FURNMART LIMITED
AND ITS SUBSIDIARIES

ANNUAL REPORT
2023

NOTE PAGE

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*
L J Mynhardt (Alternative)

(*South African)
(^Indian)

Bankers

ABSA Bank Limited
First National Bank Limited
Nedbank Limited
Standard Bank Limited
First Capital Bank Limited
Access Bank Limited
Stanbic Bank Botswana Limited

Registered Office

Plot 28892 (Portion of plot 50370), Twin Towers,
Westwing-First Floor,Fairground Office Park,
Gaborone, Botswana
(P. O. Box 1453, Gaborone, Botswana)

Company Secretary

DPS Consulting Services Pty Ltd
Plot 28892 (Portion of plot 50370), Twin Towers,
Westwing-First Floor, Fairground Office Park,
Gaborone, Botswana
(P. O. Box 1453, Gaborone, Botswana)

Transfer Secretaries

DPS Consulting Services Pty Ltd
Plot 28892 (Portion of plot 50370), Twin Towers,
Westwing-First Floor,Fairground Office Park,
Gaborone, Botswana
(P. O. Box 1453, Gaborone, Botswana)

Independent Auditors

Ernst & Young
Chartered Accountants
2nd Floor
Plot 22, Khama Crescent
Gaborone, Botswana

Advisor Trustee

Grant Thornton Business Services Pty Ltd
Plot 50370, Acumen Parks, Gaborone, Botswana
P. O. Box 1157, Gaborone,
Tel: +267 395 2313

CONTENTS

DIRECTORS' REPORT

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 Home Corp super stores, located in Gaborone, Windhoek and Swakopmund are aimed at the middle to higher income market. Furnmart Limited strives to establish lasting relationships with its customers through its 'value for money' and 'smart credit' policies. Furnmart Limited ("the company") is incorporated in the Republic of Botswana and is the holding company.

SHARE CAPITAL

The issued ordinary shares of the company is 501 222 174 (2022: 501 222 174).

DIVIDEND

A gross interim dividend of 3.0 thebe per share was declared and paid to the shareholders registered as at 28th April 2023. (In July 2022: a dividend of 3.01 thebe per share was paid)

A final gross dividend of 11.50 thebe per share was proposed by the directors on 20th October 2023.

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

SUBSIDIARY COMPANIES

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

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

DIRECTORS

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* ¶
L J Mynhardt (Alternative) ¶
F B Lebala ¶
JP McLoughlin* #
S Venkataramani^ ¶
L G Waldeck* #

* South African, ^Indian ¶ Non-Executive
\# Independent, non-executive

As per article 53 and 55 of the Constitution of the company, the following directors will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election:

T L J Mynhardt
F B Lebala
S Venkataramani

DIRECTORS' INTERESTS

The aggregate number of shares directly held by the directors was Nil at 31 July 2023 and Nil at 31 July 2022. Directors indirectly held 462 105 610 shares at 31 July 2023 and 462 105 610 shares at 31 July 2022.

DIRECTORS' REPORT (CONTINUED)

COMPANY SECRETARY

The company secretary is DPS Consulting Pty Ltd.

BOARD MEETINGS AND ATTENDANCE

Name	Board	Risk, Audit and Compliance Committee(RACC)	Credit Committee
JT Mynhardt*	0 (3)		
FB Lebala	1 (3)		
JP McLoughlin	3 (3)	3 (3)	3 (3)
TLJ Mynhardt	3 (3)		
DS le Roux	3 (3)		3 (3)
E Odendaal	2 (3)		
S Venkataramani	3 (3)	3 (3)	3 (3)
LG Waldeck	3 (3)	3 (3)	3 (3)
LJ Mynhardt*	3 (3)		

(The number in brackets represents the number of meetings held during the office of the member)
* LJ Mynhardt attended as alternate to JT Mynhardt.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The directors of Furnmart Limited are responsible for the preparation, integrity and objectivity of the annual 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 2024 and are satisfied that the company and its subsidiaries have adequate resources in place to continue in operation for the foreseeable future. The annual financial statements have therefore been prepared on the going concern basis.

The Board of Directors approved and authorised for issue the annual financial statements presented on pages 12 to 55 on 20th October 2023.

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events that occurred between the year end and the date these financial statements were approved.

On behalf of the Board

D S le Roux
Managing Director

T L J Mynhardt
Deputy Chairman

DIRECTORS' PROFILES

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 both the Francistown Town Council and the University of Botswana Council. Mr. Mynhardt has also served as a Board member of the Botswana Housing Corporation, and First National Bank of Botswana.

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

Tobias Mynhardt is the Deputy Chairman of the CBH Group which has investments in several industries including property, retail, tourism, hospitality, building manufacturing and supplies and financial services. He has assumed responsibility for various CBH Group divisions since being appointed a director in 2003.

Mr Mynhardt assisted with the listing of Furnmart in 1998 and joined the management team in 2006. He was appointed Deputy Managing Director of Furnmart in 2007 and was Managing Director from 2009 until his appointment as Deputy Chairman in 2016. Mr Mynhardt led the 2011 listing of New African Properties Limited and has been Managing Director of this associated company since. Mr Mynhardt's early career encompassed a broad exposure to the investment industry through an investment advisory and fund of hedge funds firm in London, following the completion of his master's in economics from the London School of Economics.

Daniel Servaas le Roux (Managing Director [B. Com (Hons- UJ) (Financial Management), M. Com (Business Management), ACMA])

Serniel le Roux has more than 27 years' experience in the furniture retail industry and joined the Furnmart Group in 2011. His experience includes statutory reporting, financial accounting, management accounting, treasury, micro-lending, and general management. Serniel has extensive knowledge of Southern African furniture retail markets. He was appointed as Managing Director in July 2016.

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 28 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) and served his articles with Starling, Treasure, Blake, and Company in Port Elizabeth. He has more than 26 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 was also a member of the Institute of Directors, South Africa.

Jerome Patrick McLoughlin (Independent, Non-Executive Director [B. Com, Dip Acc (Natal), CA (SA)])

Jerome McLoughlin is a qualified Chartered Accountant and completed articles with Deloitte (Durban). He started a career)in public audit practice and currently serves as a director of a firm of registered auditors known as Hodkinson Inc. He also serves as a non-executive director to companies and as trustee on several trusts. He has substantial experience in an advisory capacity and in property investment.

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

Subbarao Venkataramani qualified as a Chartered Accountant in 1978. He has more than 42 years of experience in financial management, treasury, and accounting as head of finance in various listed companies. He joined Furnmart in May 1998 as Group Financial Manager. He became Chief Financial Officer of Furnmart Group in 2007. He was fully involved in the implementation of Argility Furniture Retail operations and information systems and involved in the issue and listing of rights shares and bonds. He was appointed as the Finance Director on 15 August 2011, and he continued till 12 July 2016 when he relinquished his position as head of finance. He continues to be a board member in Furnmart Limited.

Eric Odendaal (Non-Executive Director)

Eric Odendaal joined Furnmart in August 1997 as Group Operations Manager. He has overseen the expansion of the business in Botswana and RSA and was fully involved in the opening of Home Corp Stores in both these countries. He has more than 43 years of experience in the furniture retail industry. He retired in 2019 and continues to be a non-executive director.

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 group - ensuring that the cost of compliance does not come at the expense of enterprise.

The focus has been to achieve an appropriate balance between best governance practices, guided by the principles of the King III Code of Corporate Governance, and the risk of overburdening the company with requirements and costs that could adversely impact stakeholders by detracting from the board's primary responsibilities. The board has recognised that its focus should remain on the key strategic and commercial elements of the business and ensure that this focus is not diluted. King III recognises this risk and states: *"The cost of compliance is burdensome, measured both in terms of time and direct cost. Further, the danger is that the board and management may become focused on compliance at the expense of enterprise. It is the duty of the board of a trading enterprise to undertake a measure of risk for reward and to try to improve the economic value of a company. If the board has a focus on compliance, the attention on its ultimate responsibility, namely performance, may be diluted."*

The group operates a well-established business, which commenced operations in 1974 and has expanded to what it comprises today under the stewardship of the Board, who have always had a focus on sustainability of the business and all that it involves, for its various stakeholders. Enhancements have been made to the governance framework over time as appropriate for the business. The board has reviewed the principles of King III and continues to assess the appropriateness of any potential gaps. It is understood that this is not a static process and that the specific actions taken may need to evolve over time. In line with King III, we set out below the key exceptions and relevant explanations:

Principle	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. The Board is satisfied that risks are adequately addressed in this fashion. The risk, audit and compliance committee (RACC), continuously monitors the need for an internal audit function.
2.16	Independent non-executive Chairman of the Board	Mr. JT Mynhardt is not independent as defined by King III; however, as founder of the Group, he is in the best position to challenge the management team and deliver economic value to all stakeholders. He refrains from discussions where there may be a conflict. The Board is considering the appointment of a Lead Independent Director.
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, ensuring a balance of power.
2.23	No nomination and remuneration committees	The Board will consider the establishment of a nomination committee, at such times as there are vacancies on the board. The Board, after due consideration, decided against the formation of a remuneration committee, as it is satisfied that the current practice, where remuneration is reviewed by the Deputy Chairman and the MD, is sufficient.
2.26	Disclosure of remuneration of individual directors and officers	Information is disclosed in the aggregate, as the Board believes that disclosure of the remuneration of key individuals, will put the Group at a competitive disadvantage. Non-disclosure is in the best interests of the company.
9.1.3	No integrated report	The Board believes that the publication of an integrated report will compromise the Group's competitive advantage and not be in the best interests of the company.
2.20	Induction and ongoing training through formal processes.	Even though no formal training is conducted, all directors have many years of experience in the retail industry. Any changes in legislation are discussed at board and committee level.

RISK, AUDIT & COMPLIANCE COMMITTEE REPORT

Role of Committee

The primary role of the Risk, Audit and Compliance Committee (RACC) is to provide the Board with additional assurance regarding the financial information used by the Board, to propose the appointment of and liaise with the external auditor and to assist the Board in discharging its responsibility with respect to risk and compliance.

Composition, attendance and frequency of meetings:

The RACC comprises of three non-executive directors, two of which are independent. The Deputy Chairman, Managing Director, Chief Financial Officer, the group's auditor and other relevant directors and senior management, attend by invitation. The RACC sets out to meet at least thrice per annum. The group's auditor is given the opportunity to discuss any items considered relevant, without the invitees being present.

During the year, three meetings were held and there was full attendance from committee members. Neither the RACC nor the external auditors considered it necessary to meet without the invitees, during the year under review.

Scopes and responsibilities:

The RACC considers its scope and responsibility to comprise the following:

- **Financial results and reports:**
  - Consider indicators relevant to the going concern assumption;
  - Oversee the annual report and recommend approval to the board;
  - Recommend approval of financial results to the board;
  - Agree and recommend accounting policies to the board;
  - Consider the appropriateness and disclosure of related party transactions.
- **Compliance:**
  - Reviewing and monitoring the company's overall system of internal control;
  - Monitoring compliance with the Companies Act and King Code on Corporate Governance and other applicable legislation;
  - Monitoring the company's compliance with taxation legislation;
  - Monitoring the company's compliance with and response to changes in other legislation affecting the company;
  - Monitoring that those decisions taken by the board, that affect the RACC, are followed through.
- **Risk management and control:**
  - Monitor the corporate risk assessment philosophy, strategies and processes, assess management's design, implementation responses and monitoring of risk considered relevant to the business;
  - Consider the report back from management in respect of the information technology environment; particularly related to controls and risk matters;
  - Ensure a combined assurance model is applied, to optimise assurance activities.
- **External audit:**
  - Recommend appointment of auditor;
  - Be satisfied with auditor's independence, especially where non-audit services are performed;
  - Agree principles with external auditors, without limiting their scope or statutory obligations;
  - Decide on the extent of external verification of non-financial information;
  - Recommend letters of representation and other documents, for board approval.
  - Review composition of the audit management team;
  - Consider the need for, extent of and oversee any internal audit.
- **Governance:**
  - Governance has been placed on the committee's agenda with a focus on ensuring that Furnmart achieves an appropriate balance between best governance practices, guided by the principles of King III, and the risk of overburdening the company with requirements and costs that could adversely impact stakeholders and detract from the board's primary responsibilities. The board has recognised that its focus should remain on the key strategic and commercial elements of the business and ensure that this focus is not diluted.

RISK, AUDIT & COMPLIANCE COMMITTEE REPORT (Continued)

Going concern

We have concluded that Furnmart Limited will be able to continue as going concern for the ensuing year, based on:

- Adequacy of cash as evidenced by cash flow projections;
- Budget for the year ending 31 July 2024;
- The fact that there are no circumstances that we are aware of that will materially change the cash flow projections and budgets;
- Any decision to incur further capital expenditure will be approved together with the relevant funding;
- There are no legal issues pending which would impact the group's ability to continue as a going concern;
- There are no abnormal items or other issues, that impact the quality of earnings as reported to date;
- All provisions considered necessary have been made for unrecoverable debtors and assets.

Matters of judgement

The Committee reviewed all material matters of judgement included in the annual financial statements. This is primarily related to:

- **Valuation of accounts receivable:**
  - Considered the recommendation from the Credit Committee regarding the recoverability of accounts receivable and provisions against such receivables;
  - Considered the results of the IFRS 9 model processed internally and tested by the auditor;
  - Recommended to the board that the results in respect of both the recoverability of accounts receivable and the provisions against such receivables, be accepted.

- **Valuation of other assets:**
  - Reviewed the financial information presented by management;
  - Reviewed the computations and assumptions used to compute other asset values together with the requirement for any impairment thereto;
  - Recommended to the board that the results in respect of both the valuation and recoverability of other assets, together with any impairment thereof, be accepted.

- **External auditor – assessment of independence and external audit quality**
  - Recommended the appointment of the new auditor, after reviewing proposals from various competent firms.
  - Concluded that the external auditor was independent, having considered their representations regarding independence and the total value of both audit and non-audit services;
  - Considered the external auditor's report to management and noted any points therefrom considered relevant to the board.

Annual report

Following the committee's review of the 2023 annual financial statement, we are of the view that the annual financial statements comply in all material respects with the requirements of IFRS and fairly present the financial position of Furnmart Limited as of 31 July 2023 and the results of operations and cash flows, for the year then ended.

Jerome McLoughlin
Chairman – RACC

Building a better working world

Firm of Chartered Accountants
2nd Floor
Plot 22, Khama Crescent
PO Box 41015
Gaborone, Botswana

Tel: +267 397 4078 / 365 4000
Fax: +267 397 4079
Email: eybotswana@za.ey.com
Partnership registered in Botswana
www.ey.com

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

Opinion

We have audited the consolidated and separate financial statements of Furnmart Limited and its subsidiaries (“the Group”) and Company set out on pages 12 to 55, which comprise the consolidated and separate statements of financial position at 31 J uly 2023, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Furnmart Limited at 31 J uly 2023, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants* (including International Independence Standards) *(IESBA Code*) together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

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

EY
Building a better working world

Firm of Chartered Accountants
2nd Floor
Plot 22, Khama Crescent
PO Box 41015
Gaborone, Botswana

Tel: +267 397 4078 / 365 4000
Fax: +267 397 4079
Email: eybotswana@za.ey.com
Partnership registered in Botswana
www.ey.com

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Allowance for expected credit losses on trade receivables</td></tr>
<tr><td>
As at the 31st of J uly 2023, the net trade receivables of P584,6 million represented 37% (2022: P535,6 million represented 34%) of the Group’s total assets. The related ECL impairment allowance amounted to P240 million (FY22: P214 million) in the current year, representing a 12% increase in the impairment allowance from the prior year. The Group’s profitability continues to be significantly influenced by movements in the ECL allowances.
The Group’s ECL allowance is calculated using a modelled basis, which calculates the loss allowance at an amount equal to the lifetime expected credit losses based upon debtor categories. The development and execution of these models requires management to use the services of external quantitative specialists in the design and use of the models and significant judgement is required in determining the forward- looking macroeconomic factors and scenarios for inputs for which management does not have access to independent statistical data.
These judgements are further complicated by the different jurisdictions in which the Group operates, with each jurisdiction having its own factors and economic outlook that is required to be applied. The model also considers the Group’s historical experience within these jurisdictions and the debtor subcategories for which judgement is applied by management.
The Group applies judgement in selecting the assumptions and inputs to be applied to the debtor categories for the ECL calculation. The key inputs are:
- Determining the disaggregation to be applied to the loan books within the Group.
-Determining appropriate forward-looking information (which were inflation, interest rates and GDP rates) to be applied to the respective loan books due to data and resource limitations in certain geographies in which the Group operates.
The key inputs noted above are inherently subjective and thus required the involvement of our internal quantitative specialist in the audit.
We considered the calculation of the ECL allowance in accordance with IFRS 9 – Financial Instruments as applicable to the Group’s trade receivables to be the key audit matter in the current year audit given the above complexity and subjectivity involved in the calculation.
</td><td>
We performed the following audit procedures, amongst others:

We obtained an understanding and tested the operating effectiveness of controls over credit origination, credit monitoring and credit remediation, as well as the governance process over the ECL models.
With the assistance from our internal quantitative specialists, we:

Assessed the methodologies and assumptions adopted in the design and execution of the models by comparing these to the requirements of IFRS 9 – Financial instruments.
Assessed the Group’s model design and build, ensuring the models were designed and are functioning consistent with the Group’s documented methodologies and assumptions.
Assessed the appropriateness of the disaggregation of the Group’s debtor balances into the debtor sub-categories and jurisdictions against their product composition and geographical location.
Assessed the risk of default and expected loss rates applied to the disaggregated debtor sub-categories by comparing these to the Group’s historical experience.
Assessed the appropriateness of the forward-looking information applied in the model to calculate the ECL allowance by comparing the forward-looking information to relevant external independent data sources for each of the different jurisdictions.
For models for which the Group had no external independent data sources available to apply as forward-looking information, we independently performed regression analysis on forward-looking information obtained from our external independent data sources to identify variables with the strongest relationships to expected cash flows and designed challenger models to calculate the impact of the using the external independent forward-looking information application to the model outputs.
Independently performed a sensitivity analysis on the results obtained from the ECL models, considering a range of most likely changes in the forward-looking macro- economic factors (comprising mainly of interest and consumer price inflation rates) and the impact on the ECL allowance.

</td></tr>
</table>

Refer to the disclosures relating to the ECL for trade receivables in the consolidated financial statements: - Accounting policies note 9 "Financial Instruments" - Critical accounting estimates and judgements note 3 "Impairment losses on trade receivables" - Financial risk management – "Credit risk" - Note 3 – Impairment costs - receivables - Note 13 – Trade receivables	► We assessed the completeness, accuracy and reliability of the data inputs used in the ECL models by reconciling these inputs to the general ledger, customer agreements and supporting documentation, including contract amendments. ► We assessed the adequacy and completeness of the financial statement disclosures included in the Group's financial statements relating to the expected credit losses on trade receivables to determine compliance with IFRS 9 – *Financial instruments* .

Other matter

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

Other Information

Other information consists of the information included in the 55-page document titled "Furnmart Limited and its subsidiaries Annual Report 2023", which includes the Corporate Information and the Directors' Report, as required by the Companies Act (CAP 42:01). Other information does not include the consolidated or the separate financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate rinancial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the CompaniesAct (CAP 42:01) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

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

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

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

Firm of Chartered Accountants
2nd Floor
Plot 22, Khama Crescent
PO Box 41015
Gaborone, Botswana

Tel: +267 397 4078 / 365 4000
Fax: +267 397 4079
Email: eybotswana@za.ey.com
Partnership registered in Botswana
www.ey.com

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

Ernst + Young

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

30 October 2023

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 July 2023

		Note	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
Revenue		**2**	**1 475 628**	**1 361 161**	**78 302**	**68 235**
Merchandise sales		2	1 060 959	997 455	-	-
Ancillary services		2	208 233	187 661	-	-
Effective interest income received		2	206 436	176 045	45 885	37 661
Administrative fees received		2	-	-	32 417	30 574
Cost of merchandise sold		3	(716 432)	(668 216)	-	-
Selling and distribution costs		3	(523 696)	(485 704)	-	-
Impairment costs - trade receivables		3	(109 583)	(70 138)	-	-
Impairment costs – other receivables		3	-	-	-	(3 200)
Administrative expenses		3	(54 372)	(50 015)	(38 566)	(27 585)
Other income		3	54 567	46 708	1 609	3 399
Operating profit			**126 112**	**133 796**	**41 345**	**40 849**
Finance income		4	5 217	5 195	3 547	3 854
Finance costs		4	(56 689)	(56 747)	(12 345)	(12 318)
Share of loss from associate		10.1	(30)	(10)	-	-
Profit before income tax			**74 610**	**82 234**	**32 547**	**32 385**
Tax expense						
Levied as income tax		5	(16 135)	(17 616)	(5 691)	(8 045)
Profit for the year			**58 475**	**64 618**	**26 856**	**24 340**
Other comprehensive (loss)/income – items that may subsequently be reclassified to profit and loss net of tax						
Currency translation differences from foreign operations			(3 303)	503	-	-
Total comprehensive income for the year			**55 172**	**65 121**	**26 856**	**24 340**
Earnings per share (thebe)	– basic	6	11.67	12.89	-	-
	– diluted	6	11.67	12.89	-	-

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
At 31 July 2023

	Note	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
ASSETS					
Non-current assets					
Right of use asset	8.1	417 100	448 726	-	-
Property, plant and equipment	8 a	82 176	76 013	1 105	853
Intangible assets	8 b	3 162	4 507	3 162	4 507
Investment in associate	10.1	61	91	-	-
Investment in subsidiaries – equity	10.2	-	-	198 604	198 604
Loans to subsidiaries	10.3	-	-	141 900	145 805
Cell captive assets	11	39 251	31 978	-	-
Deferred income tax	9	32 775	26 751	-	-
		574 525	**588 066**	**344 771**	**349 769**
Current assets					
Inventories	12	268 938	272 576	-	-
Trade receivables	13	584 571	535 645	-	-
Other receivables	14	66 360	96 202	450 852	439 310
Income tax receivable	25	6 291	3 065	1 835	-
Cash and cash equivalents	15	74 196	74 212	8 178	1 520
		1 000 356	**981 700**	**460 865**	**440 830**
Total assets		**1 574 881**	**1 569 766**	**805 636**	**790 599**
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	16	128 474	128 474	128 474	128 474
Currency translation reserve		(39 579)	(36 276)	-	-
Retained earnings		599 087	555 649	514 677	502 858
Total equity		**687 982**	**647 847**	**643 151**	**631 332**
Non-current liabilities					
Borrowings	17	155 403	160 726	150 000	150 000
Lease liabilities	20	424 073	453 632	-	-
Deferred income tax	9	507	741	507	741
		579 983	**615 099**	**150 507**	**150 741**
Current liabilities					
Borrowings	17	48 624	34 954	-	602
Lease liabilities	20	125 449	111 491	-	-
Trade and other payables	18	105 513	137 413	9 066	4 882
Income tax payable	25	9 820	8 009	-	842
Accruals	19	17 510	14 953	2 912	2 200
		306 916	**306 820**	**11 978**	**8 526**
Total liabilities		**886 899**	**921 919**	**162 485**	**159 267**
Total equity and liabilities		**1 574 881**	**1 569 766**	**805 636**	**790 599**

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 July 2023

	GROUP			
	Stated capital	**Currency translation reserve**	**Retained earnings**	**Total**
	P'000	**P'000**	**P'000**	**P'000**
Balance as at 01 August 2021	**128 474**	**(36 779)**	**506 131**	**597 826**
Total comprehensive income for the year	-	503	64 618	65 121
Transactions with owners				
Dividends paid – Interim 2022 (note 7)	-	-	(15 100)	(15 100)
Balance as at 31 July 2022 (note 16)	**128 474**	**(36 276)**	**555 649**	**647 847**
Balance as at 01 August 2022	**128 474**	**(36 276)**	**555 649**	**647 847**
Total comprehensive income for the year	-	(3 303)	58 475	55 172
Transactions with owners				
Dividends paid – Interim 2023 (note 7)	-	-	(15 037)	(15 037)
Balance as at 31 July 2023 (note 16)	**128 474**	**(39 579)**	**599 087**	**687 982**

	COMPANY		
	Stated capital P'000	**Retained earnings P'000**	**Total P'000**
Balance as at 01 August 2021	**128 474**	**493 618**	**622 092**
Transactions with owners			
Dividend - Interim 2022 (note 7)	-	(15 100)	(15 100)
Total comprehensive income for the year	-	24 340	24 340
Balance as at 31 July 2022 (note 16)	**128 474**	**502 858**	**631 332**
Transactions with owners			
Dividend - Interim 2023 (note 7)	-	(15 037)	(15 037)
Total comprehensive income for the year	-	26 856	26 856
Balance as at 31 July 2023 (note 16)	**128 474**	**514 677**	**643 151**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 July 2023

		GROUP		COMPANY	
	Note	**2023 P'000**	**2022 P'000**	**2023 P'000**	**2022 P'000**
Operating activities:					
Cash generated from operations	21	199 997	204 676	40 088	118 373
Income tax paid (net)	25	(24 095)	(28 141)	(8 602)	(7 135)
Net cash generated from operating activities		**175 902**	**176 535**	**31 486**	**111 238**
Investing activities:					
Purchase of property, plant and equipment	8	(32 885)	(25 138)	(431)	(312)
Proceeds on disposal of property, plant and equipment		1 409	1 795	-	348
Investment in cell captive assets (net)	11	(7 273)	(2 886)	-	-
Interest received	4	5 217	5 195	3 547	3 854
Net cash (utilised in)/generated from investing activities		**(33 532)**	**(21 034)**	**3 116**	**3 890**
Financing activities:					
Repayments on borrowings	17	(5 212)	(6 487)	-	-
Lease payments	20	(107 448)	(99 696)	-	-
Interest on borrowings	4	(18 288)	(15 932)	(12 345)	(12 318)
Dividends paid	7	(14 997)	(126 044)	(14 997)	(126 044)
Net cash utilised in financing activities		**(145 945)**	**(248 159)**	**(27 342)**	**(138 362)**
Net (decrease)/ increase in cash and cash equivalents		(3 575)	(92 658)	7 260	(23 234)
Cash and cash equivalents at beginning of year		44 686	138 250	918	24 152
Net exchange difference		(10 000)	(906)	-	-
Cash and cash equivalents at end of year	**15**	**31 111**	**44 686**	**8 178**	**918**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Board of Directors approved and authorised for issue the annual financial statements presented on page 12 to 56 on 20 October 2023.

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and the requirements of the Botswana Companies Act (2003). The annual 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 annual 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 annual 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.The amounts are rounded to the nearest thousand in some cases for easy presentation.

ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and amendments to the existing standards and interpretation effective 1 January 2022 and adopted by the Group:

IAS 16 "Property, Plant and Equipment": Proceeds before intended use

In May 2020, the International Accounting Standards Board (Board) issued Property, Plant and Equipment-Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

For the current year the Group has not received any amount from such sale. The amendment is effective for annual period beginning 1st January 2022.

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets": Onerous Contracts – Cost of fulfilling a contract

In May 2020, the International Accounting Standards Board (Board) issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.The amendments to IAS 37 specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.
The amendment is effective for annual period beginning 1st January 2022. The standard does not have any material impact on the Group.

IFRS 3- Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

IFRS 3- Reference to the Conceptual Framework (continued)

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.
The amendments are effective for business combinations for which the date of acquisition is on or after the period beginning on or after 1 January 2022. For the current period under consideration the Group has not made any such acquisition.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and applied prospectively. The standard does not have any material impact on the Group.

2.2 New standards amendments and interpretations issued but not yet effective and not early adopted

The following new and amended standards and interpretations have been issued but not yet effective, up to the date of issuance of the company’s financial statements are disclosed below. The Group is studying the impact of these changes and has not early adopted the same.

Amendment/ Standard/ interpretation	Content	Applicable for financial year beginning on/after
IFRS 17	Insurance contracts' and amendments	1st January 2023
IAS 1	Disclosure of accounting policies (Amendment to IAS1 And IFRS Practice statement 2)	1st January 2023
IAS 8	Definition of accounting estimates (Amendment to IAS 8)	1st January 2023
IAS 12	Amendment: ‘Income taxes: deferred tax related to assets and liabilities arising from a single transaction’	1st January 2023
IAS 1	Non –current liabilities with covenants (Amendments to IAS 1)	1st January 2024
IFRS 16	Lease liability in a Sale and Leaseback- Amendments to IFRS 16	1st January 2024
IAS 7 , IFRS 7	Amendments : disclosure supplier finance arrangements	1st January 2024

3 CONSOLIDATION

Subsidiaries

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

All Group companies have a 31 July year end and apply uniform accounting policies for like transactions. All intercompany transactions and balances between Group entities are eliminated. The company carries its investment in subsidiaries in its separate financial statement at cost less any accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3 CONSOLIDATION (CONTINUED)

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
United Impex (Pty) Ltd	Botswana	25%	Financial Services (dormant)

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 equal 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.

4a. CELL CAPTIVE ASSETS

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 cell captive assets. Obligations attached to the contract include:

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

4b. IFRS 17 INSURANCE CONTRACTS

IFRS 17 Insurance Contracts replaces IFRS 4 Insurance Contracts, for annual periods beginning on or after 1 January 2023, with comparative figures required. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

An insurance contract is a contract under which one party (the issuers, represented by: Furn Mart (Pty) Limited, Namibia and Xtreme Discounters (Pty) Limited, South Africa) accepts significant insurance risk from another party (the policy holder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Disclosures will be expanded with additional detail on the nature and extent of risks related to insurance contracts.

The Group has set up cell captive arrangements for purposes of managing and administering its customer protection programs in Namibia and South Africa, respectively. These programs offer customer credit- and goods -insurance in the event of accidental death, certain other life changing events and theft etc, prior to full settlement of outstanding balances. The standard applicable to the Group's financial statements for the year ending 31 July 2024 and is likely to affect the "cell captive assets" on the statement of financial position and "other income" on the statement of comprehensive income. The Group is currently assessing the impact of the adoption of this standard on its financial statements and, at the reporting date, had not fully determined the qualitative or quantitative impact on the Group's financial statements.

5 SEGMENT REPORTING

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6 REVENUE RECOGNITION

The Group operates a chain of retail outlets for selling furniture and other household appliances. Revenue from sales is recognised based on the price specified in the contract, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue from the sale of merchandise is recognised upon transfer to the customer of the significant risks and rewards of ownership. 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).

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

Additional charges on credit sales
Other revenue flowing from the credit sale of merchandise comprises of the following significant components:

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

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

Company
Interest Income
Interest income is recognised over time on a time apportionment basis, taking into account the effective interest yield on underlying balances. When an investment in debt and inter Group receivables are 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.

7 CURRENT AND DEFERRED INCOME TAX

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years. Income tax payable on profits, based on the applicable tax law, is recognised as an expense in the period in which profits arise.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

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

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

8. PROPERTY, PLANT AND EQUIPMENT

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred. Assets are derecognized when there is no future economic benefit that flows from assets. All work in progress assets are capitalised when the project is completed.

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

Freehold buildings	40 years
Furniture, office equipment	3 – 10 years
Motor vehicles	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken to the Statement of Comprehensive income in the period of disposal.

9 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AND LIABILITIES

Initial recognition, classification and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL ASSETS

Initial recognition, classification and measurement
The Group initially recognises financial assets on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss and transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS (CONTINUED)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets and liabilities consist of the following significant items:
i) Financial assets at amortised cost
Financial assets having contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding and that are held within a business model whose objective is to hold such assets in order to collect such contractual cash flows are classified in this category.
The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Trade receivables
Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Trade receivables are initially measured at fair value plus incremental direct transaction costs and are subsequently measured at their amortised cost using the effective interest method.

Other receivables
Other receivables comprise deposits and other receivables which arise during the normal course of business. These are initially measured at fair value plus incremental direct transaction costs and are subsequently measured at their amortised cost using the effective interest method. The applicable amortization rates are determined from in line with interest rate changes in the respective countries in which the Groups operates.

Cash and cash equivalents
For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with financial institutions. Bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents. Cash and cash equivalents are measured at amortised cost in the consolidated statement of financial position.

ii) Financial assets at fair value through OCI
Financial assets are measured at fair value through other comprehensive income if such financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and to sell such financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.
For the current year under consideration the Group does not have any Financial assets classified under this category.

iii) Financial assets at fair value through profit or loss
The Group may designate financial assets at fair value through profit or loss when either:

- the assets are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets at fair value through profit or loss are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in noncurrent assets and issued for management of short-term currency exposures. Financial assets at fair value through profit or loss are recorded and measured in the statement of financial position at fair value. Gains and losses arising from changes in fair value are recognised in profit or loss. Interest or income is recognised in the profit or loss when the contract comes to an end or when the right to payment has been established.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES

Initial recognition, classification and measurement
The Group initially recognises financial liabilities on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument.
Financial liabilities are classified, at initial recognition, as financial liabilities measured at fair value through profit or loss, or financial liabilities measured at amortised cost.All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, customer deposits, cash collateral, financial liabilities at fair value through profit or loss and trade and other payables.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss
The Group may designate financial liabilities at fair value through profit or loss when either:
- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings including trade and other payables, customer deposits and cash collateral are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included as finance costs in profit or loss. Financial liabilities at amortised cost includes borrowings, customer deposits, cash collateral and trade and other payables.

Borrowings and deposits from customers
Borrowings and customer deposits are the Group's sources of funding. These are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Trade and other payables
Liabilities for trade and other amounts payable, which are normally settled on 30-to-60-day terms, are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Derecognition of financial assets and liabilities
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL LIABILITIES (CONTINUED)

Offsetting
Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models.

The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments. like interest rate swaps. For these financial instruments, inputs into models are market observable. When entering into a transaction, the financial instrument is recognised initially at fair value.

The best evidence of fair value of a financial instrument at recognition is normally the transaction price, the fair value of the consideration given or received. The value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase in fair value indicated by valuation techniques, is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments necessary and appropriate to fairly state financial instruments measured at fair value.

10 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment and other noncurrent 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. Assets that have infinite useful life are not subject to amortisation and are tested annually for impairment.

11 ACCOUNTING FOR LEASES

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

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

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11 ACCOUNTING FOR LEASES (CONTINUED)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

IFRS 16 requires non-lease components to be separated from the lease. This means that if a contract contains a lease of an asset and a contract to provide an associated service, the contract has two distinct components – a lease and a service agreement. The group has elected to apply the practical expedient to treat the whole contract as a lease and not identify and separate non-lease components.

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

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

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

Right-of-use assets
This is the lessee's right to use an asset over the life of the lease. The right of use assets are recognised based on the amount equal to the lease liabilities. The Group recognises right-of- use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re measurement of lease liabilities.

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

Property 1 to 10 years

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

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

12 INTANGIBLES (COMPUTER SOFTWARE DEVELOPMENT COSTS)

Intangible assets which are in the nature of software costs are included in the Statement of Financial Position when it is probable that associated future economic benefits would flow to the company. In this case they are measured initially at purchase cost and then amortised on a straight-line basis over their estimated useful lives. It is assessed for impairment whenever there is an indication that such intangible asset may be impaired. It is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12 INTANGIBLES (COMPUTER SOFTWARE DEVELOPMENT COSTS) (CONTINUED)

All other costs on software are expensed in the Statement of Comprehensive Income as and when incurred. 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
- 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 these criteria are recognised as an expense as incurred.

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

13 INVENTORIES

Inventories are stated at the lower of cost and estimated net realisable value. The cost of goods for resale comprises all costs incurred to bring them to their present location and condition. Cost is determined using the FIFO costing method and includes the invoice price, insurance, freight, customs duties, trade discounts, rebates, provision for obsolescence and settlement discounts.

14 TRADE RECEIVABLES

Trade receivables originated by the Group, by providing money directly or indirectly to the borrower, are categorised as trade and other receivables 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 trade and other receivables are recognised when an underlying credit agreement has been signed and the Group has supplied the related goods to the borrower. Trade receivables have terms of between 6 to 36 months. This is considered to be the normal operating cycle of the company and all trade receivables are accordingly disclosed as current receivables.

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.

15 OTHER RECEIVABLES

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

16 CASH AND CASH EQUIVALENTS

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

17 STATED CAPITAL

Ordinary share capital is recognised at the fair value of the consideration received, less financial value paid for shares repurchased. Dividends on ordinary shares are recorded in the Group's financial statements in the period in which they are paid or approved by the Group's shareholders, whichever is earlier.

18 PROVISIONS

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs. In subsequent periods, borrowings are stated at amortised cost using the effective yield method on a time apportioned basis; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

20 FOREIGN CURRENCY TRANSLATION

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

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Other Comprehensive Income.

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)
- all resulting exchange differences are recognised in the Statement of Other Comprehensive Income and as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and intercompany dues that are considered of a capital investment nature, are recognised in the Statement of Other Comprehensive Income.

21 EMPLOYEE BENEFITS

(i) **Short term employee benefits**
The cost of short term employee benefits (those payable within 12 months after the service is rendered) 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. The Group plays the part of only remitting contributions to the fund management companies. 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 sixty 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22 RELATED PARTY TRANSACTIONS

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

23 DIVIDEND DISTRIBUTION

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

24 EARNINGS PER ORDINARY SHARE

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

25 CURRENT ASSETS AND LIABILITIES

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

26 TRADE PAYABLES

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

2 INCOME TAXES

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

3 IMPAIRMENT LOSSES ON TRADE RECEIVABLES

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

Due to the complexity of the business, management adopted a general approach for its IFRS 9 model which also gave management room to apply judgement with regard to the choice of the appropriate model and assumptions under the selected model for the measurement of expected credit losses. Judgement was also exercised in establishing groups of similar financial assets for the purposes of measuring expected credit losses.

4 RIGHT OF USE OF ASSETS AND LEASE LIABILITIES

4.1 INCREMENTAL BORROWING RATE USED IN LEASE LIABILITIES

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

4.2 LEASES RENEWAL AND TERMINATION OPTIONS

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

5 IMPAIRMENT OF INVESTMENT IN SUBSIDIARIES

The company considers 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

6 RECOGNITION OF REVENUE AND ALLOCATION OF CONTRACT PRICE

The company operates a chain of retail stores, selling a range of furniture and electronic equipment. Revenue from the same is recognised when the company transfers control over the product to the customer. Payment of the transaction price is due immediately when the customer purchases the furniture and takes delivery, except in case of credit sales. There is no right of return on the sales and the obligation to repair or replace faulty products, under standard warranty terms; is covered by the supplier, except where the customer applies for an extended warranty which, based on accumulated experience, rarely occurs but gives rise to recognition of a potential provision.

There is an element of financing present on sales made on credit (additional contractual charges). These are recognised over time on a proportion bases that takes into account the effective yield over the loan life cycle on the principal amount outstanding. Customer protection plan income is recognised on a straight-line basis over the debt repayment period.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
FINANCIAL RISK MANAGEMENT

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

a) Market Risk

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

i) Foreign currency risk

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

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

ii) Cash flow and fair value interest rate risk

The interest rate risk arises mainly from long-term trade receivables. All trade receivables are issued at fixed interest rates, which exposes the Group to fair value interest rate risk. However, as these trade receivables 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.

Borrowings from banks are also linked to prime rates of the respective countries in the country it operates in order to mitigate against rates fluctuations.

The balances subject to foreign currency in the respective foreign operations and interest rate risks are as follows:

		GROUP		COMPANY	
		2023 P'000	**2022 P'000**	**2023 P'000**	**2022 P'000**
Amount subject to foreign currency rate risk					
Namibian Dollar	- Net investment in foreign operations	141 798	130 621	123 413	109 870
	- Imports of merchandise	(32 123)	(35 632)	-	-
South African Rand	- Net investment in foreign operations	185 276	138 528	92 660	79 567
	- Imports of merchandise	(52 093)	(72 016)	-	-
Amount subject to cash flow interest rate risk					
In South Africa		10 942	16 155	-	-
In Botswana		-	-	144 589	145 805

The following tables show the effect on net income that would result from possible changes in the relevant foreign currency exchange or interest rate.

	GROUP 2023	GROUP 2022	COMPANY 2023	COMPANY 2022
Exchange rate sensitivities				
5% Pula to Namibian dollar	7 090	6 306	3 733	5 232
5% Pula to South African rand	9 263	7 406	5 876	3 789
Interest rate sensitivities				
1% change in Botswana interest rates	-	-	1 427	1 458
1% change in South African interest rates	109	162	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
FINANCIAL RISK MANAGEMENT (continued)

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 credit sales 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 2023.

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 subcommittee 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.

The maximum amount subject to credit risk is as follows:

	GROUP		COMPANY	
	2023 P'000	**2022 P'000**	**2023 P'000**	**2022 P'000**
Cell captive assets	39 251	31 978	-	-
Trade receivables – Net of Unearned, before ECL	824 435	749 279	-	-
Other receivables	61 091	83 067	450 852	439 310
Investment in subsidiary - debt	-	-	141 900	145 805
Cash and bank balances	74 196	74 212	8 178	1 520
	998 973	**938 536**	**600 930**	**586 635**

Other receivables, cell captive assets and cash and cash equivalents

Other receivables comprise of short term receivables, which are payable on demand. The Group monitors the financial standing of the counterparty, and ability of the individual to remit funds on a regular basis.

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

Cell captive 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. Management believes that the impact of assessed credit losses for cell captive assets are immaterial at both Group and company level.
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. Management believes that the impact of assessed credit losses for cash and cash equivalent is immaterial at both Group and company level.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Impairment of trade receivables

Group

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

i. Process & Methodology

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

  These events result in accounts moving between payment arrears 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 and worsening accounts incorporate missed payment rates and curing rates.
- Default accounts incorporate paid up accounts, written off accounts and % of instalments 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.

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 the Furnmart Group: -
  - Thirteen (13) states, ranging from current to 12 months in arrears (365 days+)
  - One further arrear state (13+), being accounts more than 390 days in arrears,
  - Further states, making up the balance of accounts are all so-called absorbing states, meaning "closed" at the measurement date for the following reasons: -
    - Cancellation of sale
    - Insurance claim settlement
    - Written off (closed) [due to any other reason]

iii. Transition and Population Model Transition Calculation

- Events (Nt) is defined as the number of events observed during statement "t".
- 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.
- Transition Rate (rt) is defined as the factor solving the equation below.

$$Nt = et \times rt$$

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Impairment of trade receivables (continued)

Group (continued)

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.

v. Segmentation

A Population Model has been constructed for the following segments:

- Grouped according to shared credit risk characteristics of the two brands, Furnmart and Home Corp.
- These are then further adjusted for country specific risk.

vi. Expected credit loss rates and analysis of exposure

On the basis illustrated above, the loss allowance as at 31 July 2023 and 31 July 2022 was determined as follows for trade receivables:

31-Jul-23

Arrear days	**Current**	**+30days**	**+60days**	**+90days**	**+120days**	
Effective ECL Rate	**A**	**B**	**C**	**D**	**9-S**	**Total**
Furnmart	11%	26%	31%	39%	66%	23%
Home Corp	4%	13%	31%	47%	66%	11%
Country ECL range	8% to 15%	22% to 33%	27% to 40%	34% to 46%	61% to 73%	
Gross carrying amount – trade receivables						
	P’000	**P’000**	**P’000**	**P’000**	**P’000**	**P’000**
Furnmart	650 068	75 824	47 866	36 690	168 428	978 876
Home Corp	80 348	4 923	3 276	2 036	7 054	97 637
	730 416	**80 747**	**51 142**	**38 726**	**175 482**	**1 076 513**
State ratio - Gross	68%	7%	5%	4%	16%	100%
Country State range	57% to 86%	5% to 9%	3% to 7%	2% to 5%	4% to 23%	
Loss allowance						
Furnmart	70 482	19 449	15 006	14 144	110 381	229 462
Home Corp	3 106	652	1 005	965	4 674	10 402
	73 588	**20 101**	**16 011**	**15 109**	**115 055**	**239 864**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Impairment of trade receivables (continued)

Group (continued)

31-Jul-22

Effective ECL Rate	**A**	**B**	**C**	**D**	**9-S**	**Total**
Furnmart	9%	22%	29%	36%	71%	23%
Home Corp	9%	19%	25%	32%	69%	14%
Country ECL range	6% to 12%	17% to 32%	23% to 38%	30% to 44%	60% to 83%	
Gross carrying amount – trade receivables						
	P'000	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Furnmart	586 858	61 433	39 884	29 588	155 785	873 548
Home Corp	74 035	4 015	2 006	1 292	6 699	88 047
	660 893	**65 448**	**41 890**	**30 880**	**162 484**	**961 595**
State ratio - Gross	69%	7%	4%	3%	17%	100%
Country State range	59% to 87%	4% to 9%	2% to 6%	1% to 5%	6% to 25%	
Loss allowance						
Furnmart	55 062	13 730	11 443	10 696	109 973	200 904
Home Corp	6 417	775	501	416	4 621	12 730
	61 479	**14 505**	**11 944**	**11 112**	**114 594**	**213 634**

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

	GROUP	
	2023	**2022**
	P'000	**P'000**
Opening balance	**213 634**	**213 083**
Write-offs during the period	(54 624)	(42 039)
Increase in receivable loss allowance recognised during the period	68 672	34 514
Exchange movement on translation of foreign subsidiaries	12 182	8 076
Closing balance at 31 July (note 13)	**239 864**	**213 634**

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

Other receivables are of a short-term nature, their carrying amount approximates their fair values. They do not warrant any impairment assessment to be conducted. Cell captive assets are equivalent to cash and cash equivalents. Accordingly, no impairment is conducted on such assets.

Impairment losses on trade receivables and cell captive assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Choosing an appropriate model and assumptions for the measurement of Expected Credit loss ('ECL'),determining appropriate Probabilities of Default ("PD"), Loss Given Default ("LGD") and Exposure at Default ("EAD") applying to trade receivables, determining correlation between historical write offs and movements in interest rates, GDP and inflation, applying forward looking information such as GDP outlook, interest rate and inflation rate forecasts, 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 trade receivables for the purposes of measuring ECL on a collective basis, were key judgements applied by the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
FINANCIAL RISK MANAGEMENT (continued)

b) Credit risk (continued)

Impairment of trade receivables (continued)

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.

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

Process and methodology

At the reporting date management performed an assessment of its intra-company receivables, for both the Group and the Company, considering forward looking information available, even though there was no repayment trigger at Group level.

- For the long-term loans management used a proxy global scale rating (due to Group not having a credit rating) and mapped it to a global probability of default (PD) term structure. The PD was determined to be of low risk.
- The proxy rating was determined by looking at the ratings of other comparable furniture companies and using those as a benchmark. This proxy rating was then used to calculate the 12 month ECL.
- For the loans repayable on demand the following approach was also considered:
  1. Is there enough cash and cash equivalents to settle the loan on day 1? If yes then ECL is expected to be immaterial. If not, Step 2.
  2. Are there enough net current assets to settle the loan on day 1? If yes then ECL is expected to be immaterial. If not, Step 3.
  3. What is the counterparty's EBITDA? This was used in a scenario evaluation to determine how long it will take to pay down the loan, until it is small enough to do a fire sale or is paid off. This is then used to determine possible terms and length of exposures which is used to calculate an estimated ECL.
- All the entities having balances with the Company were assessed to determine if the entities had highly liquid assets to repay the balances on demand.

The company assesses at the end of each reporting period whether the credit risk on the debt investments in subsidiaries has increased significantly since initial recognition. In the event of a significant increase in credit risk since initial recognition, the company recognises an allowance for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

The measurement of ECL under the simplified approach reflects a probability-weighted outcome, the time value of money and the best forward-looking information available to the company. The probability weighted outcome incorporates the probability of default (PD), exposure at default (EAD), timing of when default is likely to occur, and loss given default (LGD).

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:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk (continued)

GROUP	Less than 6 months P'000	6-12 months P'000	Between 1-5 years P'000	More than 5 years P'000	Total P'000
31 July 2023					
Borrowings	47 475	4 390	7 326	-	59 191
Bond	6 150	6 150	165 110	-	177 410
Trade and other payables	105 513	-	-	-	105 513
Lease liabilities	80 242	80 242	426 357	112 842	699 683
	239 380	**90 782**	**598 793**	**112 842**	**1 041 797**
31 July 2022					
Borrowings	33 775	4 249	15 118	-	53 142
Bond	6 150	6 150	182 800	-	195 100
Trade and other payables	137 413	-	-	-	137 413
Lease liabilities	73 849	73 849	422 881	137 252	707 831
	251 187	**84 248**	**620 799**	**137 252**	**1 093 486**

COMPANY	Less than 6 months P'000	6-12 months P'000	Between 1-5 years P'000	More than 5 years P'000	Total P'000
31 July 2023					
Bond	6 150	6 150	165 110	-	177 410
Trade and other payables	9 066	-	-	-	9 066
	15 216	**6 150**	**165 110**	**-**	**186 476**
31 July 2022					
Borrowings	602	-	-	-	602
Bond	6 150	6 150	182 100	-	195 100
Trade and other payables	4 882	-	-	-	4 882
	11 634	**6 150**	**182 800**	**-**	**200 584**

Cash flows distributed among different age brackets are undiscounted.

d) Early settlement risk

Early settlement risk is the risk that trade receivables 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, trade receivables under early notice were not significant.

e) Capital risk

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. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023
FINANCIAL RISK MANAGEMENT (continued)

e) Capital risk (continued)

The strategy, which is unchanged from 2009, is to maintain the gearing ratio below 50% at Group level. The gearing ratios at 31 July 2023 and 31 July 2022 were as follows:

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Total borrowings	204 027	195 680	150 000	150 602
Less: Cash and cash equivalents	(74 196)	(74 212)	(8 178)	(1 520)
Net debt	**129 831**	**121 468**	**141 822**	**149 082**
Total equity	687 982	647 922	643 151	631 533
Total capital employed	**817 813**	**769 390**	**784 973**	**783 615**
Gearing ratio	**16%**	**16%**	**18%**	**19%**

f) Financial instruments by category

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
Financial assets by category				
Amortised cost				
- Other receivables*	62 425	87 398	450 852	439 310
- Loans to subsidiaries	-	-	141 900	145 805
- Trade receivables	584 571	535 645	-	-
- Cash and cash equivalent	74 196	74 212	8 178	1 520
- Cell captive assets	39 251	31 978	-	-
Total	**760 443**	**729 233**	**600 930**	**586 635**
Financial liabilities by category				
Amortised cost				
Borrowings	204 027	195 680	150 000	150 602
Trade and other payables	123 023	152 366	11 978	7 082
Lease liabilities	549 522	565 123	-	-
Total	**876 752**	**913 169**	**161 978**	**157 684**

* The prior year amounts included indirect taxes which are not financial instruments. The disclosure has been amended to align with IFRS 9.

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

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 2023 is as follows:

Year ended 31 July 2023	**Retail P'000**	**Financial Services P'000**	**Unallocated P'000**	**Total P'000**
Total revenue	**1 060 959**	**414 669**	**-**	**1 475 628**
Depreciation (note 3)	(113 295)	-	-	(113 295)
Impairment and write off of trade receivables (note 3)	-	(109 583)	-	(109 583)
Other costs (note 3)	(996 596)	(175 867)	(8 742)	(1 181 205)
Other income (note 3)	46 677	7 890	-	54 567
Operating profit	**(2 255)**	**137 109**	**(8 742)**	**126 112**
Finance income				5 217
Finance cost				(56 689)
Share of loss from associate				(30)
Profit before tax				**74 610**
Income tax expense				(16 135)
Profit after income tax				**58 475**
Total assets	**918 223**	**623 822**	**32 836**	**1 574 881**
Total liabilities	**655 035**	**204 027**	**27 837**	**886 899**

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

Other costs are all costs incurred excluding depreciation and impairment costs.

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

1. Segment information (continued)

Year ended 31 July 2022	Retail P'000	Financial Services P'000	Unallocated P'000	Total P'000
Total revenue	**997 455**	**363 706**	**-**	**1 361 161**
Depreciation	(111 999)	-	-	(111 999)
Impairment and write off of trade receivables	-	(70 138)	-	(70 138)
Other costs	(921 524)	(162 622)	(7 790)	(1 091 936)
Other income	35 570	8 234	2 904	46 708
Operating profit	**(498)**	**139 180**	**(4 886)**	**133 796**
Finance income				5 195
Finance cost				(56 747)
Share of loss from associate				(10)
Profit before tax				**82 234**
Income tax expense				(17 616)
Profit after income tax				**64 618**
Total assets	**975 301**	**567 623**	**26 842**	**1 569 766**
Total liabilities	**702 537**	**195 680**	**23 702**	**921 919**

2. Revenue

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
Merchandise sales	1 060 959	997 455	-	-
Ancillary services (note 13)	208 233	187 661	-	-
Effective interest income (note 13)	206 436	176 045	-	-
Effective interest income – subsidiaries (note 22 v)	-	-	45 885	37 661
Administration fees – subsidiaries (note 22 i)	-	-	32 417	30 574
	1 475 628	**1 361 161**	**78 302**	**68 235**

Timing of revenue recognition

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
At a point in time				
Merchandise sales	1 060 959	997 455	-	-
Over time				
Ancillary services income	208 233	187 661	-	-
Effective interest income	206 436	176 045	-	-
Effective interest income – subsidiaries	-	-	45 885	37 661
Administration fees – subsidiaries	-	-	32 417	30 574
	1 475 628	**1 361 161**	**78 302**	**68 235**

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
3. Expenses by category				
Cost of merchandise sold	716 432	668 216	-	-
Auditor's remuneration	2 898	1 943	460	127
Managerial services (including directors) (paid to related company) (note 22(i))	4 739	5 780	4 739	5 780
Depreciation on property, plant and equipment (note 8a)	25 024	25 804	179	179
Amortisation of Intangible assets (note 8b)	1 345	1 346	1 345	1 346
Depreciation on right- of- use assets (note 8.1)	86 926	84 849	-	-
Short term lease charges (note 20)	10 037	9 983	567	484
Repairs and maintenance	4 313	4 421	9	27
Marketing and advertising	27 431	26 592	3	-
Professional and other service fees	5 204	5 065	675	723
Travel and transport	31 840	27 334	647	403
Branch and office administration expenses	40 565	37 227	571	634
Staff costs - salaries and wages	264 448	246 304	18 031	16 151
Staff costs - leave and other contractual benefits (note 19)	4 127	2 419	1 517	1 049
Computerisation charges	23 252	22 249	410	317
Security charges	8 004	7 208	5	12
Bank charges	16 554	16 083	89	97
Exchange losses	9 591	-	8 087	-
Other expenses	11 770	11 112	1 232	256
Total cost of sales, distribution costs and administrative expenses	**1 294 500**	**1 203 935**	**38 566**	**27 585**
Employee costs				
Salary	195 464	184 713	15 129	13 509
Commissions	37 119	33 464	-	-
Bonus	15 879	14 444	2 046	1 919
Medical aid - company contributions	1 644	1 516	406	328
Leave and other contractual benefits	4 127	2 419	1 517	1 049
Post-employment benefits-pension-defined contribution plan	14 342	12 167	450	395
	268 575	**248 723**	**19 548**	**17 200**
Impairment costs - Receivables				
Net movement in impairment of trade receivables - ECL	68 672	34 514	-	-
Write offs (net of recoveries)	40 911	35 624	-	-
Impairment of other receivables	-	-	-	3 200
	109 583	**70 138**	**-**	**3 200**
Auditors' remuneration				
Audit fees for the year	2 100	2 745	377	209
Under/(over) accrued prior years	798	(802)	83	(82)
	2 898	**1 943**	**460**	**127**
Other income				
Profit on sale of property, plant and equipment (note 21)	1 182	1 125	-	168
Service fees (note 22(i))	5 029	4 175	1 609	1 468
Interest on staff loans	80	87	-	-
Income from cell captive (note 11)	46 677	35 407	-	-
Exchange gain	-	2 904	-	1 761
Sundry income	1 599	3 010	-	2
	54 567	**46 708**	**1 609**	**3 399**

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

		GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
4. Finance income and costs					
Interest income - Bank		1 642	1 407	6	81
Related party (note 22(vii))		3 575	3 788	3 541	3 773
Finance income		**5 217**	**5 195**	**3 547**	**3 854**
Interest expense	- Bank overdraft	3 631	1 518	37	18
	- Bank borrowings	2 357	2 018	-	-
	- Interest on lease liabilities (note 20)	38 401	40 815	-	-
	- Bond	12 300	12 300	12 300	12 300
	- Others	-	96	8	-
Finance costs		**56 689**	**56 747**	**12 345**	**12 318**

5. Income tax expense

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
Current income tax (note 25)	22 680	26 805	5 925	7 447
Add: Net deferred tax (credit) / charge for the year (note 9)	(6 545)	(9 189)	(234)	598
Tax charge to the Statement of Comprehensive Income	**16 135**	**17 616**	**5 691**	**8 045**

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:

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
Profit before tax	**74 610**	**82 234**	**32 547**	**32 385**
Tax calculated at domestic tax rates applicable (rate 15%)	11 191	12 335	4 882	4 858
Permanent difference for expenses not tax deductible	282	-	-	480
Income not subject to income tax (net)	(98)	(24)	(12)	(16)
Adjustment for current tax of prior period	51	1 689	-	1 694
Effect of rates in non IFSC entities	4 709	3 616	821	1 029
	16 135	**17 616**	**5 691**	**8 045**

Deferred tax assets not recognised relate to the estimated tax losses of start-up entities within the Group which have not yet reached a stage of generating sustained taxable income. These losses amounting to P178 562 523 (2022: P175 608 825) do not expire and are to be offset against future taxable profits.

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

6. Earnings per share

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

	GROUP 2023	GROUP 2022
Net profit attributable to shareholders (P'000)	58 475	64 618
Weighted average number of shares in issue	501 222 174	501 222 174
Basic earnings per share (thebe)	**11.67**	**12.89**
Diluted earnings per share (thebe)	**11.67**	**12.89**

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
	P'000	**P'000**	**P'000**	**P'000**

7. Dividend declared

For the year ended 31 July 2023, an interim dividend of P 15.04m was declared (2022: Final P 15.1m).

	GROUP		COMPANY	
	2023	**2022**	**2023**	**2022**
	P'000	**P'000**	**P'000**	**P'000**
Final dividend 2022: 3.01 thebe per share	-	15 100	-	15 100
Current year interim dividend 3.0 thebe per share	15 037	-	15 037	-
	15 037	**15 100**	**15 037**	**15 100**
Dividend Paid				
Final dividend 2021	-	110 944	-	110 944
Final dividend 2022	-	15 100	-	15 100
Current year interim dividend	14 997	-	14 997	-
	14 997	**126 044**	**14 997**	**126 044**

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

8. (a) Property, plant and equipment *

GROUP

	Freehold Land	Building P'000	Motor Vehicles P'000	Furniture and Office Equipment P'000	Total P'000 P'000
Period ended 31 July 2023					
Opening carrying amount	**10 930**	**21 826**	**20 230**	**23 027**	**76 013**
Exchange movement on translation of foreign subsidiaries	(293)	(590)	(268)	(320)	(1 471)
Additions	-	91	7 271	25 523	32 885
Disposals at cost	-	-	(4 315)	(471)	(4 786)
Depreciation on disposals	-	-	4 105	454	4 559
Depreciation charge	-	(759)	(8 465)	(15 800)	(25 024)
Carrying amount	**10 637**	**20 568**	**18 558**	**32 413**	**82 176**
AT 31 July 2023					
Cost	10 637	29 669	67 042	149 598	256 946
Accumulated depreciation	-	(9 101)	(48 484)	(117 185)	(174 770)
Carrying amount	**10 637**	**20 568**	**18 558**	**32 413**	**82 176**
Period ended 31 July 2022					
Opening carrying amount	**10 865**	**22 475**	**19 387**	**24 280**	**77 007**
Exchange movement on translation of foreign subsidiaries	65	132	61	84	342
Additions	-	-	10 484	14 654	25 138
Disposals at cost	-	-	(10 616)	(515)	(11 131)
Depreciation on disposals	-	-	9 958	503	10 461
Depreciation charge	-	(781)	(9 044)	(15 979)	(25 804)
Carrying amount	**10 930**	**21 826**	**20 230**	**23 027**	**76 013**
AT 31 July 2022					
Cost	10 930	30 391	64 960	126 391	232 672
Accumulated depreciation	-	(8 565)	(44 730)	(103 364)	(156 659)
Carrying amount	**10 930**	**21 826**	**20 230**	**23 027**	**76 013**

The bank facilities provided to Furnmart (Pty) Ltd, South Africa are secured by first mortgage over the group's freehold land and building, to the value of P 29.6 million (R 40.0 million).

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

8. (a) Property, plant and equipment (continued)

COMPANY

	Motor Vehicles P'000	Furniture and Office Equipment P'000	Total P'000
Period ended 31 July 2023			
Opening carrying amount	**757**	**96**	**853**
Additions	390	41	431
Disposals at cost	-	-	-
Depreciation on disposals	-	-	-
Depreciation and amortisation charge	(146)	(33)	(179)
Carrying amount	**1 001**	**104**	**1 105**
At 31 July 2023			
Cost	1 904	2 120	4 024
Accumulated depreciation	(903)	(2 016)	(2 919)
Carrying amount	**1 001**	**104**	**1 105**
Period ended 31 July 2022			
Opening carrying amount	**844**	**56**	**900**
Additions	249	63	312
Disposals at cost	(682)	-	(682)
Depreciation on disposals	502	-	502
Depreciation and amortisation charge	(156)	(23)	(179)
Carrying amount	**757**	**96**	**853**
At 31 July 2022			
Cost	1 514	2 079	3 593
Accumulated depreciation	(757)	(1 983)	(2 740)
Carrying amount	**757**	**96**	**853**

- Schedule for Intangibles has been separately disclosed in Note 8 (b) below for better presentation. There is no effect on the figures presented.

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

8. (b) Intangibles

	GROUP P'000	COMPANY P'000
Period ended 31 July 2023		
Opening carrying amount	**4 507**	**4 507**
Depreciation and amortisation charge	(1 345)	(1 345)
Carrying amount	**3 162**	**3 162**
AT 31 July 2023		
Cost	21 269	21 269
Accumulated depreciation	(18 107)	(18 107)
Carrying amount	**3 162**	**3 162**
Period ended 31 July 2022		
Opening carrying amount	**5 853**	**5 853**
Depreciation and amortisation charge	(1 346)	(1 346)
Carrying amount	**4 507**	**4 507**
AT 31 July 2022		
Cost	21 269	21 269
Accumulated depreciation	(16 762)	(16 762)
Carrying amount	**4 507**	**4 507**

- Intangibles comprise of software product and developments costs.

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

8.1 Right of use assets

	GROUP	
Cost	**2023 P'000**	**2022 P'000**
Balance as at 1 August	**700 301**	**679 533**
Additions during the year	61 527	35 878
Modifications during the year	-	(17 180)
Forex translation	(9 184)	2 070
Cost at 31 July	**752 644**	**700 301**
Accumulated depreciation		
Balance at 1 August	**(251 575)**	**(168 858)**
Charge for the year	(86 926)	(84 849)
Modifications during the year	-	2 843
Forex translation	2 957	(711)
Balance at 31 July	**(335 544)**	**(251 575)**
Net book value at 31 July	**417 100**	**448 726**

Right of use assets consist of premises in use for retail, warehousing and offices.

	GROUP		COMPANY	
9. Deferred income tax	**2023 P'000**	**2022 P'000**	**2023 P'000**	**2022 P'000**
Deferred income tax assets	**32 775**	**26 751**	**-**	**-**
Deferred income tax liabilities	**507**	**741**	**507**	**741**
The movement on the **deferred tax asset** account is as follows:				
Balance at the beginning of the year	**26 751**	**16 902**	**-**	**-**
Statement of Comprehensive Income credit (note 5)	6 545	9 788	-	-
Exchange movement on translation of foreign subsidiaries	(521)	61	-	-
Balance at the end of year	**32 775**	**26 751**	**-**	**-**
The movement on the **deferred tax liability** account is as follows:				
Balance at the beginning of the year	**741**	**143**	**741**	**143**
Statement of Comprehensive Income (credit)/charge (note 5)	(234)	598	(234)	598
Balance at the end of year	**507**	**741**	**507**	**741**
The deferred income tax asset arises from the following:				
Accelerated tax depreciation	1 498	4 339	-	-
Right of use assets	(83 760)	(96 890)	-	-
Lease liabilities	112 086	123 307	-	-
Deferred tax on tax losses	453	-	-	-
Unearned finance charges and other adjustments	2 498	(4 005)	-	-
	32 775	**26 751**	**-**	**-**

This deferred tax asset is recognized when it is expected to be recovered from the taxable profits in the foreseeable future. The directors are of the view that future taxable profits will available to recover the deffered tax asset based on the approved projections. The deferred tax asset emanating from tax losses arises from a subsidiary in South Africa.

The deferred income tax liability arises from the following:				
Accelerated tax depreciation	741	143	741	143
Lease and other adjustments	(234)	598	(234)	598
	507	**741**	**507**	**741**

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

	GROUP 2023 P'000	GROUP 2022 P'000
10. Investment		
10.1 Investment in associate	**61**	**91**
Investment in associate comprises equity investments of P25 (2022: P25) shares in United Impex Pty Ltd		
The movement during the year comprises:		
Balance at beginning of the year	91	101
Share of loss for the year	(30)	(10)
Balance at the end of year	**61**	**91**

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 2023 P'000	As at 31 July 2022 P'000
Assets		
Cash and cash equivalents	129	130
Other assets	324	324
	453	**454**
Liabilities		
Trade and other payables	(208)	(90)
Net assets	**245**	**364**
Loss before tax	(8)	(39)
Total comprehensive loss	**(8)**	**(39)**

	COMPANY 2023 P'000	COMPANY 2022 P'000
10.2 Investment in subsidiaries		
Investment in Furn Mart (Pty) Ltd, Namibia (Equity)	15 109	15 109
Investment in Xtreme Discounters (Pty) Ltd, South Africa (Equity)	183 495	183 495
Total investment in subsidiaries	**198 604**	**198 604**

The investment in subsidiaries includes equity investment in Furniture Mart Pty Ltd, Botswana of P2 (2022: P2) shares and Furnmart (Pty) Ltd, South Africa of P74 (R100) (2022: P74 (R100) shares).

Furnmart Limited (the company) is incorporated in the Republic of Botswana and is the ultimate holding company.

SUBSIDIARY COMPANIES

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

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

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

	COMPANY	
	2023	**2022**
	P'000	**P'000**
10.3 Loans to subsidiaries:		
Loans to Furnmart (Pty) Ltd, South Africa	29 597	30 411
Loans to Xtreme Discounters (Pty) Ltd, South Africa	112 303	115 394
Total loans to subsidiaries	**141 900**	**145 805**

The loans to subsidiaries are at amortised cost and the amortised cost approximates their fair values.

Xtreme Discounters (Pty) Ltd, RSA and Furnmart (Pty) Ltd, RSA long term debt are denominated in Rand and have no fixed repayment period. These long-term debts are charged interest at the South African prime rate plus 5% and 1.25% respectively.

11. Cell captive assets

	GROUP	
	2023	**2022**
	P'000	**P'000**
Investment in cell captive assets	**39 251**	**31 978**

The movement is analysed as follows:

Balance at beginning of the year	**31 978**	**29 092**
Net income earned by Group (note 3)	46 677	35 407
Premium charges deposited - net of claims, costs and exchange movements	(39 404)	(32 521)
Balance at end of the year	**39 251**	**31 978**

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 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 recapitalization 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.

The amortised cost value of cell captive assets approximates their fair value.

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

		GROUP	
12.	**Inventories**	**2023 P'000**	**2022 P'000**
	Merchandise	**268 938**	**272 576**

Inventories exclude value of obsolescence amounting to P 10.8m (2022: P 10.1m) for the stock carried at net realisable value. The value written – off to bring inventory to its net realisable value (NRV) amount to P 0.7m (2022: P 1.9m). The write-off is included in costs of sales. Inventories with a value of P 50m (2022: P 50m) are held as collateral for borrowings as set out in note 17(d).

13. Trade receivables

	2023 P'000	2022 P'000
Trade receivables – gross	1 076 513	961 595
Unearned finance and other charges	(252 078)	(212 316)
Trade receivables – Net	**824 435**	**749 279**
Amounts expected credit loss on originated trade receivables	(239 864)	(213 634)
Carrying amount approximate their fair values	**584 571**	**535 645**
Expected credit loss on originated trade receivables		
Opening balance	213 634	213 083
Write-offs during the period (Gross)	(54 624)	(42 039)
Increase in receivable loss allowance recognised during the period	68 672	34 514
Exchange movement on translation of foreign subsidiaries	12 182	8 076
Closing balance at 31 July	**239 864**	**213 634**
Unearned finance and other charges		
Opening balance	212 316	192 132
Additions during the year	454 431	383 890
Effective interest income earned during the year (note 2)	(206 436)	(176 045)
Ancillary services income earned during the year (note 2)	(208 233)	(187 661)
Closing balance	**252 078**	**212 316**

	GROUP		COMPANY	
	2023 P'000	**2022 P'000**	**2023 P'000**	**2022 P'000**
14. Other receivables				
Staff loans	139	235	-	-
Advances and prepayments	1 334	4 331	-	-
Indirect taxes paid in advance	3 935	8 804	-	-
Sundry receivables	20 183	19 923	474	552
Related companies (note 22(ii)) *	40 769	62 909	450 378	438 758
The carrying amount approximate their fair values	**66 360**	**96 202**	**450 852**	**439 310**

* Related companies (company) include Impairment Cost – other receivables of P 3.2 m in 2023 (2022: P3.2 m)

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

		GROUP		COMPANY	
		2023 P'000	**2022 P'000**	**2023 P'000**	**2022 P'000**
15.	**Cash and cash equivalents**				
	Bank balances	74 169	74 178	8 178	1 520
	Cash in hand	27	34	-	-
	Cash and bank balances	**74 196**	**74 212**	**8 178**	**1 520**
	For the purposes of the cash flow statement, the cash and cash equivalents comprise the following:				
	Bank overdraft	(43 085)	(29 526)	-	(602)
	Cash and bank balances	74 196	74 212	8 178	1 520
	Net cash and cash equivalents approximate their fair values	**31 111**	**44 686**	**8 178**	**918**
16.	**Stated capital**				
	Authorised and issued 501 222 174 (2022: 501 222 174) issued and fully paid ordinary				
	Shares at no par value	**128 474**	**128 474**	**128 474**	**128 474**
17.	**Borrowings**				
	Current				
	Bank overdraft	43 085	29 526	-	602
	Bank loan	5 539	5 428	-	-
		48 624	**34 954**	**-**	**602**
	Non-current				
	Bank loan	5 403	10 726	-	-
	Bond	150 000	150 000	150 000	150 000
		155 403	**160 726**	**150 000**	**150 000**
	Total Borrowings	**204 027**	**195 680**	**150 000**	**150 602**
	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**

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

17. Borrowings (continued)

	GROUP		COMPANY	
	2023 P'000	**2022 P'000**	**2023 P'000**	**2022 P'000**
Reconciliation of Borrowings (excluding bank overdraft):				
Opening Balance	**166 155**	**172 642**	**150 000**	**150 000**
Increase in borrowings				
Repayments	(5 212)	(6 487)	-	-
Exchange Movement	(1)	-	-	-
Closing Balance	**160 942**	**166 155**	**150 000**	**150 000**

The amortised cost of borrowings approximates their fair value.

Furnmart Limited, on 18 October 2013 issued the second tranche of P150 m notes, which forms part of the P500m notes program. These notes are non- convertible, unsubordinated and unsecured. The second tranche bears interest at 8.20 % per annum, payable semi-annually, and matures on 23 October 2025.

The Group's banking facilities are as follows:

(a) Short term facility of P44.4 m (N$60.0 m) to finance working capital requirements with First National Bank of Namibia Limited at Namibian prime rate (currently 11.5% per annum). This facility is secured by cession of book debts and suretyship in the amount of P44.4 m (N$60.0 m) from Furnmart Limited, Botswana. The outstanding balance as at 31 July 2023 is P31.5 m (N$42.5 m) (2022:P17.4 m (N$ 23.0 m)).

(b) Performance guarantee facility amounting to P15.0 m, Foreign exchange contract facility amounting to P 0.8 m and facility for Credit Card amounting to P0.2 m with Rand Merchant Bank of Botswana secured by limited cession of book debts and suretyship of P15 m from Furniture Mart (Pty) Limited. This facility shall rank pari passu with Absa Bank of Botswana Limited.

(c) Overdraft facilities with Absa Bank of Botswana Limited amounting to P30.0 m at Botswana prime rate (currently at 6.76% per annum) less 1%. The outstanding balance as at 31 July 2023 is P11.5 m (2022: P11.9 m).

(d) Payment guarantee facility amounting to P14.8 m (R20.0 m) and P1.2 m (USD0.1 m). These facilities are secured by stock of P50.0 m and limited cession of book debts of P60.0 m. The facility with Absa Bank of Botswana Limited shall rank pari passu with Rand Merchant Bank of Botswana.

(e) Letter of Credit facility amounting to P3.7 m (USD 0.3 m) with Absa Bank of Botswana Limited. The outstanding balance as at 31 July 2023 is P nil (2022: P nil)

(f) General banking facility by way of overdraft and/or letters of credit and/or forward exchange contract facility amounting to P8.9 m (R12.0 m) at Nedbank Limited, at South Africa prime rate (currently 11.75% per annum). This is secured by a general notarial bond over all movable assets, reflecting Furnmart (Pty) Limited as a mortgager and Nedbank Limited as mortgagee, limited to P4.4 m (R 6.0 m),and a limited suretyship and mortgage bond over property at Erf13 Meadowdale, Gauteng Province, RSA. The outstanding balance as at 31 July 2023 is P nil (2022: P nil).

(g) Term loan facility of P22.2 m (R30.0 m) from First Capital Bank, Botswana to Xtreme Discounters (Pty) Ltd at South African prime rate (currently 11.75% per annum) less 0.25% per annum repayable over a period of 60 months ending May 2025. This facility is secured by Corporate Guarantee from Furnmart Limited and subordination of shareholders' loan limited to P44.4 m (R60.0 m). Moratorium on principal payments for the first twelve months, thereafter principal and interest to be serviced. The outstanding balance as at 31 July 2023 is P10.9 m (R 14.8 m) (2022:P16.3 m (R21.5 m))

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
18. Trade and other payables				
Trade payables	50 809	80 185	-	-
Related companies (note 22(iii))	409	242	409	-
Other payables	40 530	45 952	8 617	-
Dividend	40	-	40	-
Advance receipts	13 725	11 034	-	4 882
The carrying amount approximate their fair values.	**105 513**	**137 413**	**9 066**	**4 882**
19. Accruals				
Opening balance	14 953	14 036	2 200	2 400
Charge for the year (note 3)	4 127	2 419	1 517	1 049
Paid during the year	(1 570)	(1 502)	(805)	(1 249)
Closing balance	**17 510**	**14 953**	**2 912**	**2 200**

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

20. Lease liabilities (GROUP)

	Carrying Amount P '000	Addition P '000	Deletion/ Modification P '000	Interest Expense P '000	Cash Payment P '000	Forex translation P '000	Carrying Amount P'000
2023							
Lease liabilities	565 123	61 517	-	38 401	(107 448)	(8 071)	**549 522**
2022							
Lease liabilities	603 347	35 878	(17 002)	40 815	(99 696)	1 781	**565 123**

	2023 P'000	2022 P'000
The following are the amounts recognised in the profit or loss:		
Depreciation expense of right of use asset (note 3)	86 926	84 849
Interest expense on lease liabilities (note 4)	38 401	40 815
Expenses relating to short term leases (rentals and rates) (note 3)	10 037	9 983
Total cash outflows for leases		
Lease liabilities	107 448	99 696
Short term leases	10 037	9 983
	117 485	**109 679**

The Group has entered into commercial leases for premises and operating equipment. The leases have an average life of between one and ten years. The Group elected not to recognise assets and liabilities with a lease term of less than 12 months and with low value leases for operating equipment. There are no restrictions placed upon the lessee by entering into these. The Group's leases are mainly non-cancellable. Refer to the ageing of future lease payments as at 31 July 2023:

	2023 P'000	2022 P'000
Within one year	125 449	111 491
After one year but not more than five years	339 208	346 597
More than five years	84 865	107 035
Total	**549 522**	**565 123**

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

21. Cash generated from operations

	Note	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
Profit before tax*		**74 610**	**82 234**	**32 547**	**32 385**
Adjustment for:					
Non-cash items - exchange gains on translation		-	(870)	-	(870)
Depreciation and amortisation –property, plant and equipment (note 8a)		25 024	25 804	179	179
Depreciation and amortisation –intangibles (note 8b)		1 345	1 346	1 345	1 346
Right of use asset depreciation (note 8.1)		86 926	84 849	-	-
Profit on sale of property, plant and equipment (note 3)		(1 182)	(1 125)	-	(168)
Finance income	4	(5 217)	(5 195)	(3 547)	(3 854)
Finance costs	4	56 689	56 747	12 345	12 318
Share of loss from associate	10.1	30	10	-	-
Cash inflow before working capital changes		**238 225**	**243 800**	**42 869**	**41 336**
Changes in working capital					
- trade receivables, other receivables and prepayments		(31 453)	(59 957)	-	-
- related party receivables		22 997	(4 626)	(7 637)	79 005
- inventories		8 150	(20 082)	-	-
- trade and other payables and accruals (excluding dividend)		(37 922)	45 541	4 856	(1 968)
Cash generated from operations		**199 997**	**204 676**	**40 088**	**118 373**

*The starting point for the statements of cash flows has been updated to profit before tax from operating profits to enhance disclosure and align with the requirements of IAS 7. The comparatives have been updated accordingly. The change only affects the amounts presented under cash generated from operations, but does not affect the total cash generated from operations for both the current and previous year.

22. Related party transactions and balances

The Group is related to the wider Cash Bazaar Holdings Group. Related parties comprise the directors and other entities with common directors or shareholders. Cash Bazaar Holdings Pty Ltd, Afritec Pty Ltd, Nafprop Pty Ltd, New African Properties Ltd, Panda Plant Pty Ltd, Starting Right Investments Two Two Zero (Pty) Ltd and Afritec Life Insurance (Pty) Ltd share common directors with Furnmart Limited.

The following transactions were carried out with related parties:

(i) Trade of goods and services

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
- Directors' remuneration #	5 903	6 013	3 158	3 354
- Management fees paid to Cash Bazaar Holdings Pty Ltd # (note 3)	4 739	5 780	4 739	5 780
- Key management personnel remuneration *	24 361	25 036	7 650	7 889
- Transport charges paid to Panda Plant Pty Ltd, Botswana	2 773	3 770	-	-
- Insurance premiums paid to Afritec Life Insurance Pty Ltd, Botswana	12 683	3 490	-	-

 # includes portion of management fee paid to Cash Bazaar Holdings Pty Ltd for services by Furnmart Directors.

** Key management personnel remuneration includes directors' remuneration paid directly by Furnmart, the management fee paid to Cash Bazaar Holdings Pty Ltd and the cost to company of employees reporting directly to the Managing Director.*

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
Service fees received (note 3)				
- Cash Bazaar Holdings Pty Ltd, Botswana	934	253	252	253
- Afritec Pty Ltd, Botswana	4 095	3 922	1 357	1 215
Total service fees received	**5 029**	**4 175**	**1 609**	**1 468**
Administration fees (note 2)				
- Xtreme Discounters (Pty) Ltd, South Africa	-	-	7 549	7 257
- Furn Mart (Pty) Ltd, Namibia	-	-	8 453	8 346
- Furniture Mart Pty Ltd, Botswana	-	-	16 415	14 971
Total administration fees received	**-**	**-**	**32 417**	**30 574**
Lease payment on lease liability (related parties) (NAP Ltd)	26 668	26 778	-	-
Lease payment on lease liability (related parties – other companies)	3 363	3 198	-	-

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

22. Related party transactions and balances (continued)	GROUP		COMPANY	
	2023 P'000	2022 P'000	2023 P'000	2022 P'000
(ii) Receivables from related parties (note 14)				
Afritec Pty Ltd	-	2 774	-	2 774
Xtreme Discounters (Pty) Ltd, South Africa	-	-	82 227	58 714
Furn Mart (Pty) Ltd, Namibia	-	-	123 413	109 870
Furnmart (Pty) Ltd, South Africa	-	-	10 941	2 689
Nafprop Pty Limited, Botswana	64	-	64	-
Cash Bazaar Holdings Pty Ltd, Botswana	40 431	59 968	40 431	59 968
Cash Bazaar Pty Ltd, Botswana	4	-	4	-
Furniture Mart Pty Ltd, Botswana #	-	-	193 298	204 743
Starting Right Investments Two Two Zero (Pty) Ltd, Namibia	270	167	-	-
	40 769	**62 909**	**450 378**	**438 758**

The impairment of intra-group receivables of P 3.20m (as per Note 3 and 14) is included in the balance for the year 2023(2022: P 3.20m).

(iii) Payable to related parties (note 18)				
Afritec Pty Ltd	409	-	409	-
Panda Plant Pty Ltd, Botswana	-	242	-	-
	409	**242**	**409**	**-**
(iv) Lease liability payable to related parties (NAP Ltd) – (note 20)	152 222	196 788	-	-
(v) Interest income (note 2)				
Furn Mart (Pty) Ltd, Namibia (@ 18% per annum on monthly balance)	-	-	14 581	13 541
Xtreme Discounters (Pty) Ltd, South Africa (@ SA prime +5% per annum on the loan balance)	-	-	17 306	14 366
Furnmart (Pty) Ltd, South Africa (@ SA prime +1.25% per annum on the loan balance)	-	-	3 713	2 648
Furniture Mart Pty Ltd, Botswana - Short term loan/intercompany balances are unsecured and payable on demand and attract interest at prime rate, less 2%.	-	-	10 285	7 106
	-	**-**	**45 885**	**37 661**
(vi) Interest receivable from related parties (included in total receivables)				
Furn Mart (Pty) Ltd, Namibia	-	-	42 100	34 931
Xtreme Discounters (Pty) Ltd, South Africa	-	-	63 578	46 272
Furnmart (Pty) Ltd, South Africa	-	-	6 541	3 081
	-	**-**	**112 219**	**84 284**
(vii) Other interest income (note 4)				
Cash Bazaar Holdings Pty Ltd, Botswana (@ BW prime +1% per annum on the loan balance)	3 541	3 773	3 541	3 773
Starting Right Two Two Zero (Pty) Ltd, Namibia (@ Namibia prime +1.5%)	34	15	-	-
	3 575	**3 788**	**3 541**	**3 773**

The nature and terms of intercompany loans between Furnmart Limited and its subsidiaries and related parties are:
1. Furn Mart (Pty) Limited, Namibia; Furniture Mart Pty Limited, Botswana and Cash Bazaar Holdings Pty Ltd, Botswana: - Short term loan/intercompany balances are payable on demand.
2. Xtreme Discounters (Pty) Ltd, South Africa & Furnmart (Pty) Limited, South Africa:
   - Long term debt with no fixed repayment term.
3. Starting Right Investments Two Two Zero (Pty) Ltd, Namibia
   - Short term loan payable on demand
4. Trade receivable from Afritec Pty Limited and Nafprop Pty Limited are trade balances payable within 30 days.

DISCLOSURE NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 July 2023

	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
23. Capital and loan commitments				
Capital expenditure authorised but not contracted for	61 724	37 389	6 090	761
Financing commitments to customers	-	2 362	-	-

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 amounts of such guarantees are 2023: P1.04m (2022: P1.03m).

25. Income tax paid	GROUP 2023 P'000	GROUP 2022 P'000	COMPANY 2023 P'000	COMPANY 2022 P'000
Balance brought forward (net)	4 944	6 280	842	530
Charge for the year (note 5)	22 680	26 805	5 925	7 447
Balance carried forward (net)	(3 529)	(4 944)	1 835	(842)
Net income tax paid	**24 095**	**28 141**	**8 602**	**7 135**

26. Going Concern

The Directors are of the view that the company remains a going concern and that there are no material uncertainties that would impact the annual financial statements as at the reporting date. A post balance sheet assessment has been conducted and nothing significant came to light that would hinder the company's ability to continue operating as a going concern.

27. Events after the reporting period

Other than the facts and developments disclosed in these financial statements, there have been no material changes in the financial position of the Group or its affairs, between the year end and the date of approval of these financial statements.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the company for the year ended 31 July 2023 will be held in the Board Room, Furnmart Limited, Plot 20573/4 Magochanyama Road, Gaborone at 15.00 hrs on 25 January 2024,for the following purposes:

1. To consider and adopt the annual financial statements, including the report of the auditor, for the year ended 31 July 2023.

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) T L J Mynhardt
   ii) F B Lebala
   iii) S Venkataramani

   Biographical information of the directors to be re-elected is set out on page 6.1 of the Annual Report.

   The board has found the performance and attendance of the directors standing for re-election, to be satisfactory and supports their re-election.

4. To consider and ratify the directors' remuneration for the year ended 31 July 2023 (note 22(i), page 53).

5. To appoint Ernst & Young as auditor of the company for the ensuing year.

6. To approve the auditor's remuneration for the past audit (note 3, page 40).

7. 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 — 30 October 2023
Company Secretary

PROXY FORM

I/We____

Of____

Being the registered holder/s of______________________________ ordinary shares in the company, at the close of business on Friday, 19th January 2024, 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 Thursday, 25th January 2024, and at and 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 auditor, for the year ended 31 July 2023			
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 T L J Mynhardt			
	ii F B Lebala			
	iii S Venkataramani			
4	To consider and ratify the directors' remuneration for the year ended 31 July 2023.			
5	To appoint Ernst & Young as auditor of the Company for the ensuing year.			
6	To approve the auditor's remuneration for the past audit.			

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 28892 (Portion of plot 50370),
Twin Towers, Westwing-First floor,
Fairground Office Park, Gaborone
P. O. Box 1453, Gaborone, Botswana

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.