivalents (exclude petty cash)	90 970	133 085	1 359	15 110
	915 161	948 717	177 547	173 266

Staff advances are recovered through direct deduction from monthly salary and wages payments and procedures are in place to ensure full recovery of amounts due upon termination of service. Historically, the Group has not experienced any significant credit losses with respect to staff advances and none are anticipated at the year-end date.

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 perfomed an assessment of its inter-company receivables, for both the Group and the Company, taking into account foward 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 perfomance 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.

FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

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 Group adopted an IFRS 9 impairment model in the current year and elected not to adopt it retrospectively. The process and methodology adopted in assessing impairment on loans and advances is as follows:

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

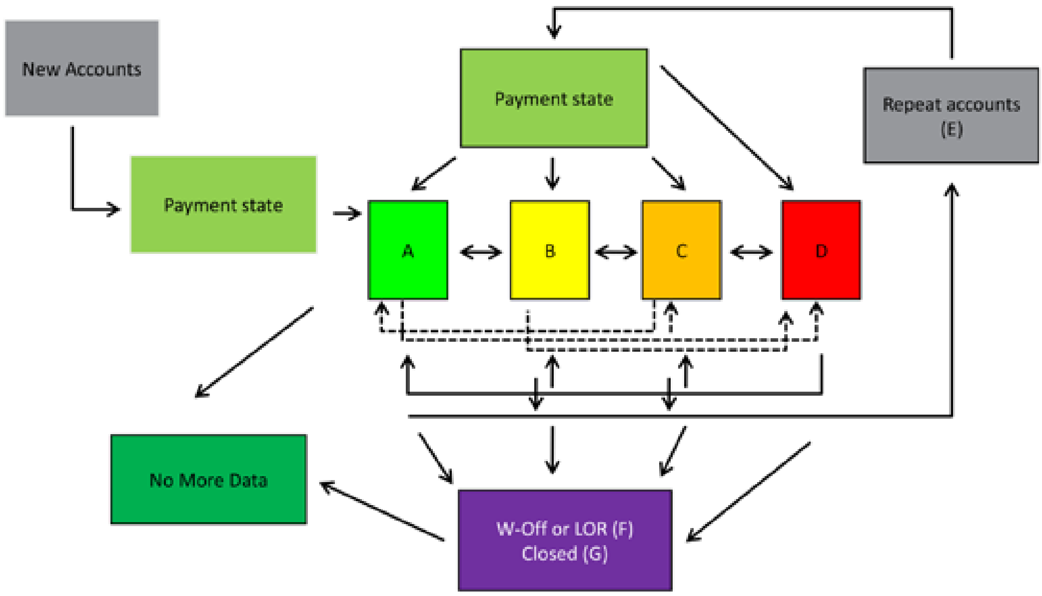
- These events result in accounts moving between payment arrear states over time and eventually being captured within a final state both as paid- up and consequently closed or having been written off. The survivorship of the account is therefore modelled with allowance for movements between specified 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.

FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

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.



FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

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.

FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

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 2018 and 31 July 2019 was determined as follows for trade receivables:

31-Jul-19 Arrear days	A	B	C	D	9-S	Total
Effective ECL Rate						
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%	
	P'000	P'000	P'000	P'000	P'000	P'000
Gross carrying amount – trade receivables						
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**

1 August 2018 Arrear days	A	B	C	D	9-S
Effective ECL Rate					
Furnmart	10%	26%	32%	39%	63%
Home Corp	5%	15%	23%	54%	97%
Country ECL range	8% to 13%	21% to 34%	27% to 41%	33% to 47%	58% to 72%

FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

b) Credit risk (continued)

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

1 August 2018	A	B	C	D	9-S	Total
	P'000	P'000	P'000	P'000	P'000	P'000
Gross carrying amount – trade receivables						
Furnmart	544 926	67 613	43 944	38 673	204 337	899 493
Home Corp	69 525	5 322	2 822	1 885	10 165	89 719
	614 451	**72 935**	**46 766**	**40 558**	**214 502**	**989 212**
State ratio - Gross	62%	7%	5%	4%	22%	100%
Country State range	53% to 74%	7% to 8%	4% to 6%	3% to 5%	13% to 32%	
Loss allowance						
Furnmart	54 949	17 334	14 174	14 894	128 475	229 826
Home Corp	3 314	819	653	1 017	9 910	15 713
	58 263	**18 153**	**14 827**	**15 911**	**138 385**	**245 539**

The loss allowances for trade receivables as at 31 July reconcile to the opening loss allowances as follows:	2019	2018
	P'000	P'000
Opening balance calculated under IAS 39	**157 758**	**144 616**
Amounts restated through opening retained earnings – Transitional IFRS 9 Adjustment	87 780	-
Opening loss allowance as at 1 August – calculated under IFRS 9	**245 538**	**144 616**
Write-offs during the period	(50 755)	(44 038)
Increase/(Decrease) in receivable loss allowance recognised during the period	58 535	56 890
Exchange movement on translation of foreign subsidiaries	575	290
Closing balance at 31 July	**253 893**	**157 758**

Reconcilliation of net impact of IFRS 9 adjustment on statement of changes in equity as at 1 August 2018	2019
	P'000
IFRS 9 transitional adjustment	**87 780**
Deferred tax	(20 671)
Net impact in statement of changes in equity	**67 110**

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.

FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

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	Total P'000
31 July 2019				
Borrowings	3 405	3 233	158 038	164 676
Interest	6 758	6 599	501	13 858
Trade and other payables	108 374	-	-	108 374
	118 537	9 832	158 539	286 908
31 July 2018				
Borrowings	13 896	1 397	164 997	180 290
Interest	7 229	6 785	682	14 697
Trade and other payables	105 932	-	-	105 932
	127 057	8 182	165 679	300 919

COMPANY	less than 6 months P'000	6 - 12 months P'000	Between 1-5 years P'000	Total P'000
31 July 2019				
Borrowings	-	-	150 000	150 000
Interest	6 150	6 150	-	12 300
Trade and other payables	232 846	-	-	232 846
	238 996	6 150	150 000	395 146
31 July 2018				
Borrowings	7 282	-	150 000	157 282
Interest	6 150	6 150	-	12 300
Trade and other payables	118 021	-	-	118 021
	131 453	6 150	150 000	287 603

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.

FINANCIAL RISK MANAGEMENT (continued)
For the year ended 31 July 2019

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 2019 and 2018 were as follows:

	GROUP		COMPANY	
		Restated		
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Total borrowings	164 676	180 290	150 000	157 282
Less: Cash and cash equivalents	(91 008)	(133 121)	(1 359)	(15 110)
Net debt	73 668	47 169	148 641	142 172
Total equity	702 086	770 580	128 891	208 298
Total capital employed	**775 754**	**817 749**	**277 532**	**350 470**
Gearing ratio	**9%**	**6%**	**54%**	**41%**

f) Financial instruments by category

	GROUP		COMPANY	
		Restated		
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Financial assets by category				
Loans and receivables				
- Other Receivables	-	8 276	-	157 799
- Loans and advacnes to customers	-	587 538	-	-
- Cash & cash equivalnet	-	133 121	-	15 110
Total	**-**	**728 935**	**-**	**172 909**
Amortised cost				
- Other Receivables	12 318	-	172 646	-
- Loans and advacnes to customers	511 762	-	-	-
- Cash & cash equivalnet	91 008	-	1 359	-
- Contract assets - cell captive	42 031	51 595	-	-
Total	**657 119**	**51 595**	**174 005**	**-**
Financial liabilities by category				
Financial liabilities at amortised cost				
Borrowings	164 676	180 290	150 000	157 282
Trade and other payables	108 374	105 931	232 846	118 021
Total	**273 050**	**286 221**	**382 846**	**275 303**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2019

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 2019 is as follows:

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)**	**(37 791)**	**(291 331)**

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 2019

1. Segment information (continued)

Year ended 31 July 2018	Retail	Financial Services	Unallocated	Total
	P'000	P'000	P'000	P'000
Total revenue	**847 030**	**399 460**	**-**	**1 246 490**
Depreciation	(21 543)	-	-	(21 543)
Impairment and write off loans and advances	-	(91 218)	-	(91 218)
Other costs	(821 777)	(173 702)	(8 373)	(1 003 302)
Other income	5 254	19 161	-	24 415
Operating profit	**9 514**	**153 701**	**(8 373)**	**154 842**
Finance income				2 455
Finance cost				(17 204)
Share of profit from associate				206
Profit before tax				**140 299**
Income tax expense				(37 859)
Net profit for the year				**102 440**
Total assets	**398 194**	**639 133**	**54 907**	**1 092 234**
Total liabilities	**(80 414)**	**(183 557)**	**(57 683)**	**(321 654)**

2. Revenue

	GROUP		COMPANY	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Merchandise sales	887 529	847 030	-	-
Financing services (net)	374 008	344 393	-	-
Ancillary services	56 462	55 067	-	-
Interest income – subsidiaries (note 21)	-	-	29 316	29 205
Service fees – subsidiaries (note 21)	-	-	27 235	22 030
Dividend income – subsidiaries and associate (note 21)	-	-	27 615	27 905
	1 317 999	**1 246 490**	**84 166**	**79 140**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

	GROUP 2019 P'000	GROUP Restated 2018 P'000	COMPANY 2019 P'000	COMPANY 2018 P'000
3. Expenses by nature				
Cost of merchandise sold	579 837	557 316	-	-
Auditors' remuneration	2 533	1 747	85	142
Directors' remuneration and other managerial services (paid to related company) (note 21)	7 402	6 625	7 402	6 625
Depreciation on property, plant and equipment (note 8)	25 731	21 543	1 969	1 649
Rentals and rates	96 988	86 333	628	581
Impairment of loans and advances (note 13)	58 535	56 890	-	-
Impairment of intercompany receivables (note 14)	-	-	-	1 329
Repossession loss	44 688	34 328	-	-
Repairs and maintenance	3 641	4 584	20	21
Marketing	26 951	24 269	-	9
Professional and other service fees	3 820	4 061	929	934
Travel and transport	24 196	22 328	368	570
Branch and office administration expenses	33 658	31 944	223	268
Staff costs - salaries and wages	211 822	197 180	11 565	10 221
- welfare and terminal benefits (note 19)	3 591	6 066	775	985
Exchange losses	5 309	1 350	9 623	1 923
Distribution costs	41 315	35 848	-	-
Other expenses	11 848	23 651	224	268
Total cost of sales, distribution costs and administrative expenses	**1 181 865**	**1 116 063**	**33 811**	**25 525**
Other income				
Profit on sale of property, plant and equipment	1 116	405	261	126
Service fees (note 21)	3 272	3 241	594	594
Interest on staff loans	262	112	-	-
Income from cell captive (note 11)	30 090	19 161	-	-
Sundry income	2 962	1 496	1 590	-
	37 702	**24 415**	**2 445**	**720**
4. Finance income and costs				
Interest income - Bank deposit	3 238	2 455	54	28
Finance income	**3 238**	**2 455**	**54**	**28**
Interest expense - Bank overdraft	(268)	(279)	(30)	(9)
- Related party loans (note 21)	-	-	(9 630)	(4 939)
- Bank borrowings	(3 043)	(4 206)	(1 074)	(1 576)
- Finance leases	(61)	(158)	-	-
- Bond	(12 300)	(12 300)	(12 300)	(12 300)
- Others	(83)	(261)	-	-
Finance costs	**(15 755)**	**(17 204)**	**(23 034)**	**(18 824)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 July 2019

	GROUP		COMPANY	
		Restated		
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
5. Income tax expense				
Current income tax	40 945	32 074	-	-
Irrecoverable withholding taxes	878	5 664	878	5 664
Add: Net deferred tax charge/ (credit) for the year (note 9)	(1 043)	121	318	(3 744)
Tax charge to the Statement of Comprehensive Income	**40 780**	**37 859**	**1 196**	**1 920**
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	**161 260**	**140 299**	**29 820**	**35 539**
Tax calculated at domestic tax rates applicable (rate: 15%)	24 189	21 045	4 473	5 331
Expenses not deductible for tax	8	-	-	-
Income not subject to tax	-	-	(4 155)	(4 186)
Irrecoverable withholding taxes	878	5 664	878	5 664
Adjustment in respect of prior years	(890)	-	-	-
Effect of rates in non-IFSC entities	16 595	14 109	-	-
Tax effects of timing differences not recognised in the prior year	-	(2 959)	-	(4 889)
	40 780	**37 859**	**1 196**	**1 920**

Deferred tax assets not recognised relate to the estimated tax losses of entities within the Group which have not yet reached a stage of generating sustained taxable income. These losses amounting to P138 284 317 (2018: P146 433 364) do not expire and are to be offset against future taxable profits.

Furnmart Limited (the company) obtained IFSC status in 2013/2014 financial year and as a result income earned from outside of Botswana is taxed at a lower rate of 15%. Dividend income is not subject to income tax.

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).

	2019	Restated 2018
Net profit attributable to shareholders (P'000)	120 480	102 440
Weighted average number of shares in issue	553 834 127	606 446 080
Basic earnings per share (thebe)	**21.75**	**16.89**

7. Dividend paid and proposed

During the year ended 31 July 2019 an interim dividend of P22.505m was paid (2018: P20.862m) and a final gross dividend of P17.643 m was declared after the year end (2018: P15.101m).

	GROUP		COMPANY	
Dividend paid	2019	2018	2019	2018
	P'000		P'000	
Prior year final dividend	15 101	13 645	15 101	13 645
Current year interim dividend	22 505	20 862	22 505	20 862
	37 606	**34 507**	**37 606**	**34 507**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

8. Property, plant and equipment and intangibles

GROUP	Freehold land and building	Leased motor vehicles	Owned motor vehicles	Furniture and office equipment	Sub-Total	Developed Software	Total
	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Year ended 31 July 2019							
Opening net book amount	36 661	358	16 581	25 537	79 137	5 643	84 780
Exchange movement on translation of foreign subsidiaries	(1 067)	(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 charge	(771)	(104)	(7 553)	(15 618)	(24 046)	(1 685)	(25 731)
Net book amount	**34 823**	**206**	**19 681**	**31 467**	**86 177**	**5 096**	**91 273**
Year ended 31 July 2019							
Cost	40 981	3 440	53 227	140 905	238 553	16 941	255 494
Accumulated depreciation and amortisation	(6 158)	(3 234)	(33 546)	(109 438)	(152 376)	(11 845)	(164 221)
Net book amount	**34 823**	**206**	**19 681**	**31 467**	**86 177**	**5 096**	**91 273**
Year ended 31 July 2018							
Opening net book amount	37 537	1 526	15 151	17 325	71 539	4 398	75 937
Exchange movement on translation of foreign subsidiaries	(156)	(8)	(44)	(1 923)	(2 131)	-	(2 131)
Additions	86	-	7 935	22 295	30 316	2 606	32 922
Transfers		(450)	450	-	-	-	-
Disposals at cost	-	(593)	(1 922)	(31)	(2 546)	-	(2 546)
Depreciation on disposals	-	438	1 680	23	2 141	-	2 141
Depreciation and amortisation charge	(806)	(555)	(6 669)	(12 152)	(20 182)	(1 361)	(21 543)
Closing net book amount	**36 661**	**358**	**16 581**	**25 537**	**79 137**	**5 643**	**84 780**
Year ended 31 July 2018							
Cost	42 204	3 543	48 347	122 384	216 478	15 802	232 280
Accumulated depreciation and amortisation	(5 543)	(3 185)	(31 766)	(96 847)	(137 341)	(10 159)	(147 500)
Net book amount	**36 661**	**358**	**16 581**	**25 537**	**79 137**	**5 643**	**84 780**

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 2019

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

COMPANY	Owned motor vehicles P'000	Furniture and office equipment P'000	Sub-Total P'000	Developed Software P'000	Total P'000
Year 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	(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**
Year ended 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**
Year ended 31 July 2018					
Opening net book amount	1 584	87	1 671	4 398	6 069
Additions	324	61	385	2 606	2 991
Disposals at cost	(687)	-	(687)	-	(687)
Depreciation on disposals	687	-	697	-	687
Depreciation	(245)	(43)	(288)	(1 361)	(1 649)
Closing net book amount	**1 663**	**105**	**1 768**	**5 643**	**7 411**
Year ended 31 July 2018					
Cost	3 162	16 459	19 621	15 803	35 424
Accumulated depreciation	(1 499)	(16 354)	(17 853)	(10 160)	(28 013)
Net book amount	**1 663**	**105**	**1 768**	**5 643**	**7 411**

9. Deferred income tax

	GROUP		COMPANY	
	2019 P'000	Restated 2018 P'000	2019 P'000	2018 P'000
Deferred income tax assets	**11 878**	**7 613**	**3 766**	**4 084**
Deferred income tax liabilities	**8 245**	**25 329**	-	-
The movement on the deferred tax asset account is as follows:				
Balance at the beginning of the year	**7 613**	**1 718**	**4 084**	**340**
Statement of comprehensive income credit/(charge) (note 5)	(1 515)	5 902	(318)	3 744
Effect of IFRS 9 opening adjustment (note 26)	6 487	-	-	-
Exchange movement on translation of foreign subsidiaries	(707)	(7)	-	-
Balance at the end of year	**11 878**	**7 613**	**3 766**	**4 084**
The movement on the deferred tax liability account is as follows:				
Balance at the beginning of the year	**25 329**	**21 989**	-	-
Statement of Comprehensive Income charge/ (credit) (note 5)	(2 558)	6 023	-	-
Over provision in respect of prior years	-	(2 608)	-	-
Effect of IFRS 9 opening adjustment (note 26)	(14 184)	-	-	-
Exchange movement on translation of foreign subsidiaries	(342)	(75)	-	-
Balance at the end of year	**8 245**	**25 329**	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

	GROUP		COMPANY	
	2019	2018	2019	2018
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	1 951	3 770	177	241
Recognition of previously unrecognised deferred taxes	5 618	-	-	-
Deferred tax on tax losses	3 589	3 843	3 589	3 843
Lease and other adjustments	720	-	-	-
	11 878	**7 613**	**3 766**	**4 084**
This deferred tax asset is expected to be recovered within 12 months.				
The deferred income tax liability arises from the following:				
Accelerated tax depreciation	1 607	1 270	-	-
Instalment sale allowance on loans and advances	6 437	24 107	-	-
Lease and other adjustments	201	(48)	-	-
	8 245	**25 329**	-	-
This deferred tax liability is expected to be settled after 12 months.				
10 Investment				
10.1 Investment in associate	134	725	-	-
The nominal value of investment in associate is as follows:				
United Impex (Pty) Ltd				25
Investment in associate				
Balance at beginning of the year	725	1 599	-	-
Dividend received (note 21)	(532)	(1 080)	-	-
Share of profit/ (loss) for the year	(59)	206	-	-
Balance at the end of year	**134**	**725**	-	-

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 2019	As at 31 July 2018
	P'000	P'000
Assets		
Cash and cash equivalents	182	152
Other assets	436	527
	618	679
Liabilities		
Trade and other payables	82	82
Net assets	536	597
Revenue (net)	-	834
Profit before tax	(64)	811
Income tax expense	-	(12)
Total comprehensive income	(64)	799

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

	COMPANY 2019 P'000	COMPANY 2018 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)	161 942	142 099
Investment in Furnmart (Pty) Ltd, South Africa (Debt)	30 168	15 534
Investment in Xtreme Discounters (Pty) Ltd, South Africa (Debt)	114 472	117 886
Total investment in subsidiaries before impairment	**321 691**	**290 628**
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, before impairment	290 628	291 200
Investment during the year - Xtreme Discounters (Pty) Ltd, South Africa	19 843	-
Loans given to subsidiaries considered as part of investment		
- Furnmart (Pty) Ltd, South Africa	15 084	-
Exchange gain arising from loans considered as part of investment	(3 864)	(572)
Balance at the end of year	**321 691**	**290 628**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

11. Contract assets

	GROUP		COMPANY	
		Restated		
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
Investment in cell captive	**42 031**	**51 595**	**-**	**-**
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	51 595	67 189	-	-
Net income earned by Group (note 3)	30 090	19 161	-	-
Premium charges deposited - net of claims and costs	(39 654)	(34 755)	-	-
Balance at end of year	**42 031**	**51 595**	**-**	**-**

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 2019

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	
		Restated
	2019	2018
	P'000	P'000
Total assets of the unconsolidated structured entities (aggregate amount)	42 031	51 595
The carrying amount of the investment recognised by the Company	42 031	51 595

The Company has not provided, nor intends to provide any financial support or other significant support to the unconsolidated structured entities above, without contractual obligation.

12. Inventories

Merchandise	**223 626**	**191 272**

Inventory is carried at net realisable value after deducting provision for obsolescence amounting to P8.2m(2018: P9.7m). Inventories with a value of P50.0m(2018: P50.0m) are held as collateral for borrowings as set out in note 17. Cost of inventories sold is recognised as expense and included in note 3.

13. Loans and advances to customers

Trade receivables – gross	1 007 342	989 212
Unearned finance and other charges	(241 687)	(243 916)
	765 655	745 296
Impairment provision on originated loans	(253 893)	(157 758)
	511 762	**587 538**
Impairment provision on originated loans		
Opening balance	157 758	144 616
IFRS 9 adjustment	87 781	-
Write offs during the year	(50 755)	(44 038)
Charge for the year (note 3)	58 535	56 890
Exchange movement on translation of foreign subsidiaries	574	290
Closing balance	**253 893**	**157 758**
Unearned finance and other charges		
Opening balance	243 916	205 803
Additions during the year	371 779	382 506
Earned during the year (note 2)	(374 008)	(344 393)
Closing balance	**241 687**	**243 916**

Loans and advances to customers are collateralised against the merchandise purchased by customers.
As there is no observable market for instalment sale and loan receivables of the nature that the Group holds, fair value is not readily available and consequently a valuation could be misleading.

Gross trade receivables up to P120.25m (2018: P199.27m) are held as collateral for borrowings as set out in note 17.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
		P'000	P'000	P'000	P'000
14.	**Receivables and prepayments**				
	Staff loans	481	853	-	-
	Advances and prepayments	1 750	1 625	3 542	357
	Indirect taxes paid in advance	2 437	8 840	-	-
	Other receivables	11 175	7 369	-	35
	Related companies (note 14.1)	662	54	172 646	157 764
		16 505	**18 741**	**176 188**	**158 156**
14.1.	**Receivables from related companies**				
	Receivable from related companies	662	54	172 646	157 764
	Provision for impairment	-	-	-	-
	Net receivables (note 21)	**662**	**54**	**172 646**	**157 764**
	The movements of provision for impairment is as follows:				
	Brought forward provision	-	-	-	(33 597)
	Provision for the year	-	-	-	(1 329)
	Amount written off	-	-	-	34 926
		-	**-**	**-**	**-**
15.	**Cash and cash equivalents**				
	Bank balances	90 970	133 085	1 359	15 110
	Cash in hand	38	36	-	-
	Cash and bank balances	**91 008**	**133 121**	**1 359**	**15 110**
	For the purposes of the cash flow statement, the cash and cash Equivalents comprise the following:				
	Cash and bank balances	91 008	133 121	1 359	15 110
	Net cash and cash equivalents	**91 008**	**133 121**	**1 359**	**15 110**
16.	**Stated capital**				
	501 222 174 (2018: 606 446 080) issued and fully paid ordinary				
	Shares at no par value	**128 474**	**198 899**	**128 474**	**198 899**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
17.	**Borrowings**	P'000	P'000	P'000	P'000
	Current				
	Bank loan	6 380	14 554	-	7 282
	Finance lease liabilities	258	739	-	-
		6 638	15 293	-	7 282
	Non-current				
	Bank loan	8 038	14 734	-	-
	Finance lease liabilities	-	263	-	-
	Bond	150 000	150 000	150 000	150 000
		158 038	164 997	150 000	150 000
	Total borrowings	164 676	180 290	150 000	157 282
	All leases are repayable over 24 to 60 months, commencing at various dates from 1 April 2017. The lease liabilities are effectively secured over the capitalised leased assets (note 8).				
	Finance lease liabilities - minimum lease payments				
	Not later than one year	266	785	-	-
	Later than one year and not later than five years	-	271	-	-
		266	1 056	-	-
	Future finance charges on finance leases	(8)	(54)	-	-
	Present value of finance lease liabilities	258	1 002	-	-
	The present value of finance lease liabilities is as follows;				
	Not later than one year	258	739	-	-
	Later than one year and no later than five years	-	263	-	-
		258	1 002	-	-
	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 P178 533 979 (2018: P194 987 207).

Furnmart Limited on 18 October 2013 issued the second tranche of P 150m Notes. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

17. Borrowings (continued)

The Group's banking facilities are as follows:

(a) Short term facility of N$ 58m to finance working capital requirements with First National Bank of Namibia Limited at Namibian prime rate (currently 10.50% per annum). This facility is secured by cession of book debts and suretyship in the amount of N$60m from Furnmart Limited, Botswana. The outstanding balance as at 31 July 2019 is N$ nil (2018: 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 pair passu with Barclays Bank of Botswana Limited.

(c) Overdraft facilities with Barclays Bank of Botswana Limited amounting to P30.0m at Botswana prime rate (currently at 6.5% per annum) less 1%. The outstanding balance as at 31 July 2019 is P nil (2018: 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 Barclays Bank of Botswana shall rank pair passu with Rand Merchant Bank of Botswana.

(e) Letter of Credit facility amounting to USD 0.3 m with Barclays Bank of Botswana Limited. The outstanding balance as at 31 July 2019 is P nil (2018: P nil)

(f) Term loan facility of R 40.0m from Nedbank Limited. The loan bears interest at South African prime rate (currently 10.0% per annum) less 1% 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 2019 is R 11.6 m (2018: R 16.2m).

(g) Term loan facility of R 5.0m from Nedbank Limited. The loan bears interest at South African prime rate (currently 10.0% per annum) less 1% and is repayable in 84 months ending December 2020 and secured by a bank guarantee from First National Bank of Botswana Limited. The outstanding balance as at 31 July 2019 is R 1.7 m (2018: R 2.7 m).

(h) Term loan facility of R 10.0m from Nedbank Limited. The loan bears interest at South African prime rate (currently 10.0% per annum) less 1% is repayable in 84 months ending March 2022 and is secured by a bank guarantee from Barclays Bank of Botswana Limited. The outstanding balance as at 31 July 2019 is R 5.9 m (2018: R 7.7 m)

(i) General banking facility by way of overdraft and/or letters of credit and/or forward exchange contract facility amounting to R6 m at Nedbank Limited at South Africa prime rate (currently 10.0% per annum for Furnmart (Pty) Ltd). This is secured by a general notorial bond over stock limited to the facility of R 6 m and limited suretyship. The outstanding balance as at 31 July 2019 is R nil (2018:R 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 2019 is R 0.3 m (2018:R 1.2 m)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

	GROUP		COMPANY	
	2019	Restated 2018	2019	2018
	P'000	P'000	P'000	P'000
18. Trade and other payables				
Trade payables	47 349	49 855	313	-
Related companies (note 21)	1 091	188	224 240	111 801
Other payables	25 690	21 966	5 803	4 266
Deferred lease liabilities (note 22)	10 284	7 393	-	-
Amounts due to customers	4 450	4 279	-	-
	88 864	**83 681**	**230 356**	**116 067**
The carrying amount of trade payables approximate their fair values.				
19. Accruals				
Opening balance	22 251	16 807	1 954	2 330
Charge for the year (note 3)	3 590	6 066	775	985
Paid during the year	(6 332)	(622)	(239)	(1 361)
Closing balance	**19 509**	**22 251**	**2 490**	**1 954**
Accruals relate to the Group's liabilities to employees for compensated absences from work, contractual gratuities and statutory long-service benefits.				
20. Cash generated from operations				
Operating profit	**173 836**	**154 842**	**52 800**	**54 335**
Adjustment for:				
Dividend received (note 2)	-	-	(27 615)	(27 905)
Depreciation (note 8)	25 731	21 543	1 969	1 649
Profit on sale of property, plant and equipment (note 3)	(1 116)	(405)	(261)	(126)
Cash inflow before working capital changes	**198 451**	**175 980**	**26 893**	**27 953**
Changes in working capital:				
- loans and advances to customers, receivables and prepayments	(9 161)	(68 405)	(3 934)	(330)
- related party receivables	(607)	2 944	(14 882)	42 948
- inventories	(32 354)	3 827	-	-
- trade and other payables and accruals	2 441	15 955	114 825	(14 903)
Cash generated from operations	**158 770**	**130 301**	**122 902**	**55 668**
21. Related party transactions				
The Group is part of the CBH Group. Related parties comprise the directors and other entities with common directors and shareholders, and includes Afritec (Pty) Ltd and New African Properties Limited (NAP) . The following transactions were carried out with related parties:				
(i) Trade of goods and services				
- Rental paid to related parties	35 806	36 417	229	224

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

	GROUP		COMPANY	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
21. Related party transactions (continued)				
- Fees paid to Cash Bazaar Holdings (Pty) Ltd for managerial services rendered by directors and other senior staff*	7 402	6 625	7 402	6 625
- Service fees received from - Cash Bazaar (Pty) Ltd, Botswana	123	-	123	-
- Afritec (Pty) Ltd, Botswana	3 149	3 241	471	594
	3 272	**3 241**	**594**	**594**
- Xtreme Discounters (Pty) Ltd, South Africa	-	-	7 584	5 736
- Furn Mart (Pty) Ltd, Namibia	-	-	8 397	6 269
- Furniture Mart (Pty) Ltd, Botswana	-	-	11 254	10 025
	-	**-**	**27 235**	**22 030**
* 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. The company passes these on within service fee charged to the relevant companies				
(ii) Receivables from related parties: (note 14.1)				
Afritec (Pty) Ltd	604	-	604	-
Xtreme Discounters (Pty) Ltd, South Africa	-	-	64 676	40 416
Furn Mart (Pty) Ltd, Namibia	-	-	61 984	55 850
Furnmart (Pty) Ltd, South Africa	-	-	45 326	61 444
Nafprop (Pty) Limited, Botswana	56	54	56	54
Cash Bazaar (Pty) Ltd, Botswana	2	-	-	-
	662	**54**	**172 646**	**157 764**
(iii) Payable to related parties (note 18):				
Cash Bazaar (Pty) Ltd, Botswana	-	96	-	96
Cash Bazaar Holdings (Pty) Ltd, Botswana	1 091	-	1 091	-
Afritec (Pty) Ltd, Botswana	-	92	-	92
Furniture Mart (Pty) Ltd, Botswana	-	-	223 149	111 613
	1 091	**188**	**224 240**	**111 801**
(iv) Interest Income (note 2)				
Furn Mart (Pty) Ltd, Namibia	-	-	8 687	9 407
Xtreme Discounters (Pty) Ltd, South Africa	-	-	17 233	18 012
Furnmart (Pty) Ltd, South Africa	-	-	3 396	1 786
	-	**-**	**29 316**	**29 205**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

	GROUP 2019 P'000	GROUP 2018 P'000	COMPANY 2019 P'000	COMPANY 2018 P'000
21. Related party transactions (continued)				
(v) Dividend income (note 2)				
Furniture Mart (Pty) Ltd, Botswana	-	-	9 250	26 825
United Impex (Pty) Ltd, Botswana	532	1 080	532	1 080
Furn Mart (Pty) Ltd, Namibia	-	-	17 833	-
	532	**1 080**	**27 615**	**27 905**
(vi) Interest receivable from related parties (included in total receivables)				
Furn Mart (Pty) Ltd, Namibia	-	-	8 813	9 256
Xtreme Discounters (Pty) Ltd, South Africa	-	-	17 233	-
Furnmart (Pty) Ltd, South Africa	-	-	3 386	1 773
	-	**-**	**29 432**	**11 029**
(vii) Interest Expense (note 4)				
Furniture Mart (Pty) Ltd, Botswana	-	-	9 630	4 939

The receivable balances from Xtreme Discounters (Pty) Ltd, and Furnmart (Pty) Ltd, South Africa attract interest linked to the prime rate of South Africa, have no fixed repayment terms and are unsecured. These are denominated in Rands and considered as part of the company's net investments in subsidiaries.

The receivable balance from Furn Mart (Pty) Ltd, Namibia attracts interest linked to the prime rate of Namibia, has no fixed repayment terms and is unsecured.

The balance payable to Furniture Mart (Pty) Ltd, Botswana attracts interest linked to the prime rate of Botswana. The payable is unsecured and has no fixed repayment terms.

	GROUP 2019 P'000	GROUP 2018 P'000
22. Lease commitments		
The operating lease rental commitments of the Group are analysed as under:		
Up to one year	77 977	64 761
Between two and five years	162 932	127 608
More than five years	2 651	7 098
Total future cash flows	**243 560**	**199 467**
Straight lining already accrued (note 18)	(10 284)	(7 393)
Future expenses	**233 276**	**192 074**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

	GROUP		COMPANY	
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
23. Capital and loan commitments				
Capital expenditure authorised but not contracted for	50 468	41 442	795	615
Financing commitments to customers	2 380	1 929	-	-

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 2019: P12.71m(2018: P12.71m).

	GROUP		COMPANY	
		Restated		
	2019	2018	2019	2018
	P'000	P'000	P'000	P'000
25. Income Tax paid				
Balance brought forward (net)	(6 746)	(5 381)	(8 212)	(10 771)
Charge for the year (note 5)	40 780	37 859	1 196	-
Reversal of over provision adjustment	-	2 555	-	5 664
Balance carried forward(net)	(4 836)	6 746	1 818	8 212
Net income tax paid	**29 198**	**41 779**	**(5 198)**	**3 105**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

26. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9, Financial Instruments and IFRS 15, Revenue from contracts with customers, on the Group's consolidated financial statements and the Company's separate financial statements.

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

(a) IFRS 15 – Revenue from contracts with customers

Management believes that apart from providing more extensive disclosures on the Group's revenue transactions, the application of IFRS 15 had no significant impact on the Group and Company's financial position and financial performance. The cell captive arrangement will equally not have any impact to the Group's revenue transactions.

(b) IFRS 9 – Financial instruments

As previously mentioned in credit risk note (b), IFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the Statement of Financial Position as at 31 July 2018, but are recognised in the opening statement of Financial Position as at 31 July 2019, through the retained earnings account.

The adoption of IFRS 9 has resulted in changes to our accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets. Set out below are disclosures relating to the impact of adoption of IFRS 9 on the Group and Company.

(i) The total impact on the retained earnings

GROUP

	P'000
On 1 August 2018 (on transition)	
Expected credit loss on loans and advances to customers	87 781
Impact of deferred tax (note 9)	(20 671)
Decrease in retained earnings	67 110

COMPANY

No expected credit losses were measured in respect of the Company as there was no exposure on the financial assets subject to IFRS 9 assessment at the beginning and end of the period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

26. Changes in accounting policies (continued)

(ii) Classification and Measurement

Reconciliation of the reclassification and re-measurement of financial assets from IAS 39 to IFRS 9 as at 1 August 2018:

GROUP

	Previous measurement IAS 39 Loans and recievables P'000	New measurement IFRS 9 Amortised cost P'000	Re-measurement Changes adjustment to equity P'000	Change Attributable to
Contract assets	51 595	51 595	-	No change
Loans and advances to customers	587 538	499 758	87 780	Measurement attribute
Staff advances and other receivables	18 741	18 741	-	No change
Cash and cash equivalents	133 121	133 121	-	No change
	790 995	**703 215**	**87 780**	

COMPANY

	Previous measurement IAS 39 Loans and recievables P'000	New measurement IFRS 9 Amortised cost P'000	Re-measurement Changes adjustment to equity P'000	Change Attributable to
Contract assets	-	-	-	No change
Loans and advances to customers	-	-	-	No change
Staff advances and other receivables	158 156	158 156	-	No change
Cash and cash equivalents	15 110	15 110	-	No change
	173 266	**173 266**	**-**	

(iii) Reconciliation of the reclassification and re-measurement of the financial liabilities as a result of adopting IFRS 9 as at 1 August 2018

GROUP

	Previous measurement IAS 39 Amortised cost	New measurement IFRS 9 Amortised cost	Re-measurement Changes adjustment to equity	Change Attributable to
Trade and other payables	105 932	105 932	-	No change
Borrowings	180 290	180 290	-	No change
	286 222	**286 222**	**-**	

COMPANY

	Previous measurement IAS 39 Amortised cost	New measurement IFRS 9 Amortised cost	Re-measurement Changes adjustment to equity	Change Attributable to
Trade and other payables	118 021	118 021	-	No change
Borrowings	157 282	157 282	-	No change
	275 303	**275 303**	**-**	

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

26. Changes in accounting policies (continued)

New Standards and interpretations not yet adopted

Impact of new standard - IFRS 16 leases

General impact of application of IFRS 16 Leases
IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supercede the current lease guidelines including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of application of IFRS 16 for the Group will be 1 August 2019.

The Group has chosen the application of IFRS 16 in accordance with IFRS 16:C5 (b) with the cumulative effect being recognised at the date of initial application.

Impact of the new definition of a lease
The Group will make use of the practical expedient available on transition to IFRS 16 i.e. not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 August 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 August 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project.

The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Impact on lessee accounting

Operating leases
IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirements to recognize a provision for onerous lease contract.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 July 2019, the Group has operating lease commitments of P233 million for leases other than short-term leases and leases of low-value assets (note 22).

Based on provisional estimates, which are still being refined, the Group expects to recognise a right-of-use asset of P738 million and a corresponding lease liability in the same amount, in respect of all these leases on 1 August 2019.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

27. Correction of error in accounting for insurance contracts

The Group changed its agreement with Old Mutual Namibia with respect to the cell captive arrangement in Namibia during 2017. The agreement changed the accounting of the insurance income in the cell captive's accounting records from Gross upfront premiums to monthly premiums. The insurance certificate was changed to be in line with the insurance cover provided to customers. The remittance of premiums to the cell captive was to be based on a monthly perfect payment plan. The decision was taken after due consultation. Under this arrangement, the insurance income, risks, charges and claims are ring-fenced separately for Furnmart customers only. The change took effect on the 1st March 2017.Subsequent to the change, unearned insurance income was not systematically reversed from the Cell Captive Financial Statements. Consequently, the profit of the Cell Captive was materially understated in the financial year 2018, resulting in the over valuation of the investment in Furn Mart (Pty) Ltd in Namibia equivalent to the tax liability on such undistributed income.

This is considered to be an error in terms of IAS 8 Accounting policies, changes in accounting estimates and errors.

As the amount involved is material for the period presented, the comparative for the year ended 31 July 2018 have been restated as follows:

Statement of Comprehensive Income	As previously stated as at 31 July 2018 (P '000)	Adjustment (P '000)	Restated balance at 31 July 2018 (P '000)
Revenue	**1 246 490**	**-**	**1 246 490**
Cost of merchandise sold	(557 316)	-	(557 316)
Selling and distribution costs	(532 219)	-	(532 219)
Administrative expenses	(26 528)	-	(26 528)
Other income	32 503	(8 088)	24 415
Operating profit	**162 930**	**(8 088)**	**154 842**
Finance income	2 455	-	2 455
Finance costs	(17 204)	-	(17 204)
Share of (loss)/profit of associate	206	-	206
Profit before income tax	**148 387**	**(8 088)**	**140 299**
Income tax expense	(40 447)	2 588	(37 859)
Profit for the year	**107 940**	**(5 500)**	**102 440**
Other comprehensive income – items that may subsequently be reclassified to profit loss:			
Currency translation differences	(2 627)	-	(2 627)
Total comprehensive income for the year	**105 313**	**(5 500)**	**99 813**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 July 2019

27. Correction of error in accounting for insurance contracts (continued)

Statement of Financial Position	As previously stated as at 31 July 2018 (P '000)	Adjustment (P '000)	Restated balance at 31 July 2018 (P '000)
Assets			
Non-Current Assets			
Property, plant and equipment	79 137	-	79 137
Intangible assets	5 643	-	5 643
Investment in associate	725	-	725
Contract assets	59 683	(8 088)	51 595
Deferred income tax	7 613	-	7 613
	152 801	**(8 088)**	**144 713**
Current assets			
Inventories	191 272		191 272
Loans and advances to customers	587 538		587 538
Receivables and prepayments	18 741		18 741
Income tax receivable	14 261	2 588	16 849
Cash and cash equivalents	133 121		133 121
	944 933	2 588	947 521
Total assets	**1 097 734**	**(5 500)**	**1 092 234**
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	198 899		198 899
Other reserves	(25 258)		(25 258)
Retained earnings	602 439	(5 500)	596 939
Total equity	**776 080**	**(5 500)**	**770 580**
Non-current liabilities			
Borrowings	164 997	-	164 997
Deferred income tax	25 329	-	25 329
	190 326	**-**	**190 326**
Current liabilities			
Borrowings	15 293	-	15 293
Trade and other payables	83 681	-	83 681
Income tax payable	10 103	-	10 103
Accruals	22 251	-	22 251
	131 328	-	131 328
Total liabilities	**321 654**	**-**	**321 654**
Total equity and liabilities	**1 097 734**	**(5 500)**	**1 092 234**

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
Barclays Bank of Botswana Limited
First National Bank Limited
Bank Windhoek Limited
ABSA Bank Limited
Nedbank Limited
Standard Bank Limited
First Capital Bank Limited
BancABC Limited

Registered Office
Plot 50371
Fairground Office Park
Gaborone, Botswana
(PO Box 294, Gaborone, Botswana)

Secretary
DPS Consulting Services (Pty) Ltd
Plot 50371, Fairground Office Park
Gaborone, Botswana
(PO Box 1453, Gaborone, Botswana)

Transfer Secretaries
DPS Consulting Services (Pty) Ltd
Plot 50371
Fairground Office Park
Gaborone, Botswana
(PO Box 1453, Gaborone, Botswana)

Independent Auditors
PricewaterhouseCoopers
Plot 50371
Fairground Office Park
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Corporate Law Advisor
Neill Armstrong
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Tel: +267 395 2797

Trustee
Grant Thornton Business Services (Pty) Ltd
Plot 50370, Acumen Parks, Gaborone, Botswana
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Tel: +267 395 2313
Fax: +267 397 2353

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the company for the year 2019 will be held in the Board Room, Furnmart Limited, Plot 20573/4 Magochanyama Road, Gaborone at 15.00 hrs on 17 March 2020, 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 2019.

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 J T Mynhardt
   ii F B Lebala
   iii L G Waldeck

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 2019 (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 46).

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

10 February 2020

NOTICE OF ANNUAL GENERAL MEETING

BIOGRAPHICAL INFORMATION OF THE DIRECTORS STANDING FOR RE-ELECTION

John Tobias Mynhardt

Chairman [B. Comm (UCT)]

After completing his Bachelor of Commerce degree at the University of Cape Town in 1968, John Mynhardt started work in the family trading store in Francistown. He has remained involved in the Botswana retail industry ever since. During this time he has developed extensive business interests in Botswana and he remains actively involved as chairman of all the companies in the Cash Bazaar Holdings Group as well as and including Furnmart Limited and the companies in the group's Tourism and Hospitality division. During his career he has served as a member of the Francistown Town Council, the Boards of the Botswana Housing Corporation and First National Bank of Botswana. He is currently a member of the University of Botswana Council.

Fact Badzile Lebala

Non Executive Director

Fact Lebala left the Botswana Police Force after 28 years' of service with the rank of Superintendent of Police and was awarded the Police Medal for Long Service and Good Conduct. During this career he was Commanding Officer for all the major Police Districts in Botswana and was attached to Scotland Yard in London for nine months. He has retired from the CBH group after serving as a director in the group for over 29 years. He continues to be a board member in Furnmart Limited.

Leonard Godfrey Waldeck

Independent, Non Executive Director [Dip.Acc]

Len Waldeck has a Diploma in Accounting from Rhodes University (PE) & served his articles with Starling, Treasure, Blake and Company in Port Elizabeth. He has more than 23 years of experience in the furniture retail industry in credit, finance and retail operations. He has served in several different capacities, such as Financial Director, Group Credit Director & Joint Managing Director, with the Beares, McCarthy Retail, Relyant & Ellerines Groups until his retirement in 2007. He is also a member of the Institute of Directors, South Africa.

PROXY FORM

I/We____

Of____

Being the registered holder/s of___________________________ ordinary shares in the Company, at the close of business on Friday, 10 January 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 Tuesday, 17 March 2020, 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 re-elect the directors, who retire at the annual general meeting. i J T Mynhardt			
	ii F B Lebala			
	iii L G Waldeck			
4	To consider and ratify the directors' remuneration for the year ended 31 July 2019 (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 46).			
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.

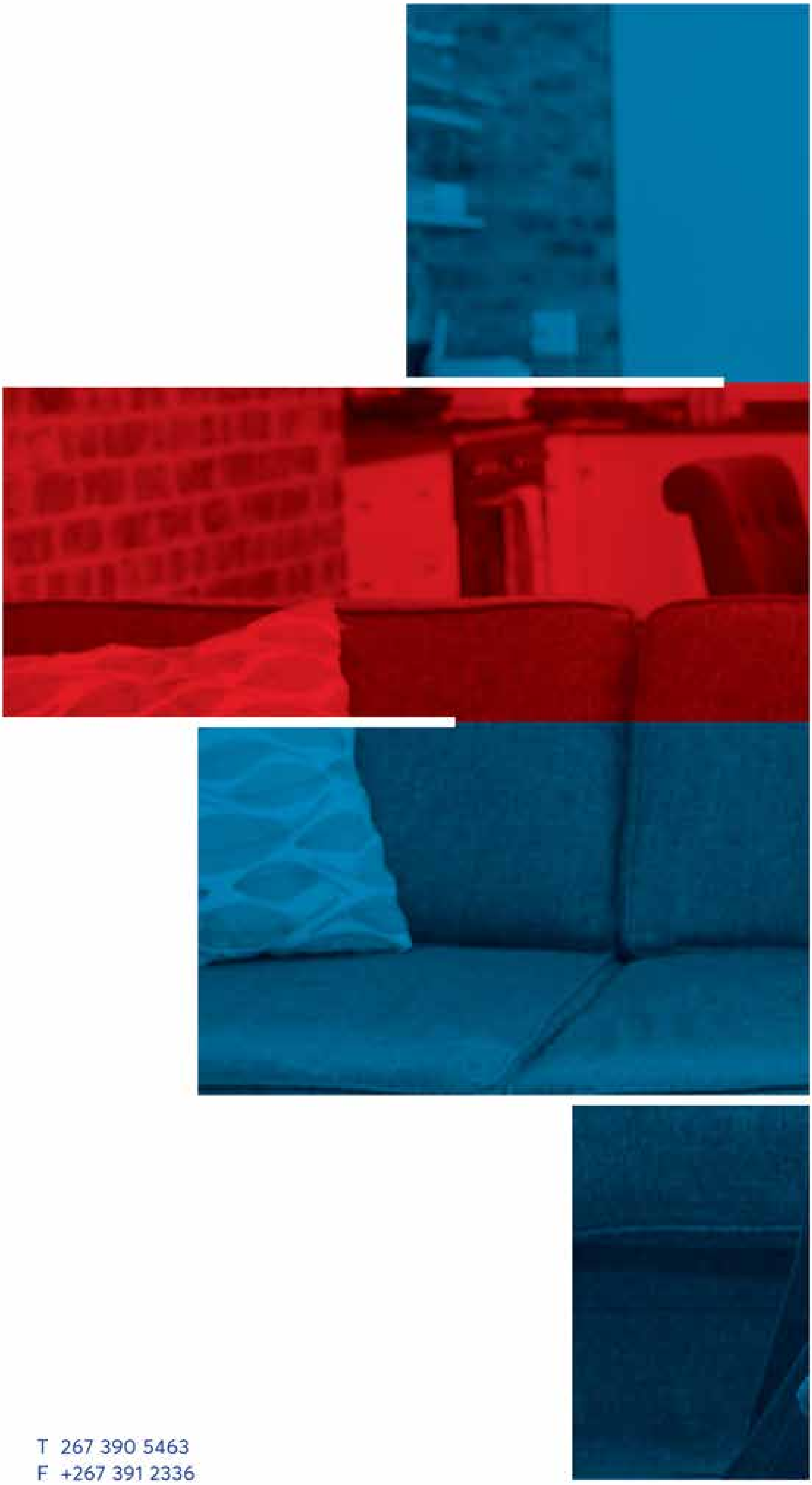
Registered office

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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