Integrated Annual report 2019

A brand you can

TRUST

Sefalana GROUP

Your basket of opportunities

WELCOME TO OUR INTEGRATED ANNUAL REPORT

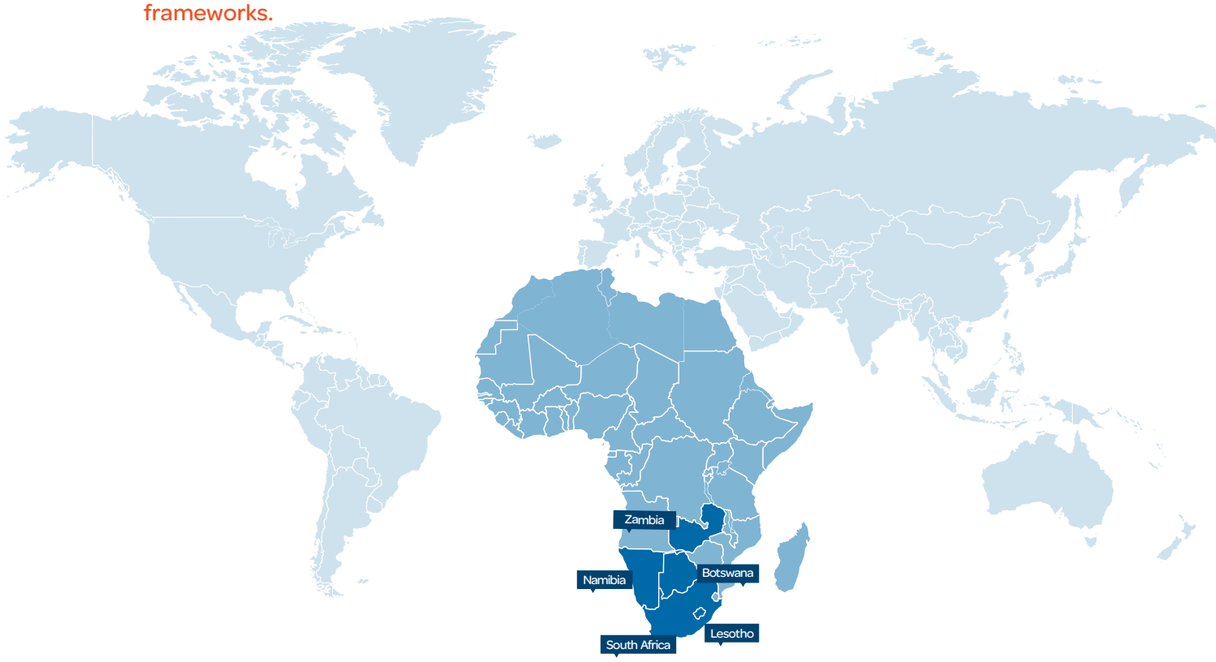
Our Integrated Report

Our integrated report presents how Sefalana Group creates value for providers of capital. We aim to provide a holistic view of the various elements of our activities that enables us to do so. Each year we enhance and improve disclosures in line with best practice worldwide. This year we have benchmarked ourselves not only against King III and King IV, but also in terms of the UK Governance frameworks.

Our Values

Our values underpin our vision to be the leading brand of choice for customers, employees and capital as articulated in our Group Strategy.

Learn more about our values **(page 64)**



Our People

Our competitive advantage lies within our people who deliver our strategy and maintain strong relationships with our customers, suppliers and stakeholders.

Our Thinking

A brand you can TRUST

45 Years of being Awesome

45 years of serving the Nation, your trust in the Sefalana sa rona brand puts us in good standing everywhere we do business. It's all about the trust you have invested in us.

Contents

Proud sponsors of the 2018 Super-5-aside soccer tournament

Sefalana's Integrated Report

So why is this so important?

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and Non - Governmental Organisations (NGOs). The coalition is promoting communication about **value creation** as the next step in the evolution of corporate reporting. Its vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

What should an Integrated Report achieve?

An Integrated Report should be a concise communication about how an organisation strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. We believe that our report enables our shareholders and potential investors to gain an appreciation for exactly this, as we embrace best practice each year, enhancing the manner in which we report.

We are proud to be one of the first companies in Botswana to adopt significant aspects of this Framework, despite this not being a requirement under the current rules of the Botswana Stock Exchange.

The International Integrated Reporting Council (IIRC)'s Breakthrough Phase (2014-2017) is the move from the creation of the International Framework and market testing to development and early adoption by reporting organisations around the world. The IIRC's objective for this phase is to achieve a meaningful shift towards early adoption of the International Framework.

Companies around the world are being encouraged to embrace this way of thinking and reporting. We have noted a select number of companies which are listed on the Johannesburg Stock Exchange (JSE) and have a presence in Botswana, have moved towards this style of reporting as a result of their requirements under the JSE rules.

The IIRC's Framework's objectives can be summarised as follows:

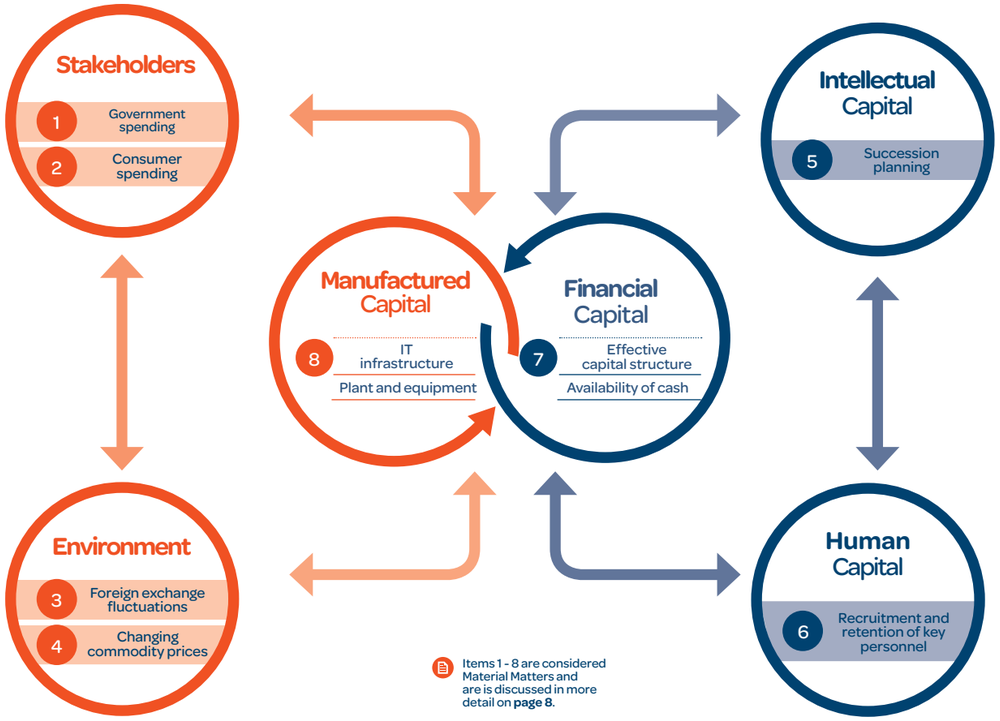
Objectives	Sefalana's response
To improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital	Each year we enhance the level of reporting in our Integrated Annual Report through additional disclosure notes and with cognisance to latest trends in worldwide Corporate Governance. This year we added the Combined Code (UK Corporate Governance Code) as one of our benchmarks together with King III and IV against which we measure ourselves as detailed in the Corporate Governance Report.
To promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of the organisation to create value over time	Material matters to the Group are detailed later in this section of the report. Refer also to the Group Managing Director's report and the Group Finance Director's report which captures the material aspects of our business and highlights the key risks and factors affecting our ability to generate returns for our Shareholders.
To enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies	This is entrenched in the way we do business. This is demonstrated in our business model on page 7. Interdependencies of the various forms of capital are illustrated on page 6.

To support integrated thinking, decision – making and actions that focus on the creation of value over the short, medium and long term	The Group has regular Strategy workshops to ensure the overall objectives of the Group are identified and articulated. All relevant stakeholders are considered and decisions are made accordingly. Shareholder value is therefore maximised in line with this overall strategy as it is inherent in the way we do business. Refer to the Group Finance Director's report for further analysis.
To explain to Shareholders how an organisation creates value over time	Formal detailed presentations are made to Shareholders every six months to provide an update on how the business is performing and to give an insight into the Group's plans for growth. Value creation is demonstrated both in terms of profitability but also in terms of capital growth in share price. On two occasions in the last six years we have carried out a Rights Issue program whereby a Circular was issued to Shareholders explaining our vision and plans for the Group. In both instances the Rights Issue shares were over subscribed demonstrating the effectiveness of our communication to Shareholders regarding value creation.

Forms of Capital

The IIRC discuses various forms of capital that together represent stores of value that are the basis of an organisation's value creation. Reporting on multiple capitals is a relatively new and evolving field. Sefalana embraces this way of reporting.

The inter-relationship between various forms of capital

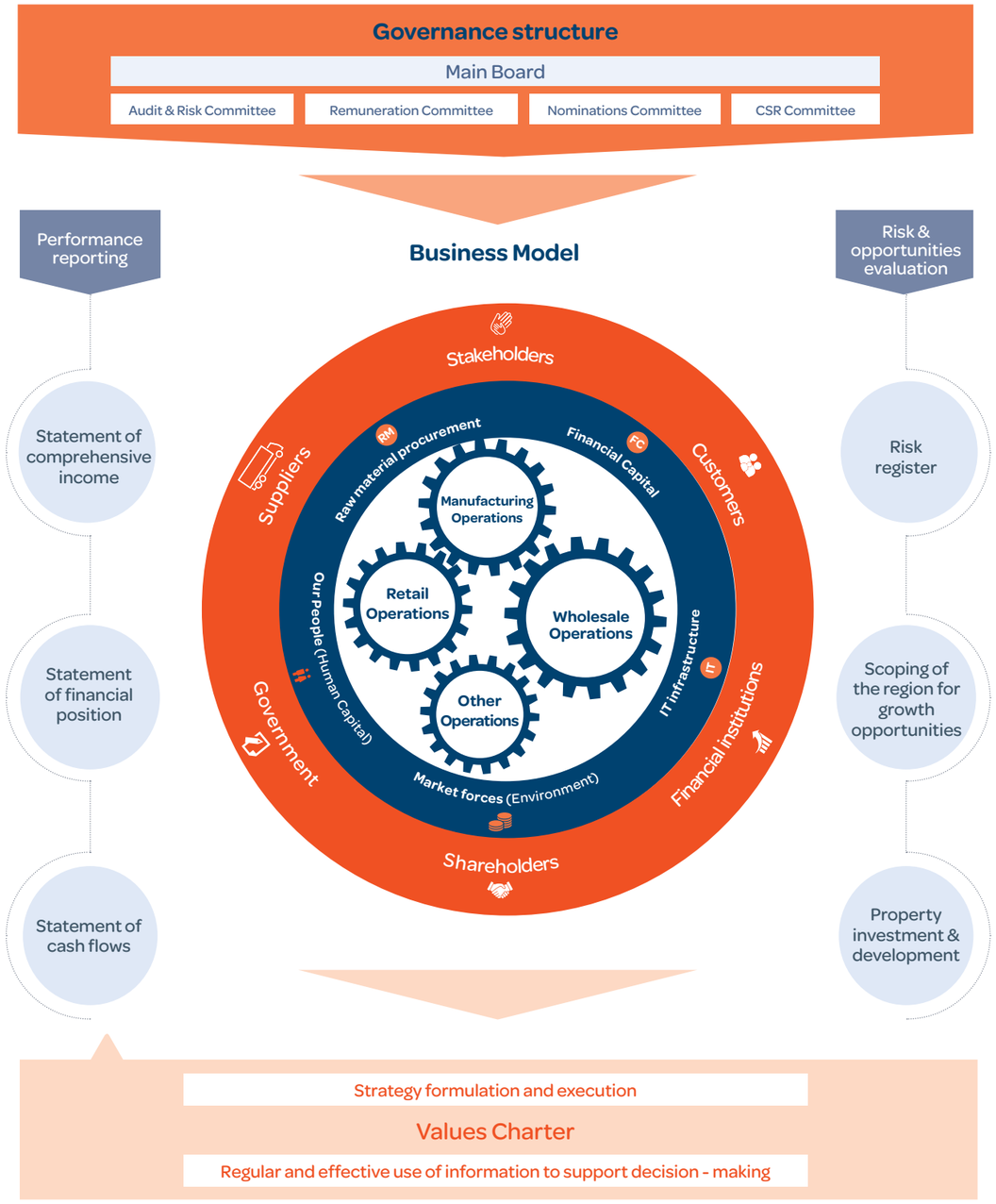


The inter dependencies and relationship between each form of capital are complex and constantly evolving.

The connectivity of each element relevant to the creation of value is expanded upon inherently in the Group Managing Director's and Group Finance Director's Reports.

Our Business Model

Our business model is designed to enable the Group to achieve its objectives through recognising the various Material matters and also recognising the interdependencies of the various forms of capital



Material Matters

The IIRC makes reference to the need to highlight in the Integrated Report, the matters that are considered to be "Material". These are referred to as matters that substantially affect the Organisation's ability to create value over a short, medium and long term.

The following matters are considered Material to the Group in this regard and have been extracted from the Group's Risk Register which is used on an on-going basis by Internal Audit, which reports on a quarterly basis to the Audit and Risk Committee:

1 Material Matter: **Government spending**

Impact	Risk mitigation
Our manufacturing businesses rely significantly on Government tenders and levels of spend in relation to the Tsabana and Malutu feeding schemes along with the Children's UHT milk program. These contracts usually run for no more than a 24-month period and therefore the sustainability of these manufacturing entities in our Group are largely dependent on successfully winning these orders at each tender date.	We continually obtain tender invitations and ensure we submit for all tenders we believe we are capable of servicing. Being aware of tenders issued is critical for these entities in our Group. We have a strong track record for ensuring that where we have been awarded tenders, all quantities are delivered on time and that quality is not compromised. Raw materials are procured from reliable suppliers at the best possible prices thereby ensuring we are best placed to secure and deliver to any orders placed with us with little notice.

2 Material Matter: **Consumer spending and confidence**

Customer spending and confidence is directly impacted upon by the level of employment and general economic sentiment. During difficult times, this then results in increased pressure on margins as customers look for the best prices in the market.	The market is increasingly becoming price sensitive and therefore we need to ensure we are competitive wherever possible. Efficient and effective procurement from suppliers helps us pass on discounts to customers. Inceasing basket size and offering a one - stop - shop helps retain market share in difficult economic conditions.

3 Material Matter: **Foreign exchange fluctuations**

The purchase of products from South Africa is a significant proportion of the Group's procurement spend. The volatility of the Rand over the last 12 months has increased our exposure to pricing. Our grain procurement is linked to movements is the USD. Our rental stream in Zambia is also based on an underlying USD value. Our overall investment in foreign denominated businesses are retranslated at each reporting date.	Forward contracts are entered into where deemed to be appropriate and spot purchases of currency are carried out where a known cash outflow in a foreign currency is anticipated. A Group treasury function monitors foreign exchange movements on a daily basis and ensures appropriate transactions are entered into accordingly.

4 Material Matter: **Changing commodity prices**

The manufacturing businesses procure significant volumes of sorghum, soya and maize. These commodity prices can double or halve in any given financial year and this is largely driven by worldwide supply and demand.	Forward contracts are entered into where deemed to be appropriate and spot purchases of grain is carried out when prices appear to be at a low point. This helps us maintain manufacturing margins.

5 Material Matter: **Succession planning**

Impact	Risk mitigation
The Management team ensures that the objectives of the Group are achieved and that the success of the organisation is not reliant on one or a few key members of the organisation.	Recruitment of understudies is carried out for all significant positions and adequate training and mentoring is ensured on an on - going basis.

6 Material Matter: **Recruitment and retention of key personnel**

Our people make our Group what it is. The culture that it fosters drives performance and to ensure this is in place the workforce needs to be motivated and aligned to the Group strategy.	The Group strategy is communicated throughout the organisation through workshops and seminars. High calibre staff are actively recruited from universities and other institutions. These are deemed to be the leaders of the future and therefore attractive remuneration and retention policies are in place to reward exceptional performance.

7 Material Matter: **Effective capital structure**

In order to support the Group's plans for expansion, sufficient capital is required to ensure the net return to Shareholders is in line with their expectations.	Careful consideration is given to the issue of equity vs debt and a target capital ratio range is maintained at all times.

8 Material Matter: **IT infrastructure**

In a constantly evolving world, the use of technology is essential to provide an organisation with the speed and efficiency for success. IT can enable an organisation to offer innovative new products and services to its customer base.	Computer software and hardware is updated on an ongoing basis. The latest internet connections are installed in our stores to ensure data is captured quickly and accurately. Cash withdrawal offering was introduced this year to all FNB card holders

9 Material Matter: **Brand health and development (not a form of capital)**

We have built up our brand over 45 years and it is critical that we leverage off this brand value to maximise returns.	Our rebranding program commenced in 2015 and has been rolled out throughout the Group. We have received very positive feedback on this area and this has helped consolidate and strengthen our Botswana brand.

OVERVIEW

Despite difficult trading conditions we have once again achieved our best ever set of financial results. We have managed to do this through making good strategic and investment decisions which has allowed us to differentiate our portfolio of businesses.

45 Years of being Awesome

Sefalana Timeline

Since 2015, our cautious expansion into the Region has allowed the Group to diversify its profits and yield enhanced earnings for our shareholders

1974 Sefalana sa Botswana was formed to purchase the Botswana operations of Bechmalt Holdings, comprising 6 wholesale stores and a maize mill.

1975 Sefalana Botswana became the 1st publicly listed company in Botswana

1989 The management and administration functions were transferred to Botswana from South Africa

1994 Merged the Group's wholesale operations with the Botswana operations of Metro; formed Metro Sefalana Cash & Carry Limited (Metsef), the formation being a predecessor to today's Sefalana Cash & Carry

2006 Acquired 55% of MF Holdings and acquired HJ Heinz Botswana, later renamed KSI Holdings. Acquired an additional 40% of Metsef equity and gained control of the entity, renaming it Sefalana Cash & Carry Limited (Sefcash)

2009 Investment in property in Zambia

2010 Launched "Shoppers" supermarket chain. Acquired the remaining Sefcash shares and delisted Sefcash from the Botswana Stock Exchange

2013 Continued expansion of our Shoppers chain to 16 operational stores. Acquired an additional 15% stake in MF Holdings

1974 1975 1989 1994 2006 2009 2010 2013 2014 2015 2016 2017 2018

2013 Opened our first store outside Botswana in Namibia

2014 Aquisition of 12 Metro stores across Namibia

2015 Refreshed and consolidated our brand

2016 Expanded our A - Star house brand range of products

2016 Acquired largest Cash & Carry in Maseru, Lesotho

2016 Launched Botswana's first FMCG online shopping site

2016 Launched "Sefalana rewards" loyalty programme

2017 Acquired the remaining 30% minority shareholding in MF Holdings and additional 40% in Natural Value Foods Botswana (subsequently renamed Sefalana Fresh Produce (Pty) Limited)

2017 Entered the South African market via a preference share investment into an FMCG consortium

2018 Consolidated our investments, improved efficiencies and extracted greater value from existing assets

Our Sefalana

Sefalana has grown into a trusted household name in Botswana through establishing itself as one of the country's leading businesses in the Fast-Moving Consumer Goods (FMCG) sector.

Sefalana embarked on this journey in 1974 through the takeover of Bechmalt Holdings (Pty) Limited which consisted of 6 wholesale stores and a maize mill. Through developing its operations, expanding into new territories and diversifying its business over the last 45 years, Sefalana has created a name for itself.

A year after establishment, Sefalana took the bold move of being the first company to list its shares on the Botswana Stock Exchange. To this day we are proud to be the only listed company without a controlling shareholder. This has enabled us to preserve our status as a truly Botswana company, made for the people of Botswana, by the people of Botswana.

Our headquarters are located in Gaborone, Botswana and our primary focus is on the core FMCG business. The Group however, remains well diversified, with a strong, reliable presence in manufacturing of nutritious cereal meals, UHT milk and soaps and detergents.

Our Group also has a significant property portfolio across the Region along with 3 motor dealerships (MAN, TATA and Honda).

This diversification has facilitated significant growth in our business and has allowed Sefalana to accomplish the following significant milestones:

- Growth from just 6 stores in one country to a total of 73 stores across 3 countries;
- Employment of over 3 400 individuals from a mere 233 in 1974;
- Making Sefalana an employer of choice in each territory that it has a significant presence; and
- Extension of manufacturing operations to include a wide range of products as we pride ourselves on feeding our Nation.

Please refer to our timeline section for a summary of the main milestones achieved over the years.

Sefalana sa rona – Your basket of opportunities.

Sefalana sa rona

Kompone ya Sefalana e godile go nna e e tshephegang ka go itshetlela go nna kompone ya maemo a ntlha mo lekalaneng la tsa dijo mo Botswana.

Sefalana e simolotse loeto ya lone ka ngwaga wa 1974 ka theko ya madirelo amo gae a kompone ya Bechmalt Holdings (Pty) Limited e eneng ena le makalana ale marataro (6), le madirelo a tshilo ya mmidi. Ka go tlhabolola madirelo, le go anama le mafatshe, le go kabakanya ga kgwebo mo dingwageng tse di masome a mane le botlhano (45years), Sefalana o itiretse leina ka bo yone.

Ngwaga morago ga tshimolodiso ya kgwebo, Sefalana ene ya tsaya kgato ee kgolo go nna kompone ya ntlha go anamisa diabe tsa yone mo Botswana Stock Exchange. Le ka sebaka seno, re motlotlo gore re santse rele kompone ele nosi e diabe tsa yone di anameng le batho ba le bantsi. Sena se re letla go nna le seriti sa kompone e leng ya Botswana, e diretsweng Batswana e le ya Batswana.

Dikago kgolo tsa rona di mo Gaborone, Botswana, re remeletse thata mo go tsa thekiso ya dijo. Kompone e tsweletse ka go kabakanya madirelo, ka go bonala thata mo madirelong a dijo tsa dikotla, mashi le melora ka go farologana.

Kompone ya rona e itsetsepetse mo go tsa dikago go anama le lefatshe, le madirelo a thekiso ya dikoloi a itsegeng ka (MAN, TATA le HONDA).

Go kabakanya ga kgwebo go thusitse thata mo kgolong ya madirelo a rona le go letlelela Sefalana go kgona go fitlhelela tse di latelang;

- kgolo ya mabentlele go tswa mo go borataro (6) mo lefatsheng le lengwe go ya ko go masome a supa le boraro (73) go ralala mafatshe ale mararo.
- Bodiredi bo feta dikete tse tharo le makgolo ale mane (3 400) go tswa mo go makgolo a mabedi masome a mararo le boraro (233) ka ngwaga wa 1974
- Se se dira Sefalana go nna mohiri wa tlhwatlhwa mo di kgaolong tsotlhe e mo go tsone.
- Kanamiso ya madirelo a akaretsang a dijo a re ikgantshang ka one mo go tlhokomeleng Sechaba.

Ka boikokobetso etela tsetlana ya kitsiso e e tlhalosang ka boripana mosepele wa rona mo kgwebong le katlego mo dingwageng ka go latelana.

Pego ya rona e e tsolopanyeng ya ngwaga

Mo mokwalong wa dikitsiso wa ngwaga le ngwaga, re lo itsise ka tshoboko kgolo ya maduo le go aga boleng jwa kgwebo go direla ba beeletsi le go tshegetsa maitlamo a itshetletseng, le megopolo ya kgolo pele.

Sefalana sa rona – Mophuthelwana wa ditshono.

CORPORATE INFORMATION

SEFALANA HOLDING COMPANY LIMITED
Sefalana Holding Company Limited is incorporated in Botswana - Company registration number 86/1025

SECRETARY
Mohamed Osman
Email: companysecretary@sefalana.com

AUDITORS
Deloitte & Touche
Plot 64518, Fairgrounds Office Park,
P O Box 778, Gaborone, Botswana

BUSINESS ADDRESS
Private Bag 0080,
Gaborone, Botswana,
Telephone: (+267) 3913661,
Fax: (+267) 3907613

LAWYERS
Osei - Ofei Swabi & Co
First Floor, Unit 18,
Kgale Mews, Gaborone,
International Finance Park,
P O Box 403506, Gaborone,
Botswana

SHARE TRANSFER SECRETARIES
Transaction Management Services (Pty) Limited
t/a Corpserve Botswana Transfer Secretaries
Unit 206, Building 1, Plot 64516,
Showgrounds Close, Fairgrounds,
Gaborone, Botswana,
P O Box 1583, AAD,
Gaborone, Botswana

REGISTERED OFFICE
Plot 10038,
Corner of Nelson Mandela Drive and Kubu Road,
Broadhurst Industrial,
Gaborone, Botswana

BANKERS
African Banking Corporation of Botswana Limited
Barclays Bank of Botswana Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited
Nedbank Lesotho Limited
Standard Lesotho Bank
Afrasia Bank Limited
Standard Bank (Mauritius) Limited
Standard Bank Namibia Limited
First National Bank of Namibia Limited
First National Bank of South Africa Limited
Zambia National Commercial Bank

Our Integrated Annual Report

Through this integrated annual report, we provide a holistic overview of our performance and how we create value for our stakeholders and manage our culture while delivering on our Group strategy and cultivating investment opportunities on an on-going basis.

93% of Sefalana shares are held by Botswana institutions or Botswana citizens.

Financial Highlights

Headline Performance		
for the year ended	2019	2018
	P'000	P'000
Revenue	5 305 981	4 785 500
Profit for the year attributable to equity holders of the parent	198 860	175 871
Total comprehensive income attributable to equity holders of the parent	162 150	187 324
Shares in issue at beginning and end of year (number)	250 726 709	250 726 709
Basic and diluted earnings per share (thebe)	79.31	70.14
Total comprehensive income per share (thebe)	64.67	74.71
Dividends per share (thebe) - ordinary - paid	10.00	10.00
Dividends per share (thebe) - ordinary - proposed	27.50	23.00
Dividend cover (times)	2.11	2.13
Net asset value per share (thebe)	702	670
Market price per share at year end (thebe)	859	896

Value added statement		
	2019	2018
	P'000	P'000
Wealth created		
Revenue	5 305 981	4 785 500
Payments to suppliers and providers of services	(4 803 340)	(4 334 804)
Value addition	502 641	450 696
Share of results from associate and joint venture	(1 994)	(743)
Interest income from bank deposits	18 070	17 492
Dividends on preference shares	37 339	32 625
Total wealth created	556 056	500 070
Wealth distribution		
To employees	233 797	211 410
To providers of capital	92 607	100 168
Government for taxes	60 026	54 035
Total wealth distributed	386 430	365 613
Wealth retained in the business		
To maintain and develop operations of the Group	169 626	134 457
Number of employees of the Group	**3 488**	**3 287**

Shareholder information

Analysis of shareholders	30 April 2019		30 April 2018	
Shareholders with an individually significant interest in Sefalana Holding Company Limited				
Botswana Public Officers Fund	112 501 676	44.87%	112 195 933	44.75%
Motor Vehicle Accident Fund	25 083 138	10.00%	25 083 138	10.00%
Debswana Pension Fund	15 175 206	6.05%	14 851 705	5.92%
Chandra Chauhan	13 525 511	5.39%	12 871 200	5.13%
	166 285 531	66.31%	165 001 976	65.81%
Summary by class of shareholders:				
Insurance companies, pension funds and nominee companies	228 631 799	91.19%	229 133 510	91.39%
Individuals and others	22 094 910	8.81%	21 593 199	8.61%
Total	250 726 709	100.00%	250 726 709	100.00%
Shares held by citizens (individuals and institutions)	233 398 863	93.09%	232 312 803	92.66%

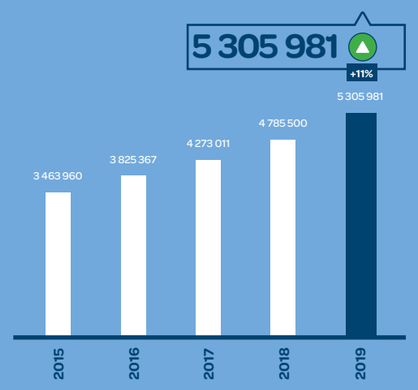
Stock Market Information		
Number of shares traded (000)	3 387	7 245
Value of shares traded (P'000)	29 603	79 048
Share price for the period (thebe):		
Lowest	859	880
Highest	896	1 116
Closing	859	896
Market Capitalisation at year end (P'000)	2 153 742	2 246 511

Shareholders' calendar	
Financial year end	30 April
Announcement of audited results	31 July 2019
Annual General Meeting	22 October 2019
Announcement of half year results	end of January 2020

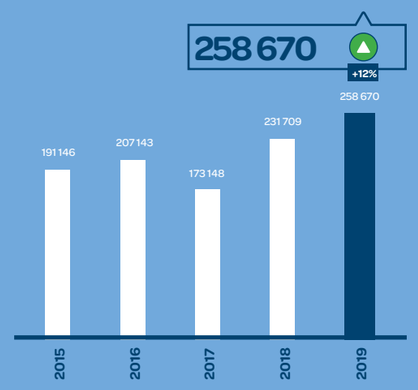
The Group's profit before tax is up 12% from the prior year and up more than 35% over the last five years. This in turn has enabled the Group to give back a little more to its Shareholders who have received a 14% higher dividend on their investment this year compared to the previous year. This is our biggest ever dividend payout.

Five year trending

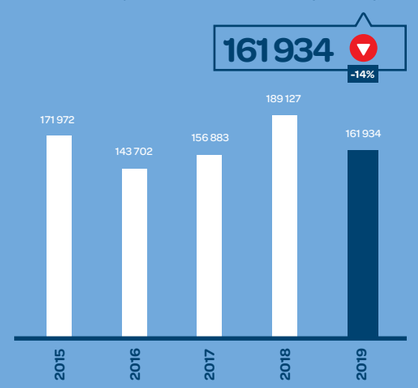
Revenue (P'000)



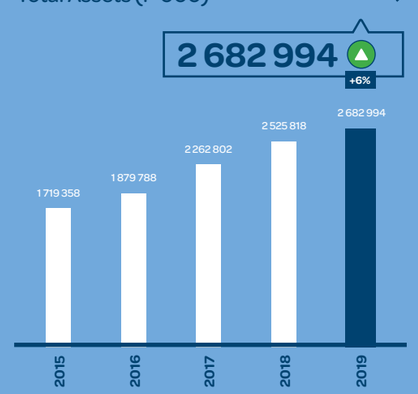
Total Profit Before Tax (P'000)



Total Comprehensive Income (P'000)



Total Assets (P'000)



Record revenue was generated this year as we exceeded the P5 billion mark. We are proud of our growth over the last 45 years

Record of financial performance

	30 April 2019 P'000	30 April 2018 P'000	30 April 2017 P'000	30 April 2016 P'000	30 April 2015 P'000
Comprehensive Income					
Revenue	5 305 981	4 785 500	4 273 011	3 825 367	3 463 960
Profit from operations	260 664	232 452	172 512	206 933	190 563
Share of results from associate and joint venture	(1 994)	(743)	636	210	583
Profit before tax	**258 670**	**231 709**	**173 148**	**207 143**	**191 146**
Income tax expense	(60 026)	(54 035)	(44 845)	(49 549)	(38 676)
Profit for the year	**198 644**	**177 674**	**128 303**	**157 594**	**152 470**
Other comprehensive (loss) / income	(36 710)	11 453	28 580	(13 892)	19 502
Non - controlling interests	216	(1 803)	(3 356)	(4 945)	(9 774)
Total comprehensive income for the year attributable to equity holders of the parent	**162 150**	**187 324**	**153 527**	**138 757**	**162 198**
Earnings per share (thebe)	79.31	70.14	53.35	66.95	65.39
Total comprehensive income per share (thebe)	64.67	74.71	65.33	61.67	74.53
Dividends per share (thebe)	37.50	33.00	30.00	30.00	30.00

	30 April 2019 P'000	30 April 2018 P'000	30 April 2017 P'000	30 April 2016 P'000	30 April 2015 P'000
Financial position					
Property, plant and equipment	641 720	617 064	543 765	486 931	427 123
Investment property	287 166	260 685	262 923	260 494	176 479
Intangible assets	134 546	145 823	150 332	133 884	144 369
Leasehold rights					741
Investment in associate		2 616	5 030	4 579	3 466
Investment in joint venture			1 314	1 979	1 631
Investment in preference shares	197 895	198 114			
Deferred lease assets	2 656	1 090	2 033	2 033	2 510
Deferred tax assets	17 254	16 708	13 546	17 764	13 066
Retirement benefit assets					7 334
Current assets	1 401 757	1 283 718	1 275 859	964 124	935 475
Asset classified as held for sale			8 000	8 000	7 164
Current liabilities	(689 113)	(609 590)	(434 218)	(530 024)	(481 453)
Non - current liabilities	(218 792)	(220 332)	(215 714)	(174 403)	(139 386)
Non - controlling interests	(16 064)	(16 280)	(47 100)	(59 766)	(54 821)
Equity attributable to equity holders of the parent	**1 759 025**	**1 679 616**	**1 565 770**	**1 115 595**	**1 043 698**

EXECUTIVE REPORTS

From humble beginnings in 1974 to achieving the stature of a leading FMCG organisation in Botswana, Namibia and Lesotho, Sefalana celebrates 45 years of successful operation in an ever-changing business environment.

45 Years of being Awesome

Sefalana Group
Integrated Report 2019

Board of Directors

Board of Directors

Dr Ponatshego Kedikilwe (81)
Chairman - Non - Executive

Dr Kedikilwe is the Chairman of Sefalana Holding Company Limited. He brings a wealth of experience to Sefalana having served in various positions in his illustrious career. This includes being Vice President of Botswana, Minister of Minerals, Energy and Water Resources, Minister of Education, Minister of Finance and Development Planning, Minister of Trade and Industry, Minister of Presidential Affairs and Public Administration, Assistant Minister of Finance and Development Planning, and Member of Parliament for the Mmadinare Constituency from 1984-2014.

Dr Kedikilwe held various leadership positions including; Board member of Botswana Diamond Valuing Company and Bank of Botswana, Member of the Monetary Preparatory Commission that recommended the establishment of the Bank of Botswana and the introduction of the Pula currency in 1975/76, Alternate Governor for the International Monetary Fund, founding Board Member of the Botswana Housing Corporation, Board member of the Botswana Power Corporation, Chairman of Presidential Commission on Education, Chairman of Council at the University of Botswana, Chairman of the Central Tender Board, (now PPADB), Permanent Secretary of Works and Communications Ministry, Director of Public Service Management and Director of Financial Affairs in the Ministry of Finance and Development Planning.

During his career, Dr Kedikilwe received the Presidential Order of Honour for Distinguished Public Service in 1992, Grand Cordon of the Order of the Rising Sun, awarded by the Emperor of Japan in 2011 and Naledi Ya Botswana in 2014. In March 2016 he was appointed Chairman of the Presidential Inspectorate Task Team. He was appointed Vice Chancellor of the Botswana Open University in March 2018.

Chandra Chauhan (57)
Group Managing Director - Executive

Chandra is a Chartered Accountant who trained and qualified with KPMG in the United Kingdom. A Zambian by birth, he became a naturalised citizen of Botswana and has over the years become a very successful entrepreneur and respected businessman. He is currently the Group Managing Director, having been appointed to the Board in 2003. He has been responsible for turning around and restructuring Sefalana and has seen its market capitalisation increase from P64 million in 2004 to its current capitalisation of just under P2.2 billion. He is also a Non - Executive Director of Botswana Insurance Holdings Limited, a company listed on the Botswana Stock Exchange having been appointed to its Board in April 2009 and he is the Chairman of the Board of Botswana Insurance Fund Management. Mr. Chauhan has a BAcc (Hons) from the University of Zimbabwe, ACA (England & Wales) and FCA (Botswana).

Mohamed Osman (42)
Group Finance Director - Executive

Mohamed is a Fellow Chartered Accountant who trained with KPMG and Ernst and Young in the UK for over 10 years. He joined Sefalana as the Deputy Group Finance Director in March 2012 and was promoted to the position of Group Finance Director in December 2013. He worked closely with a number of Retail and Manufacturing businesses in the UK having spent 15 years away from Botswana. Mohamed graduated with a BCom (Hons) degree from the University of Birmingham in the UK and qualified under the Institute of Chartered Accountants of England and Wales (ICAEW). He has an MBA in International Management from Edinburgh University in Scotland, and has attended Executive Leadership courses at Harvard Business School Cambridge Massachusetts, and MIT Sloan School of Management in Boston.

Mohamed also serves as the Principal Officer of the Sefalana Group Pension Fund, and is the Botswana representative for the ICAEW. He is also a Non - Executive member of the Board of Directors of Barclays Bank Botswana and is the Chairman of its Audit Committee.

Keneilwe P Mere (46)
Non - Executive

Keneilwe is an attorney of the High Court of Botswana with over 17 years of experience. She is one of the founding partners of Moribame Matthews, a law firm whose services include civil litigation, corporate and commercial law, intellectual property, conveyancing and alternative dispute resolution. She attained her Bachelor of Law degree (LLB) with the University of Botswana in 2001. After a short period with Lesetedi & Company in 2001 she joined Collins Newman & Company as a Pupil Attorney and left in 2007 as a Senior Associate Attorney. Keneilwe's specialty lies in civil litigation and commercial law with specific clientele in the finance, insurance, mining and property industries.

Keneilwe is member of the Law Society of Botswana, an Associate Arbitrator of the Southern African Institute of Arbitrators and a member of the International Bar Association.

Keneilwe is a Board member of Kgare Insurance Brokers (Pty) Ltd. She is also the past Vice Chairperson of the Cancer Association of Botswana. Keneilwe is passionate about female empowerment and the advancement of youth in the economic sphere. As an active member of the Law Society of Botswana, Keneilwe's focus is on the progression of women attorneys in private commercial legal practice. She joined the Sefalana Holding Company Board of Directors in March 2017.

Elias Dewah (77)
Non - Executive

Elias was appointed to the Sefalana Board in January 2008. He holds a diploma in Agriculture, a BA degree in Economics and Accounting, and an MBA in Industrialisation and Strategic Business Management. Elias worked for the Government of Botswana in different capacities for many years. He served the Botswana Confederation of Commerce, Industry and Manpower, as Deputy Executive Director and as Executive Director until his retirement in 2006. Currently, Elias is a private consultant specialising in the promotion of Public - Private Dialogue, Business Organisations Training and General Business Administration and Management. Elias received the Presidential Order for Meritorious Service (PMS) in 2007 and joined the Free Enterprise and Democracy Network (FEDN) in 2016.

Dr Keith Jefferis (62)
Non - Executive

Keith is a Development Macroeconomist and a financial sector specialist. He is the Managing Director of Econsult Botswana (Pty) Ltd, and is a former Deputy Governor of the Bank of Botswana. His current activities include work on a range of macroeconomic, financial and other development policy issues in Botswana, elsewhere in Sub - Saharan Africa and Asia. He has consulted for international organisations such as the World Bank, the African Development Bank, USAID, UNIDO and UNDP. He has served on the Committee of the Botswana Stock Exchange, the Board of Botswana Insurance Holdings Limited, and the Botswana Insurance Fund Management Investment Committee. Keith holds a BSc. in Economics and Statistics from the University of Bristol, MSc. in Economics from the University of London and a PhD in Economics from the Open University (UK). He was appointed to the Board of Sefalana in April 2014.

Reginald Motswaiso (55)
Non - Executive

Reginald is a Fellow Chartered Certified Accountant as well as an Associate Member of the Chartered Institute of Management Accountants, all obtained while at AT Foulkes Lynch in London. He holds a Bachelor of Commerce degree from the University of Botswana.

Reginald is an alumnus of Harvard University - Kennedy School of Governance – Cambridge, Massachusetts. He attended the University of Pennsylvania - Wharton School of Property Finance – Zell/Lurie Real Estate Centre. Reginald also attended the University of Stanford – Graduate School of Business Leadership in Palo Alto.

He held Board positions at PEEPA, the BSE and Standard Chartered Bank Botswana. He is a Board member of other regional bodies including the African Union for Housing Finance - AUHF, of which he was the Chairman (2009 – 2013) and the Southern African Development Community Development Finance Institutes (SADC DFI). His interests and experiences are in the field of Finance, Banking, Strategy and Leadership. He is currently the Chief Executive Officer of Botswana Housing Corporation. Reginald was appointed to the Sefalana Board in January 2008.

Bryan Davis (61)
Sefalana Cash and Carry Namibia - Managing Director - Executive

Bryan joined the Board of Sefalana Holding Company Limited on 1 July 2018 as an Executive Director having been appointed in 2014 as the Managing Director of Sefalana Cash & Carry Namibia (t/a Metro Namibia) which saw the expansion of Sefalana into the region.

Bryan has over 40 years of experience in the wholesale and retail sectors through his various roles in Metro Cash & Carry in South Africa, Lesotho, Botswana and Namibia, Retail Market in India, Checkers South Africa and Grand Bazaars. He was also previously the Managing Director of the Cash & Carry business in Botswana up until 2009.

Bryan holds an MDP (Management Development Program) from the Free State University, South Africa.

Chairman's Report

This has been another strong year for Sefalana as we generate results that reflect our ability to withstand the arduous trading and economic environment through our determination and hard work.

Material Matters

The Board believes that this Annual Report considers all material matters which reflect the performance of the Sefalana Group of companies, and accordingly adopts an Integrated Reporting approach in line with best practice.

Sefalana Gives Back

We built three houses for deserving families in villages across Botswana at an overall cost of P0.4 million. These houses were donated to the recipients in December 2018. We look to continuing these activities going forward.

We care about our Community and look to support sustainable and deserving initiatives. Having set up a formal Corporate Social Responsibility ("CRS") Committee, we actively ensure we are doing our best at providing this support.

UB Bakery

We opened a new Bakery inside University of Botswana to provide convenience to our young learners, to help them access affordable freshly baked confectionery.

Did you know?

Sefalana Botswana became the 1st publicly listed company in Botswana in 1975.

Number of Employees

3 488

93% of Sefalana shares are held by Botswana institutions or Botswana citizens.

93%

Subsequent to the year end we opened our new Sefalana Catering business. This division will focus on serving the large hospitality industry with frozen foods in wholesale size units. We are very excited about this new offering.

Chairman's Report

(continued)

Shareholders received a 14% higher dividend than prior year

14%

Celebrating **45** years of successful operation

45 Years

From humble beginnings in 1974 to achieving the stature of a leading FMCG body in Botswana, Namibia and Lesotho, Sefalana celebrates 45 years of successful operation in an ever-changing business environment.

Our Brand

From humble beginnings in 1974 to achieving the stature of a leading FMCG body in Botswana, Namibia and Lesotho, Sefalana celebrates 45 years of successful operation in an ever-changing business environment.

Over the last four decades, the Group has worked tirelessly to achieve its strategic objective to be the leading brand of choice for customers, employees and capital. Through robust leadership and a will to challenge the norm of day to day operations, Sefalana continues to create long term sustainable value for its stakeholders, delivering excellent results and proving to be a brand that you can rely on, a brand you can trust.

Our Performance

This year we placed focus on our core business segments, analysed each segment's performance and adopted suitable measures of cost control. This has improved the efficiency of our operations as well as our bottom line. We are therefore delighted to present the results of another year of strong performance. The Group's profit before tax is up 12% from the prior year and up more than 35% over the last five years.

This in turn has enabled the Group to give back a little more to its Shareholders who have received a 14% higher return on their investment this year compared to the previous year. This is our biggest ever dividend payout.

Further details on the Group's performance have been provided in the Group Managing Director's and Finance Director's reports respectively.

Our Economy

The Botswana economy has shown a moderate rate of recovery following high levels of unemployment and debility of the mining industry in previous years. This has come through as an acceleration of real economic growth during the year which is expected to sustain itself in the years to come. Local economic growth will be driven by improved mining activity, construction and strengthened public investment.

Our Group will continue to support Botswana's aim of tackling poverty and job creation through providing employment to the population in upcoming stores and giving back to the Community through sustainable development.

As a means of giving back, Sefalana looks towards developing the communities in which we operate

5 of our **8** Directors are independent, in line with best practice

We believe in developing a sustainable group of talent and aspire to Sefalana being the preferred place of work for Batswana.

This year we placed focus on our core business segments, analysed each segment's performance and adopted suitable measures of cost control.

Our Community

Our suppliers, customers and employees have played a key role in making Sefalana the strong brand that it is today. This year, we spent time engaging with our stakeholders and the wider community, understanding their needs and developing sustainable practices to meet such needs. Through their unwavering support, we have achieved our best results to date. As a means of giving back, Sefalana looks towards developing the communities in which we operate and has in the past year, built houses for three deserving families in central Botswana. This was a first for Sefalana and a practice we aspire to do again.

Our People

Our people are the backbone of our business, as they have helped us achieve our strategic objective through their dedication and hard work. We believe in developing a sustainable group of talent and want Sefalana to be a preferred place of work where we keep our employees motivated and help them do what they do best – attending to our customers.

As I complete my fifth year as Chairman of the Board, I acknowledge the perseverance and commitment of our employees, management teams and fellow Board members and thank them for being the building blocks in developing our brand, our Sefalana.

As we celebrate our 45 years, we reflect on our past, and look ahead towards our future, nurturing your basket of opportunities and standing strong as a brand you can trust.

I request all shareholders to attend the upcoming Group AGM, that will be held at the Sefalana Head Office, Plot 10038, Corner of Nelson Mandela Drive and Kubu Road on Tuesday, 22 October 2019.

Dr. PHK Kedikilwe, PH, NYB
Chairman

Sefalana butchery
farm-fresh meat cuts
available in-store

A brand you can
TRUST

Group Managing Director's Report

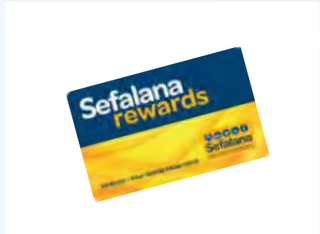
We are confident that our Shareholders and potential investors will be pleased with our performance and will share our enthusiasm with the forward-looking prospects of our business and brand.

Annual Birthday Promotion

This year, as part of our annual birthday promotion, our Cash & Carry business gave away 28 mobile kiosks worth just under P2 million thereby empowering local Batswana entrepreneurs, and our Retail birthday promotion consisted of giving away cash prizes amounting to P1.7 million.

Presidential Christmas appeal

We are pleased to report that over and above a number of on-going initiatives, we donated almost P0.5 million in the form of hampers to the Presidential Christmas appeal.



Did you know?

Sefalana Rewards loyalty program allows customers to earn "Sefbacks" on all purchases through giving back a percentage of the purchase value. Sefalana is the first local retailer to offer this service.

Signed a P57 million deal for the year with BAMB

We aim to assist the Farming industry through our significant procurement of grain through Botswana Agricultural Marketing Board ("BAMB") where we recently signed a P57 million deal for the year. We have also focused strongly on developing our fruit and vegetable business and the underlying farming community.

Our property portfolio held in Botswana performed well, contributing 1% and 12% to Group revenue and profit before tax respectively. Almost all properties are tenanted, and leases are in place for between three and seven years.

Our most recent entry into the South African market has resulted in a sizeable contribution to the bottom line results for the current and prior year.

Namibia continues to grow and generate enhanced profitability. Lesotho, despite its political climate, is also showing top line growth.

We are the leader in Cash & Carry in Botswana, Namibia and Lesotho, and look to continue our slow and steady expansion plan.

Group Managing Director's Report
(continued)

Financial results of the Group - overview

This time last year we proudly reported to our Shareholders that we had achieved our best performance to date following a period of difficult trading conditions. We had achieved this through focusing on cost saving initiatives and extracting greater value from our well diversified group of businesses across the Region. We also focused on margin improvements through enhancing our procurement activities.

We continued this approach throughout the current financial year and are pleased to report once again, that we have closed the year with our best ever results, with a profit before tax of just over P0.25 billion representing a 12% increase compared to the comparative year to 30 April 2018 ("the prior year").

We are confident that our Shareholders and potential investors will be pleased with our performance and will share our enthusiasm with the forward-looking prospects of our business and brand – a Brand you can trust.

Our focus on the Region

With the economic challenges experienced in the local market over recent times, our diversification into neighbouring countries has been central to our strategy, and over the last five years has helped us improve the Group's overall performance.

Namibia continues to grow and generate enhanced profitability. Lesotho, despite its political climate, is also showing top line growth.

Our most recent entry into the South African market has resulted in a sizeable contribution to the bottom line results for the current and prior year.

Expansion into the Region naturally exposes the Group to foreign exchange gains and losses. At the half year we reported a P45 million re-translation loss, mainly relating to the Namibian, South African and Lesotho businesses which are all ZAR denominated. At the year end this re-translation loss amounted to P46 million since the currency movements have not been significant over the latter six month period. These translation differences, recorded in other comprehensive income and losses are however, temporary and will reverse as the ZAR normalises.

Strategically, we continue to focus on our core segments, primarily the FMCG business. This segment in particular, has seen a significant improvement this year. Further details have been provided under the Trading - consumer goods section of this report.

Financial highlights

For the year ended 30 April 2019, the Group's:

Revenue was P5.3 billion
up **11%** on prior year
11%

Gross Profit was P340 million
up **15%** on prior year
15%

We undertook a significant exercise to analyse our pricing files and product ranges and through the use of our Business Intelligence tool

Profit before tax was P259 million
up **12%** on prior year
12%

We continue to strive to work towards offering our customers a one - stop - shop experience

A final dividend of 27.5 thebe paid to our Shareholders
up **20%** on prior year
27.5t

Group Managing Director's Report
(continued)

Segmental Reporting

The Group's business and geographical segments are reported separately (refer to note 6 of the financial statements). Inter-segment transactions are eliminated, and accounted for in a separate ("Intersegment or Unallocated") segment. The new segment presented this year relates to our South African business given its increased contribution to the overall Group results. For comparative purposes the prior year contribution from this segment has also been presented.

The Botswana environment – getting back on its feet

During the year, we have noted some positive signs of recovery in the market, as consumer spending and confidence appears to be improving. Our customers are visiting our stores more often and basket sizes are increasing. There is generally an improved level of activity in the market.

estimated **600** additional **jobs** by the end of **2019**

We continue to take a slow and measured approach to store openings to caution against cannibalising our existing stores but have in the pipeline, plans to open a number of new retail stores in the coming 12 months. This is estimated to generate an additional 600 jobs by the end of 2019. We believe that it is the duty of all large employers in the market to create employment wherever possible so as to help stimulate the economy.

We aim to assist the Farming industry through our significant procurement of grain through Botswana Agricultural Marketing Board ("BAMB") where we recently signed a P57 million deal for the year. We have also focused strongly on developing our fruit and vegetable business and the underlying farming community.

Our manufacturing businesses and motor divisions, which employ large staff complements, are heavily dependent on Government procurement, and to the extent that there have been delays in the awards of the annual tenders, this has adversely impacted us.

Whilst we have focused on top line growth, we also embarked on an overhead cost reduction program across the Group, streamlined processes where possible and re-negotiated input prices with service providers.

Overall, our Botswana businesses have generated P130.6 million of profit, up 4% on the prior year.

Trading consumer goods

Sefalana Cash & Carry Limited contributed 55% and 30% of the Group's revenue and profit before tax for the year, respectively. Turnover amounted to P2.9 billion, which was 15% up on the prior year. We experienced increased pressure on margins in both our Wholesale and Retail operations over the last few years, however through better procurement and pricing strategies, and by focusing more on what customers want, we were able to improve our gross profit margins and overall profitability.

At the beginning of the financial year, Sefalana operated 4 Hyper Stores ("Sefalana Hyper"), 25 Cash & Carry stores ("Sefalana Cash & Carry") and 26 supermarket retail stores ("Sefalana Shopper") across the country, giving the Group a total of 55 stores in Botswana. During the year, we expanded our national footprint through the opening of additional Sefalana Shopper retail stores in Letlhakane and Charles Hill. We also recently relocated our Cash & Carry in Old Industrial area to Gaborone West alongside Trade World, increasing competition in the area.

This year, as part of our annual birthday promotion, our Cash & Carry business gave away 28 mobile kiosks worth just under P2 million thereby empowering local Batswana entrepreneurs, and our Retail birthday promotion consisted of giving away cash prizes amounting to P1.7 million. This generated a lot of excitement in the market as we found a number of our retail customers preferred cash rather than prizes in kind, especially during a time where there has been a strain in the economy.

We continue to strive to work towards offering our customers a one - stop - shop experience and this approach has proven to help enhance earnings from this segment during the year. We have improved our in-store offerings with a greater number of stores accepting the RCS credit facility we launched a few years ago. In the coming months, RCS customers will now have the ability to settle their RCS credit card balances in-store, bringing additional convenience to their shopping experience.

We recently relocated our Cash & Carry in Old Industrial area to Gaborone West alongside Trade World, increasing competition in the area.

Total of **57** **stores** in **Botswana**

We expanded our national footprint through the opening of additional Sefalana Shopper retail stores in Letlhakane and Charles Hill.

Whilst we have focused on top line growth, we also embarked on an overhead cost reduction program across the Group, streamlined processes where possible and re-negotiated input prices with service providers.

Our recently introduced "Cash Withdrawal" offering is now available at all our stores in association with FNB. All FNB card holders can now withdraw cash at any of our tills. This is particularly helpful in areas where banks or ATM machines are not close by.

We undertook a significant exercise to analyse our pricing files and product ranges and through the use of our Business Intelligence tool and reports we were able to identify areas for improved margins and offerings. There is still further work to be done in this area as the tool is only partially implemented. We look towards further benefits arising from this exercise as we progress into the ensuing year.

Subsequent to the year end we opened our new Sefalana Catering business. This division will focus on serving the large hospitality industry with frozen foods in wholesale size units. We are very excited about this new offering. Further updates will be provided as part of our 2019/20 half year report.

Trading – others

This segment which consists of Commercial Motors (Pty) Limited ("CML") and Mechanised Farming (Pty) Limited ("MFL") contributed 2% and 5% to Group turnover and profit before tax, respectively. This therefore remains a relatively small Group segment.

CML historically relied on tender business, but over recent years has focused on growing its private sales as a result of a general decline in tender activity.

We are currently exploring plans to relocate the MAN, Tata and Honda dealerships to the A1 highway, alongside our new Setlhoa development. This will provide the dealership with better visibility and access, which is essential given the focus on private customer sales. This will also provide us with additional efficiencies relating to a single site rather than the two sites we currently operate from.

MFL continued to focus on the supply of equipment to Botswana Railways ("BR") and the supply of wholesale farming and electrical equipment rather than on walk-in retail trade. This is in-line with the Group's strategy to focus on the core activities of operation and to downscale less profitable areas of the business. We have noted an improvement in the results from this business as a result of a lower overhead base required to support the on-going activities.

Included in the prior year results for this segment was a once off margin genarated in respect of the supply of eight locomotives to BR which enhanced the prior year perfomance.

Group Managing Director's Report
(continued)

Sefalana Group Structure

4 Hyper Stores ("Sefalana Hyper"), 25 Cash & Carry stores ("Sefalana Cash & Carry") and 28 supermarket retail stores ("Sefalana Shopper") across the country

We opened our new Sefalana Catering business. This division will focus on serving the large hospitality industry with frozen foods in wholesale size units.

Sefalana Head office is situated at the corner of Nelson Mandela drive and Kubu Road, Broadhurst Industrial, Gaborone, Botswana

We are currently exploring plans to relocate the MAN, Tata and Honda dealerships to the A1 highway, alongside our new Setlhoa development.

A new division, Foods Botswana Beverages, was created through purchase of the liquidated Delta Dairies business in 2015. The division operates from its milk processing plant in Broadhurst Industrial and produces long life, UHT milk under the brand names of Delta Fresh and A Star.

This year we placed focus on our core business segments, analysed each segment's performance and adopted suitable measures of cost control. This has improved the efficiency of our operations as well as our bottom line.

Operating Divisions

Sefalana TRADING

- Sefalana (Sa Rona - Your family value store): Sefalana Hyper, Sefalana Shopper, Sefalana Cash & Carry, Sefalana Quick, Sefalana Liquor, Sefalana Catering
- Metro Namibia Cash 'n Carry; Metro Namibia Hyper; Metro Namibia Liquor
- Sefalana Cash & Carry Lesotho; Sefalana Liquor

Our investment in South Africa

The Consortium currently owns 15 stores across the country which are well located in areas where there is a strong population to support its trade. For all target chains acquired to date, performance has improved post take-over.

Sefalana MOTORS

- Cm Commercial Motors
- Mf Mechanised Farming

Sefalana INDUSTRIES

- Fb Foods Botswana
- Sfp Sefalana Fresh Produce

Sefalana PROPERTIES

- Mi Meybeernick Investments
- Sz Sefalana Zambia

Group Managing Director's Report
(continued)

Manufacturing

This segment consists of Foods Botswana (Pty) Limited ("FB") and contributed 4% to both Group turnover and profit before tax for the year. This was lower than in previous years and is predominantly a result of delays in the awarding of Government tenders. Focus has therefore been placed on growing house brands across the business.

Milling Division

During the year FB completed the supply of the previous year's Government tender for Tsabana and Malutu, and commenced the supply of another short term interim order whilst the annual tender evaluation procedures were being completed. Due to the timing of the orders being placed, FB only manufactured and supplied the Government for 8 of the 12 month period.

Nonetheless, through a focus on private branded products, we were able to generate a respectable level of profit for the year. We now await the final outcome of the 24 month tender covering the 2019 - 2021 period. In the meantime, we progress with the supply for another interim four month order.

We are hopeful that our track record for delivery of a quality product in accordance with the required quantities and timetable over the years, will place us in a good position for the forthcoming award. We have procured the required grain and other raw materials, largely through BAMB, to be able to deliver the full tender quantities should this be awarded to us.

Beverages Division

As previously reported, this division is heavily dependent on the manufacture and supply to Government for the children's feeding scheme. We reported that during the year, FB was awarded the tender for the 2018 - 2019 year however, this was contested by other parties who had not been awarded a part of the tender. This resulted in the award of the tender being postponed. FB therefore had not supplied Government for almost the entire 12 month period under review. We are pleased to provide an update in that the 24 month supply tender (2019 - 2020) was awarded to us in March 2019.

During the year, our focus was on branded products, Delta Fresh and A Star, where we are gaining market share as our products are becoming more popular.

Our expansion into fruit juice manufacturing and bottling of water will require us to develop a warehouse to accommodate additional plant and equipment and also for storage. This is expected to take place in the ensuing year.

Our investment in South Africa

We invested into a South African consortium effective 1 July 2017. Under this transaction, Sefalana invested R250 million and earns a fixed annual return of R50 million for five years, after which point we will have the option to convert this investment into a 30% equity stake in the consortium. The consortium has been established with experienced players in the Fast Moving Consumer Goods (FMCG) market in South Africa.

The aim of the consortium is to acquire a number of existing chains and grow the store complement such that this is a significant business within a ten year period. We are pleased to report that this consortium is performing well and that almost two years into its operations, the future prospects still remain very positive. The reported results therefore include P37 million of income pertaining to this investment representing a full year's performance whereas the prior year included ten months return. A fair value gain of P11 million was also recorded in respect of this preference share investment, in accordance with IFRS.

The Consortium currently owns 15 stores across the country which are well located in areas where there is a strong population to support its trade. For all target chains acquired to date, performance has improved post take-over. Our model for South Africa is therefore working well, despite the economic and political climate, and we look forward to further growth in that segment over the ensuing years.

Metro Namibia

The economic strain in the Namibian economy continues, and indeed we have noted lower growth in the FMCG sector than in previous years. Despite these macro-economic indicators, we continue to grow in Namibia through providing our customer base with an on-going enhanced product offering. We have established a strong name for ourselves and a reputation for being the leader in the country. We now have 18 stores across Namibia and have a number of additional potential stores in the pipeline as we look to expand our presence further in the area.

Metro Namibia contributed 31% and 24% of revenue and profit before tax for the year, respectively. Turnover amounted to P1.6 billion, a growth of 5% on the prior year. Profit before tax amounted to P61 million, up 13% from the prior year. Our operations in Namibia continue to grow from strength to strength, making a larger contribution to overall Group results each year, as we enhance our customer engagement and offering. A single new store was opened in Divundu in March


Towards the end of 2017, we commenced the development of four plots at our Setlhoa site. This includes a flagship Sefalana Shopper store together with a service station.

2019 while our main focus has been the refurbishment and expansion of several existing stores, together with the relocation of our Windhoek head office and Cash & Carry.

We continue to evaluate additional locations for store openings as we work towards our medium-term target of 20 stores. We are pleased with our accomplishments in the country over the last five years and look back at this investment as a very successful one.

Sefalana Lesotho

We are now into our third year of operation in Lesotho and are making good progress in increasing our presence in the country through our two stores in Maseru. We are the leader in Cash & Carry in Lesotho and look to continue our slow and steady expansion plan.

Profitability in this segment improved in the second half of the year but there is still room for further improvements. The first-year trading losses of our second store in Maseru resulted in an overall loss reported by this segment. Turnover of P439 million has been achieved for the year, contributing 8% of total Group revenue. We currently do not have any immediate plans to increase this footprint other than the new store opening scheduled in September 2019 in Maputsoe.

We look forward to a recovery next year with a healthy profit being generated.

Properties

Botswana property portfolio

Our property portfolio held in Botswana performed well, contributing 1% and 11% to Group revenue and profit before tax respectively. Almost all properties are tenanted, and leases are in place for between three and seven years.

Towards the end of 2017, we commenced the development of four plots at our Setlhoa site. This includes a flagship Sefalana Shopper store together with a service station, a CTM store and other amenities for our valued customers. We anticipate this new store to open in September 2019. The store will offer a wide range of products and service lines and will be our largest supermarket to date.

The KSI property development of 5,000 sqm of warehouse space is now fully let with on-going demand for the site.

We continually look for suitable sites for new store openings, or where we consider there to be forward upside potential in land situated in upcoming areas.

Zambia property

Following the significant increase in supply of warehouse and office space in Lusaka over the last few years, two of our largest tenants found alternative premises in April 2017. We are pleased to report that we have managed to secure replacement tenants and now have almost a 70% occupancy rate. We continue to look for additional tenants for the remaining space. Performance by this segment has improved compared to the previous year having secured the additional tenants.

Namibia property portfolio

Since our entry into Namibia, we have focused on establishing a property portfolio similar to the one developed over the years in Botswana. Most recently we acquired the new Head office site in Windhoek where we anticipate further development of a warehouse in due course. Further updates will be provided as we develop this site.

We are growing our property portfolio in the country to diversify our income stream where property has been seen to significantly hold its value.

Overall, fair value gains for the year on the Group's property portfolio have been minimal and are broadly in line with the prior year.

Group Managing Director's Report
(continued)

Our focus on CSR

Having established a formal Corporate Social Responsibility (CSR) Committee in recent years, our focus this year has been on increasing our participation in this area.

The Group focused largely on the Education sector this year, providing and enhancing learning facilities in these institutions, with a view of providing a better environment for the children of Botswana. Many of these schools are in less developed areas of the country where we felt there was the greatest need. We are hopeful that our contribution will help towards uplifting skills in those areas.

We are pleased to report that over and above a number of on-going initiatives, we donated almost P0.5 million in the form of hampers to the Presidential Christmas appeal. We also built three houses for deserving families in villages across Botswana at an overall cost of P0.4 million. These houses were donated to the recipients in December 2018. We look to continuing these activities going forward.

Prospects

At our Group Strategy workshop held in November 2018, our Board re-affirmed our intention to continue to focus on our core segment of FMCG and supporting businesses. In particular we intend on expanding our manufacturing business with fruit juice and bottled water due to commence in late 2019.

We are excited about growing our recently launched Sefalana Catering division which we believe has significant potential. This division will focus on serving the large hospitality industry with frozen foods in wholesale size units as well as large corporates.

We will continue to pursue process improvements and efficiencies, including a focus on pricing and ranges to maximise returns from our existing businesses and look at providing our customer base with a wider product and service offering through better use of our Business Intelligence tool.

We will explore and evaluate other neighbouring regions as part of our Regional expansion drive. This will however, continue to be a cautious and measured approach which has been our model to date.

Our focus on CSR will also continue with the overall objective of improving the lives of Batswana and to create employment wherever possible to help stimulate our economy further.

Directors

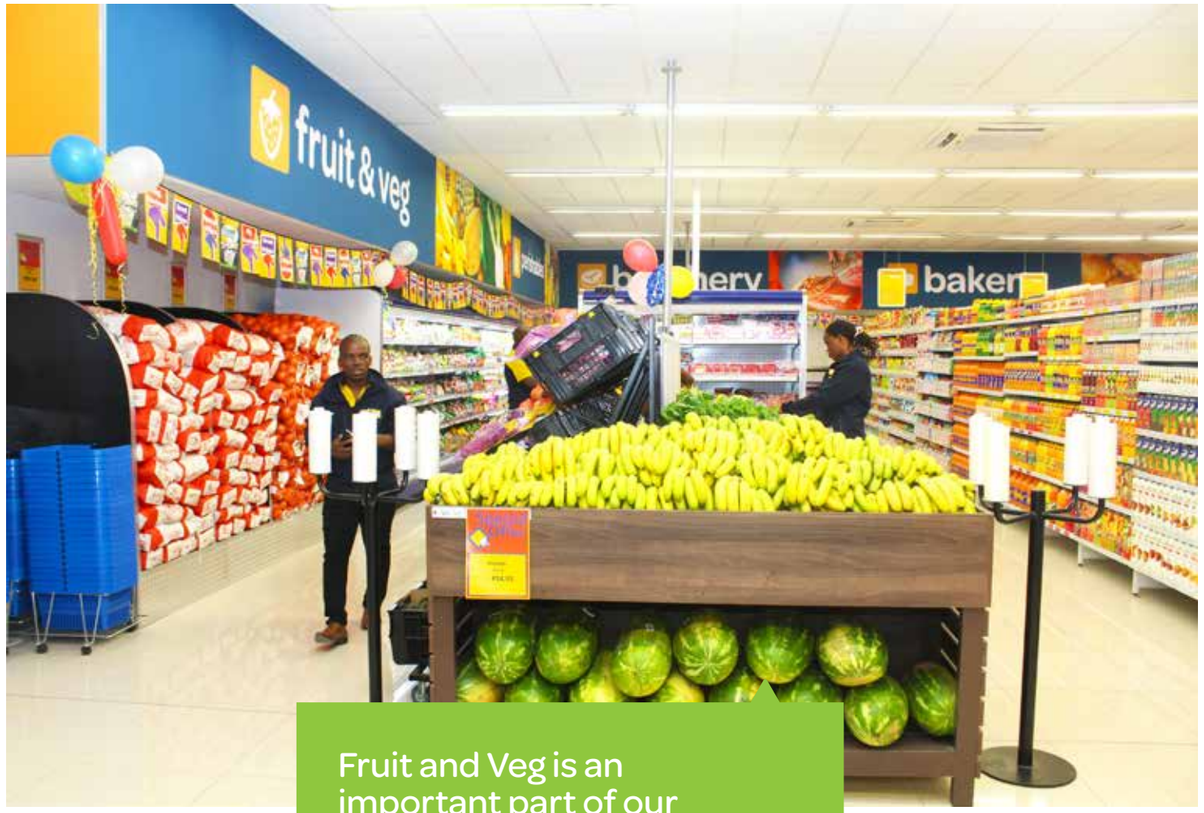
There were no changes made to the Board during the year.

Dividends

On 18 July 2019, the Board of Directors of Sefalana Holding Company Limited declared a final gross dividend of 27.5 (twenty-seven and a half) thebe per ordinary share.

The final dividend was paid net of applicable withholding taxes as required under the Income Tax Act of Botswana, on Wednesday 28 August 2019 to all Shareholders registered in the books of the Company at the last date to register, being close of business on Friday 16 August 2019, with an Ex-dividend date of Wednesday 14 August 2019.

CD Chauhan
Group Managing Director



Fruit and Veg is an important part of our diet. For great flavour and quality, enjoy the wonderful array of fresh fruit and vegetables at Sefalana

A brand you can TRUST

Group Finance Director's Report

Doing the right thing for our Shareholders ...

This year has been all about consolidation and improving operational efficiency with the overall objective of extracting as much value as possible from existing assets – and it has paid off .... We achieved our best ever set of results in our 45 years of existence!

Commercial Motors

CML historically relied on tender business, but over recent years has focused on growing its private sales as a result of a general decline in tender activity.

RCS credit facility

We have improved our in-store offerings with a greater number of stores accepting the RCS credit facility we launched a few years ago. In the coming months, RCS customers will now have the ability to settle their RCS credit card balances in-store, bringing additional convenience to their shopping experience.

Overall, our Botswana businesses have generated P130.6 million of profit, up 4% on the prior year.

Our best ever results

We have closed the year with our best ever results, with a profit before tax of just over P0.25 billion representing a 12% increase compared to the comparative year to 30 April 2018

Did you know?

We are the first local FMCG retailer to offer online shopping.

As part of our annual birthday promotion, our Cash & Carry business gave away 28 mobile kiosks worth just under P2 million thereby empowering local Batswana entrepreneurs

We pride ourselves on having one of the strongest balance sheets in the country on the Botswana Stock Exchange which has made us very favourable with our Shareholders.

Revenue of
P5.3 billion

5.3b

Sefalana Group
Integrated Report 2019

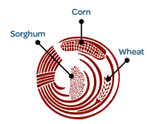
Group Finance Director's Report
(continued)

As previously reported, we undertook a brand refresh exercise in 2015 with the primary objective of consolidating and enhancing the already strong Sefalana brand that has been built up over 45 years. The refreshed branding provides a common look and feel to all our businesses and emphasizes our unique brand value. This has now made it easier for our customers to recognize us and differentiate us amongst our competitors. Feedback and response to this brand refresh program has been very positive.

The light blue (of the Botswana flag) recognises our roots as a true Botswana company, with the majority shareholding in the hands of our people.

The orange represents the African sun that nurtures life and brings forth warmth, happiness and optimism at the heart of our Group and our brand.

The dark blue symbolises the precious commodity of water and the life it sustains.



Sefalana old Logo icon

Logo Transition

Sefalana GROUP
Your basket of opportunities

Group Finance Director's Report
(continued)

Overview

Profit before tax of P259 million was 12% up on the prior year, which in itself was a 34% increase on the year before that. We exceeded the P5 billion revenue threshold closing the year at P5.3 billion which was 11% up on the prior year.

The approach we have taken during my seven years at Sefalana has been strategic, expanding our Regional presence with caution, investing in profitable businesses and assets, refining existing businesses so at to optimize our returns, and structuring investments that enhance earnings.

We are very proud of our achievements to date and look forward to doing even better in the ensuing year.

Business performance by segment has been articulated in the Group Managing Director's report in detail and therefore I will focus on how our Group Strategy relating to the last five years has helped us deliver the consistent results that our Shareholders have come to expect from us.

Executing our Group Strategy...

The 2019 financial year marked the end of our five-year Group Strategy which was developed by the Board of Directors. The Board recognized the saturation levels in the Botswana FMCG sector and had to devise a strategy that would help maintain the Group's position as one of the best performing listed companies in Botswana. From the onset, it was clear that Regional expansion was critical and that we needed to select our target markets carefully.

Below is a summary extracted from our Strategy Balanced Scorecard which details the steps taken over the last five years to realize our Strategy.

Our Balanced Scorecard

Our Vision

The leading brand of choice for customers, employees and capital

Finance (Superior Shareholder Returns)	Increase revenue	Optimise PBT as % of revenue	Translate profit to real cash	Enhance real growth in EPS
Customer (Satisfied Customers)	Retain and grow customer base	Grow local and regional presence		
Internal Processes (Business Excellence)	Create innovative solutions and products	Improve process effciency		
Learning and growth (Perfomance Oriented Workforce)	Develop and retain skilled and flexible workforce	Identify and retain a robust and sustainable management team	Drive high performance	

Strategic objective	Strategic initiatives	Achieved through...
Optimise PBT as % of revenue	➢ Improve supply chain management ➢ Grow customer base ➢ Improve pricing information ➢ Improve operational efficiency through cost-saving initiatives	➢ Regional expansion into Namibia, Lesotho and South Africa which now contribute significantly to overall Group performance ➢ Takeover of the Delta Dairies UHT milk plant which has complemented the Group's other food manufacturing business ➢ Bought out the minority shareholders in the fruit and vegetables business thereby taking control of this supply chain in-house ➢ Focus on cost-saving initiatives in FMCG business ➢ Implementation of a Business Intelligence tool to improve quality of information for decision-making
Translate profit to real cash	➢ Developing and implementing a cash management plan ➢ Monitoring optimum debt levels ➢ Optimising stock holding levels	➢ Surplus cash is invested in money markets and other short term investments to maximize return ➢ Debt to equity levels are maintained at less than 10% ➢ Stock holding evaluated at all sites and actively managed to ensure optimisation at both a store and an organisational level
Enhance real growth in EPS	➢ Extract value from all areas of the business	➢ Rights Issue program carried out in 2017 to aid Lesotho and RSA expansion ➢ Funds are invested in profitable businesses and a cautious approach is taken to avoid reckless expansion into the Region. All Regional businesses are profitable

Group Finance Director's Report
(continued)

Strategic objective	Strategic initiatives	Achieved through...
Increase revenue	➢ Organic growth ➢ Acquisition growth ➢ Improved customer offering	➢ Store count increased from 46 stores in Botswana in 2014 to 57 stores currently. Namibia store count of 15 stores and total of 2 FMCG stores in Lesotho. ➢ Launch of online and mobile shopping platforms, enabling a wider customer base with variety being offered ➢ Launch of loyalty program and other promotional activities
Retain and grow customer base	➢ Implementation of brand and marketing strategies ➢ Monitor customer behavior	➢ Appointed additional resources in the Marketing team ➢ Loyalty card promotions and use of Business Intelligence to better understand our customers
Grow local and regional presence	➢ Develop and execute Regional expansion plan	➢ Entry into the region: Namibia, Lesotho, and South Africa
Create innovative solutions and products	➢ Loyalty program ➢ Online shopping website ➢ Mobile Phone App ➢ Botswana Post counters in-store	➢ Progress and development of each of these initiatives. We now have over 120,000 active loyalty customers, online shopping was extended to the north of Botswana ➢ Total of 15 stores with Botswana Post kioks in store
Improve process effciency	➢ Constant evaluation of processes and procedures to remove inefficiencies	➢ Further restructuring of our Botswana FMCG business into two separate Wholesale and Retail divisions, through appointing a Head for each of these segments

Strategic objective	Strategic initiatives	Achieved through...
Drive high performance	➢ Encourage innovative idea generation from staff of all levels ➢ Career development and opportunities	➢ Appointment of Head of Wholesale and Head of Retail ➢ Enhancing training programs
Develop and retain skilled and flexible workforce	➢ Develop customised training programs ➢ Develop and encourage job rotation	➢ Significant time and money put into training our staff. Sefalana has become known for its training programs ➢ Sponsorship of a number of BICA students as Sefalana is an approved Training Organisation
Identify and retain a robust and sustainable management team	➢ Develop a board approved organisational structure ➢ Develop management and leadership programs	➢ All key senior staff are evaluated by the Board. Appointment of Head of Retail and Head of Wholesale is expected to allow better focus on the two separate segments ➢ Leadership programs are being carried out on an on-going basis

We are pleased with the progress we have made during the five years and the extent to which we achieved our objectives. In November 2018, we met as a Board to carefully assess and evaluate our achievements and have now set a revised strategy for the 2019-24 year period. We look forward to delivering to the new strategy and further growing our Group.

We extended in-store Botswana Post kiosk services to additional stores and now have a total of 15 stores throughout the country offering this service. Feedback from our customers has been positive and we have observed an increased use of this facility.

- Money Transfer
- Motshidisi Family Funeral Cover
- Vehicle Registration Licence Renewal
- Stamps
- Water Utilities Payments
- PosoCloud Hotspot Voucher Sales
- Postal Box Renewal

In partnership with BotswanaPost
We deliver, whatever wherever

*Available at select Sefalana stores: **Gaborone** Sefalana Hyper, **Gaborone West** Sefalana Shopper, **Tlokweng** Sefalana Shopper, **Nkoyaphiri** Sefalana Shopper, **Maun** Sefalana Cash & Carry, **Ghanzi** Sefalana Shopper, **Hukuntsi** Sefalana Shopper, **Tsabong** Sefalana Shopper, **Serowe** Sefalana Shopper, **Francistown** Hyper Sefalana, **Francistown** Sefalana Cash & Carry, **Molepolole** Sefalana Shopper, **Mahalapye** Sefalana Shopper, **Kanye** Sefalana Shopper, **Pilane** Sefalana Hyper

Group Finance Director's Report
(continued)

Key areas of performance:

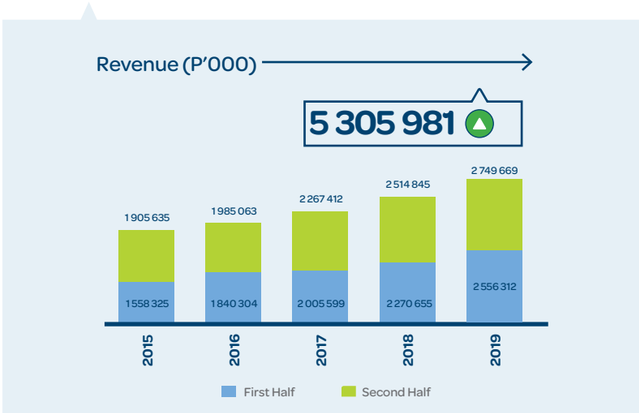
1 Revenue

Revenue up 11% on the prior year and exceeded the P5 billion benchmark

Revenue is a key measure in our sector and is indicative of relative size. We have seen a steady annual growth in revenue over the last five years since we embarked on our Regional expansion journey. In 2015, we reported revenue of P3.5 billion. Four years later, we are over 50% larger with revenue of P5.3 billion.

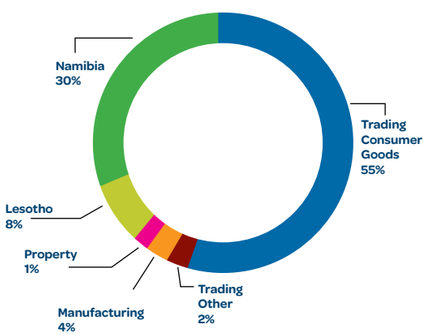
Revenue of
P5.3 billion

5.3b



Our revenue sources are very well diversifies as illustrated below:

Revenue split by segment



The Botswana FMCG sector showed a significant top line improvement of 15% compared to the prior year. This was despite difficult trading conditions over the last two years. We are confident that the turnaround we have seen in the current year will continue into the ensuing years.

Our Namibian business experienced double digit growth over the first four years of trading, however, in the current year, the strain in the economy was felt and this business experienced top line growth of only 5% year on year. We are focusing on customer services and promotions to give customers what they want and hope to return to double digit growth soon.

Our Lesotho business grew by 13% compared to the prior year. The economic environment is still under pressure but we are confident that we will continue to grow given we are the leaders in Cash & Carry in the country. We look forward to our third store opening in late 2019.

Our manufacturing business contracted by 3% year on year for reasons largely beyond our control. This business is highly dependent on Government tenders placed in the market and the timing of these tenders directly impacts revenue in any particular year.

2 Segmental profitability

Profit before tax (PBT) up 12%, boosted by RSA investment

Although top line growth is very important to us, bottom line profitability is where we place greatest emphasis. Over the last five years, we have reported an upward trend, with the exception of 2017. In that year, the Botswana FMCG business contracted significantly largely due to the economic environment. In 2018 however, we were back on track and generated a PBT of 34% greater than the previous year. We are proud to have been able to report a further 12% growth in the current year.

Our Namibian business has consistently generated additional profits for the Group and in 2018 was the largest segment, ahead of the Botswana FMCG business. We celebrated our fifth anniversary in the Namibian market this year. This segment continues to produce exceptional results despite indications of a strain in the economy.

Before
Sefalana take over

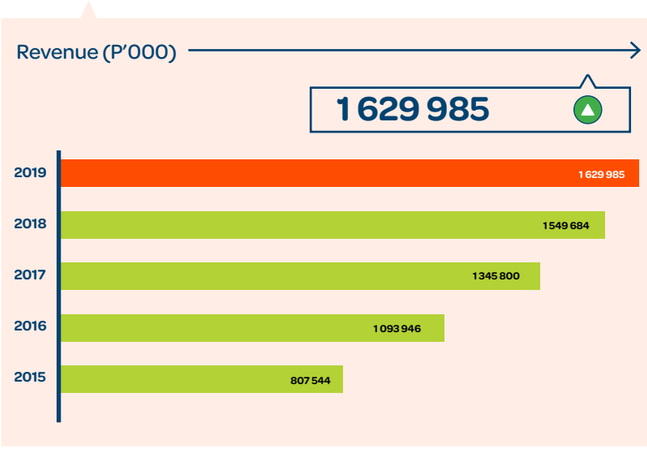
After
Sefalana take over

Group Finance Director's Report
(continued)

This year Namibia is the second largest contributor to overall Group profit. Our bottom line has increased five fold in these five years from an initial PBT of P10.7 million in 2015 to P61.0 million in 2019. We look back at this investment as a very successful one which propelled the Group towards regional expansion in other parts of Southern Africa.

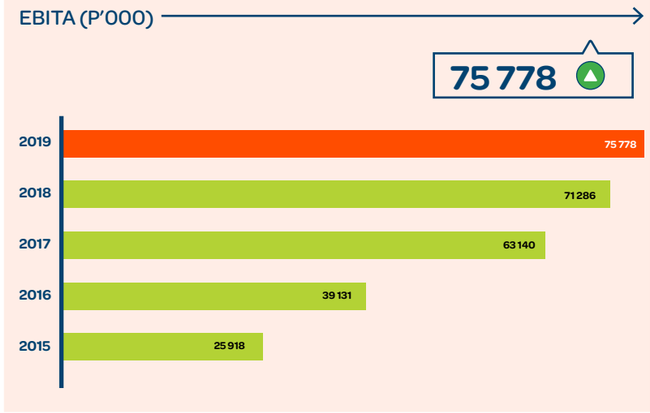
Generated Revenue of **P1.6 billion** in 2019

1.6b



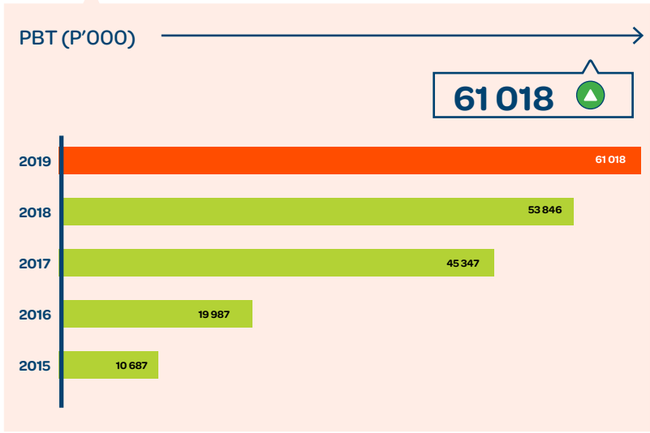
Generated EBITA of **P76 million** in 2019

76m



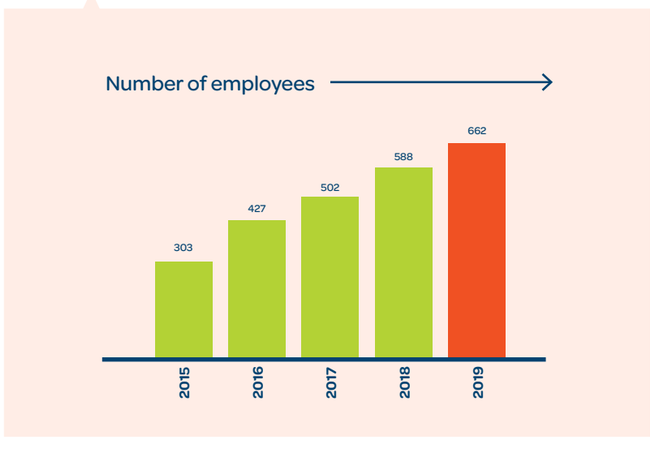
PBT of P10.7 million in 2015 to **P61.0 million** in 2019

61m



Number of employees

662

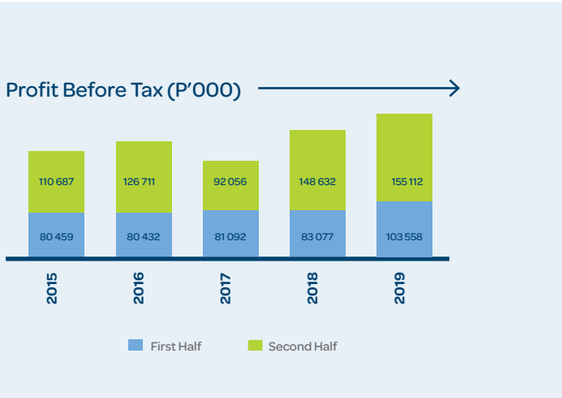


Group Finance Director's Report
(continued)

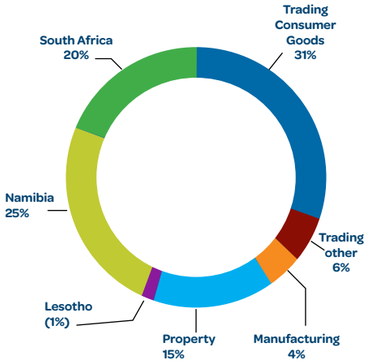
Our South African investment made a sizable contribution in its first year and boosted the 2018 year-end results by P33 million. In 2019 this had increased to P49 million.

South Africa contributed
P49 million to Group PBT

49m



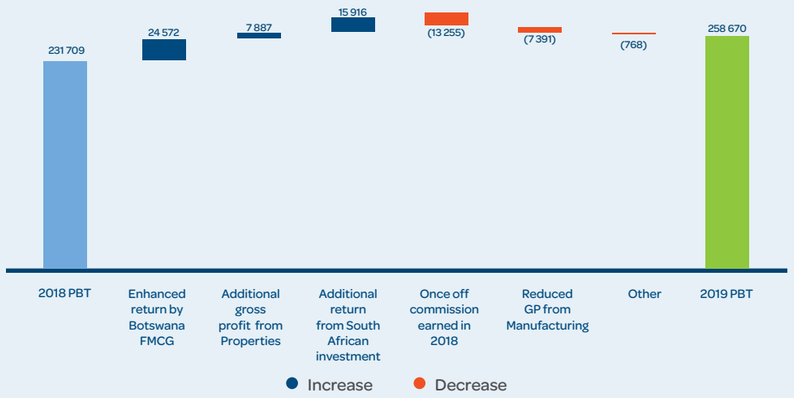
Dviversification of our profit streams is presented below:



Over the last two years, we have focused on improving operational efficiencies. This overhead cost reduction program is in progress and we look towards saving P10 million annually.

Our Manufacturing business generated a PBT of P11 million in the current year as compared to P21 million in the prior year. The decline is mainly due to delays in the awarding of Government tenders. We look to mitigate reliance on Government tenders through an increased focus on the sale of house brands.

The main drivers of enhanced profitability during the current year is shown below in P'000:



3 Shareholder value and return

Total dividend of
37.5 thebe per share

37.5t

The fundamental objective of our business is to maximize shareholder return. Over the last five years, we are proud to have maintained an average dividend to earnings ratio of 48%.

As we work towards recovery of the tough economic conditions experienced over the last few years, continued improvement in the business and confidence in cash generation, we have declared a current year dividend of 37.5 thebe per share. This is our highest dividend paid to date.

We are hopeful that our Shareholders and potential investors see value in our business and our approach to generating wealth for them, and that this confidence is reflected in the share price going forward.

Group Finance Director's Report
(continued)

4 Balance sheet strength

We continue to maintain balance sheet strength through low leverage and minimal debt. This is a critical success factor for our business as we mainly operate on a cash basis. We have maintained our debt of P110 million which allows for adequate headroom should we need to raise funding quickly.

Our working capital ratio (defined as the relationship between current assets and current liabilities) was 2.03 demonstrating effective cash management and our ability to easily cover our short term obligations.

We pride ourselves on having one of the strongest balance sheets in the country on the Botswana Stock Exchange which has made us very favourable with our Shareholders.

Segmental results:

	Revenue			PBT		
P'million	2019	2018	Movement	2019	2018	Movement
Trading consumer goods	2 941.7	2 564.6	15%	77.3	52.8	46%
Trading – other	120.5	130.1	(7)%	14.1	21.6	(35)%
Manufacturing	209.7	215.8	(3)%	10.6	21.1	(50)%
Property	53.3	45.4	17%	37.1	36.4	2%
Namibia	1 630.0	1 549.7	5%	61.0	53.8	13%
Lesotho	438.6	387.8	13%	(2.7)	2.1	(229)%
South Africa				48.5	32.6	49%
Inter - segment	(87.8)	(107.9)		12.8	11.3	
	5 306.0	4 785.5	11%	258.7	231.7	12%

Adoption of IFRS 16

The Group will be introducing IFRS 16, the new financial reporting standard on accounting for leases, for its 2019/20 financial year.

IFRS 16 has no economic impact on the Group. It has no effect on how the business is run, nor on cash flows for the Group. It does however have a significant impact on the way the assets, liabilities and the income statement for the Group are presented, as well as the classification of cash flows relating to lease contracts.

The Group will adopt the standard fully retrospectively. Detail on the likely impact of IFRS 16 can be found in Note 44. The introduction of IFRS 16 has no bearing on any of the Groups business plans for the coming years.

I would like to thank our Shareholders and the Investor Community for supporting us over the years and continuing to have confidence is what we believe is a strong and sustainable model for growth.

Mohamed Osman
Group Finance Director

Freshly baked
bread, cakes and
pastries everyday.

A brand you can
TRUST

Our Values

Over the years, we have grown the Sefalana brand through regional expansion, encompassing distinctive territories and cultures. This has heightened our motivation to foster our values and promote the achievement of these through educating both our internal and external stakeholders in all regions in which we operate.

Underpinning our decision-making regarding which causes to support each year, is our Values Charter, which defines the type of Organisation we aspire to be.

Our **values** reinforce our Vision to be;

the **leading brand of choice** for customers, employees and capital as articulated in our Group Strategy.

INTEGRITY
Doing what is right at all times

ACCOUNTABILITY
Accepting responsibility for our own and our team's actions and decisions towards our stakeholders

TRANSPARENCY
Allowing interactive communication and open access to information

EXCELLENCE
Exceeding expectations

RESPONSIBILITY
Securing and sustaining the future of Sefalana and the countries in which we operate; by actively taking part in acts of social responsibility and environmental considerations

COMMITMENT
Devotion, adherence as well as loyalty to the organisation and its mandate. It is a reciprocal exchange between Sefalana and its stakeholders

The willingness to give one's time and energy consistently

INNOVATION
Actively seeking and sharing solutions and creative ideas towards growing Sefalana

BOTHO
Being respectful, having humility towards others and conducting one's self in a dignified manner

Our Mission

Our mission is aligned with our core values as we build a sustainable basket of opportunities.

Exceeding our customer expectations through provision of a pleasant and affordable experience in FMCG, Manufacturing, Automotive, and Property, served by highly motivated and empowered staff, delivering superior shareholder value that exhibits profitability and sustainability

Corporate Social Responsibility Report

At Sefalana, we believe that it is the responsibility of large corporates, who have the ability, to help improve the Society in which we live. We believe that through conducting our business responsibly and ethically, we will help improve the lives of the less fortunate.

Helping our Community improve

We live in an environment where there is still a large proportion of the Community that lives in poverty. This is a unfortunately a reality and a worldwide phenomenon.

We care about our Community and look to support sustainable and deserving initiatives. Having set up a formal Corporate Social Responsibility ("CSR") Committee, we actively ensure we are doing our best at providing this support.

Our Focus on CSR

Three years ago, we set up our Corporate Social Responsibility ("CSR") board sub-committee with the main objective of investing in CSR projects that will foster sustainable development.

Corporate Social Responsibility Report
(continued)

Our Focus on CSR

Three years ago, we set up our Corporate Social Responsibility ("CSR") board sub-committee with the main objective of investing in CSR projects that will foster sustainable development.

It is the duty of the CSR committee to evaluate all CSR applications and to carefully consider which projects are in line with the Group's strategy and values. Nominated projects are then endorsed with the aim of assistance and empowerment, enabling them to move closer towards self-sufficiency and sustainability rather than supporting once-off activities that do not translate into future growth and development. We believe that by adopting this approach, we provide the tools necessary to assist needing and deserving groups, to achieve a sustainable way forward.

Our Board firmly believes that there is an invisible relationship between our values, strategy, performance, risk and sustainability which is measured through the Group's ability to meet its objectives and make a difference to our Community through delivering a sustainable basket of opportunities.

The following key areas guide the development of our corporate social responsibility:

Growing Sefalana's offering for our Community

1

Key consideration

Seizing new business opportunities to maximise Shareholder value

Achieved through....

- focusing on our core businesses and providing our customers with a large range of offerings both in and out of our stores. Instore offerings include excellent customer service and transforming Sefalana into a one-stop-shop through the provision of postal and delivery services. Sefalana Rewards loyalty scheme allows our customers to purchase more for less and benefit from loyalty promotions. Out of store offerings include an online shopping platform, bringing us closer to our end consumer. During the year we extended our offering to include cash withdrawals at our till points as many of our customers often walk long distances to the nearest ATM or bank
- expanding our manufacturing businesses to include the manufacture of fruit juice and dairy blends, together with the bottling of water later this year
- focusing on obtaining good rental streams through optimal letting of our premises and development of our Setlhoa and Windhoek sites.
- Exceeding expectations through continuously identifying new opportunities for growth in our business.

2

Expanding our store footprint for the Community

- aligning all existing stores to reflect the Sefalana identity and a continuous look-out for potential new store sites. We are proud of our presence in the majority of urban and pre-urban areas across Botswana, Namibia, and Lesotho. This year, we opened two new stores in Botswana and one new store in Namibia bringing the total number of FMCG stores across the region to 73. We are pleased to be present in a number of communities and work towards improving the standard of living through providing additional employment wherever possible. We were pleased to have opened our flagship Setlhoa store in September this year.

3

Key consideration

Safety at our stores and sites

Achieved through....

- frequent store visits and adherence to strict health and safety regulations. All our stores have internal security measures in place which are monitored on an on - going basis. Staff undergo continuous training and development enabling them to act should a health and safety hazard arise. General on-the-job training is provided, empowering staff for growth and promotion.

Developing a strong and sustainable team

1

Attracting, retaining and developing the right people

- our ability to identify suitable talent and provide the ideal working environment for our staff, providing opportunities for promotion and allowing them to fulfil their potential. Growth opportunities are provided to staff through on – the - job training with progressive internal management development programs and accredited external training initiatives
- providing attractive remuneration structures to motivate staff and extract best performance
- This year we made a commitment to our President that we would create 600 additional jobs in our Group and are pleased to have achieved this.

2

Maintaining the Sefalana Culture

- a gradual process of self-discovery, cultural engagement and change management. Our strategy undertakes to identify and understand cultural barriers and develop techniques to overcome these barriers thereby enhancing operational effectiveness.

Corporate Social Responsibility Report
(continued)

3

Key consideration

Succession Planning

Achieved through....

- the inclusion of succession planning as an integral part of our Board Charter – We believe it is vital to bring in and invest in the right people. Developing staff, allowing them to pursue their aspirations and offering them a chance to grow with Sefalana sanctions sustainability in leadership and the timely transfer of knowledge. Board oversight ensures sufficient focus is placed on this area such that a forward-looking plan is in place to enable the effective hand over of key positions.

Developing our skills in our core business

1

Advancement of strategic Retail skills

- ensuring our branch managers and staff receive regular training on store management and customer relations and are up to date with the latest trends in the FMCG industry. We believe our staff are the first point of contact for our customers and are a reflection of our business and the Sefalana strategy. Continuous on-the-job training allows for motivated staff that are well versed with the Sefalana culture and strategy.

- the use of Industry experts wherever possible to maximize effectiveness and to introduce modern and innovative thinking. Dedicated teams are in place to run our Online and Mobile Shopping facilities as well as our Sefalana Rewards Program. This allows staff to have the necessary skills set to easily assist customers and provide them with an efficient service delivery.

2

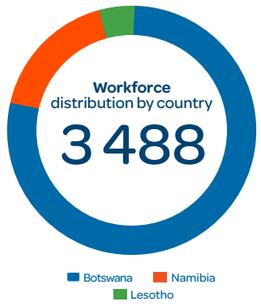
Feedback and marketing

- persistent advertising of our products and maintaining positive relationships with our suppliers and customers. The provision of alternative shopping avenues for our customers such as online shopping has demonstrated Sefalana's ability to meet the requirements of the modern consumer. The restoration of a single brand across our Group has assisted in building our market presence. We endeavour to involve our customers with what is happening at Sefalana through being available and addressing any queries through our Facebook and Twitter pages. Increased focus has been placed on marketing as we grow this function and identify different ways to advertise the Sefalana brand and reach our customers. Our loyalty scheme, Sefalana Rewards has assisted in growing and retaining our customer base through direct communication with our customers and understanding their shopping habits.

Our CSR activities are driven by our Group Strategy which focuses on the following underlying themes which define the way in which we operate:

Our People | **Our Wealth Distribution** | **Our Community** | **Our Environment**

Our People



Our People – the lifeline of our business...

We believe that having the right people in our team is the difference between success and failure. Our competitive advantage lies within our people who deliver our strategy and maintain strong relationships with our customers, suppliers and stakeholders. Through a rigorous and careful selection process, we ensure that the right people join the Group and remain a key part of the Sefalana family, where comprehensive training and skills development is provided throughout their career with us. This creates a motivated and ambitious team, who work diligently to achieve our mission of being the leading brand of choice for our customers, employees and capital.

Our workforce

As our business grows, employment opportunities are provided to more and more people across all regions in which we operate. We are proud to be regarded as an employer of choice with just under 3500 employees across the Group.

Corporate Social Responsibility Report
(continued)

We believe in supporting the local communities in which we have a presence through providing additional employment wherever possible, and improving the living standards of residents and their families.

Training and Development

We believe that growing and developing skill sets on a continuous basis is critical for both the individual and the business.

Sefalana supports local graduates and interns through providing employment opportunities and investing in further education.

Sponsoring BICA students in Botswana

We have employed a number of students who are studying the BICA (Botswana Institute of Chartered Accountants) program. Sefalana is an approved Training Employer of the BICA qualification and is a provider of suitable work experience that is required for students wishing to complete this professional qualification. We are pleased to be able to support this Botswana based qualification which has been aligned to the UK based Institute of Chartered Accountants in England & Wales (ICAEW) program.

Providing internship opportunities to university students in Namibia

In the prior year, our Metro business in Namibia commenced the offering of internships to students from the Namibia University of Science and Technology. We are pleased that some of these students stayed on and were given permanent roles. During the year, four students were offered internships in the departments of Finance, Human Resources Management, Information Technology and Marketing. This will provide them with an opportunity to develop appropriate skills and work in a professional environment in one of the largest FMCG chains in the country with the prospects of full time employment on completion of their internship. We are pleased with this initiative and look forward to further supporting the university and other local educational institutions in years to come.

Partnerships with Maccauvlei Learning Academy and the University of Stellenbosch

Every year, Sefalana invests in the future development of motivated and talented employees through offering the opportunity of further education. Selected staff work in groups and complete diverse projects as part of leadership and strategy training.

Providing employment to disable students from the University of Botswana

Sefalana has developed a strong relationship with the University of Botswana's Disability Support Services Department and over the years has supported this department through sponsoring laptops and IT equipment for visually impaired students. Employment opportunities have also been offered to these students on completion of their studies.

Internal training and development programs

Management Development programs are offered to our staff with the objective of exposing trainees to a wide range of aspects of the retail and wholesale business. Trainees gain experience in the operation of all divisions of a store and are given the opportunity to demonstrate their managerial and supervisory competencies. During the year 44 individuals were put through these programs. We are proud to be one of the leading training providers for staff in the sector.

Training programs for growth and development are advanced on an ongoing basis. Our people are treated with respect and a zero-tolerance policy to discrimination is maintained.

A performance management system is used as a means of rewarding our top performers who portray the potential for growth. Retention of knowledge and skills in Botswana's highly competitive market remains a vital focus point for our Group. This has resulted in a number of our employees opting to stay committed and remain with us for over 20 years.

We aim to build a robust, efficient workplace that displays a true demographic profile in each of the regions in which we operate.

Health and Fitness

We believe that a safe, healthy working environment is directly related to enhanced productivity and engagement levels. Sefalana commits to a high level of health and safety practices through providing our employees with a safe, stable and healthy environment in which to work. Health and safety form a crucial part of the food industry and are therefore monitored, managed and assessed on an on - going basis through the Group's risk management framework. Providing a prudent and hygienic place to work improves the morale and performance of our staff. Our new head-office continues to provide a more modern, roomier and fresher working environment that is enjoyed by our staff.

Health and Safety, Basic Food Hygiene and First Aid training courses are conducted on a regular basis at our stores. The main elements covered in this training include emergency planning, security, fire, transportation and general health and safety.

Once again, a significant number of our staff participated in the annual Diacore Gaborone City Marathon. We look forward to participating in similar events going forward and have started an annual Wellness Day at our Gaborone Hyper Store, inviting staff and the general public alike for a good, free workout!

All our staff are provided with medical aid benefits, ensuring their health comes first and is covered. Staff in Botswana and Namibia are encouraged to join the Group staff pension scheme as a means of safeguarding their future.

Communication

Over 99% of our staff in each country in which we operate, are local citizens. Equal opportunities are central to the Group and an open - door policy, fair employment practice and legal compliance gives us confidence in our management of relationships with our employees. Clear, coordinated management of employee rights and responsibilities helps ensure that the Group's risk is mitigated, and that continuity is maintained.

Staff is informed of upcoming events throughout the year through our monthly Moremogolo newsletters and regular staff meetings. Our people are the first to know of any changes in our business that may affect them, this in turn allows them to do the right thing and deliver an outstanding service to customers.

Corporate Social Responsibility Report
(continued)

Every company within Sefalana contributes towards the overall CSR activities of the Group and giving a part of our wealth back to society. Our FMCG businesses in Botswana and Namibia are are the largest contributor to Group revenue and profit. The scale of this business permits us to leverage our purchasing power as well as maximise process and cost efficiencies.

Our Wealth

Our Wealth Distribution – how we add value...

We protect our reputation, which holds our wealth, through our efforts to be a good corporate citizen. We remain steadfast in ensuring compliance with all applicable laws and regulations. Our trade is fair and transparent, giving the business community a long term partner that can be trusted and held in good faith. We are proud of the reputation we have built over the last 45 years and this is vitally important for our continued success both across Botswana and the wider Region.

Adding Value

Our Value-Added Statement below illustrates how we have created wealth through our operations and how this wealth has been distributed amongst our various stakeholders.

Value added statement

	2019 P'000	2018 P'000
Wealth created		
Revenue	5 305 981	4 785 500
Payments to suppliers and providers of services	(4 803 340)	(4 334 804)
Value addition	502 641	450 696
Share of results from associate and joint venture	(1 994)	(743)
Interest income from bank deposits	18 070	17 492
Dividends on preference shares	37 339	32 625
Total wealth created	556 056	500 070
Wealth distribution		
To employees	233 797	211 410
To providers of capital	92 607	100 168
Government for taxes	60 026	54 035
Total wealth distributed	386 430	365 613
Wealth retained in the business		
To maintain and develop operations of the Group	169 626	134 457
Number of employees of the Group	3 488	3 287

Almost 45% of wealth created is disseminated to employees in the form of salaries, wages and other staff benefits. The remainder is allocated across other key stakeholders.

Corporate Social Responsibility Report
(continued)

Our Community – giving back...

By operating responsibly, we not only promote and secure the future of our business but extend these rewards to benefit the communities in which we operate. We achieve this through providing our customers with good quality, safe and affordable products in a shopping environment that suits their liking and lifestyle; instore, online, mobile.

Our Community

Giving back to our Customers

Sefalana is committed to delivering value to its customers through improving quality, remaining competitively priced and giving back through our loyalty program, Sefalana Rewards. We know that our customers expect a wide range of products and practical offerings at a consistent high quality – products that are fresh and readily available.

In the last few years, we expanded our 'A Star' house brand range of products, offering more than 40 different product variables to our customers and widening the range of products available to customers at competitive prices. This has been well supported by our customers, as we see an increased trend in the purchase of A Star products as compared to other brands on offer.

Our duty as a good corporate citizen does not end at the point of delivery to our customers. We uphold a moral obligation to ensure the goods and produce we supply are fresh and of high quality as failure to do so would result in a direct negative impact on our service quality and ultimately our reputation. This factor formed a key consideration when developing our A Star house brand range.

Our commitment to providing quality and reliable products is key to our business, and we do this through working closely with our suppliers to ensure our supply chain is both resilient and efficient. This has led to the formation of a best practice code that is used on a daily basis as we extract value from our supply chain. Constant communication is maintained with our manufacturers and suppliers to ensure levels of product quality and safety are not compromised.

We pledge that every product that leaves our shelves, stores and silos is backed by a quality team working persistently to ensure that our consumers get the best possible product, being quality compliant, selectively sourced and priced competitively.

Our products and services are our pride, and foster trust in our brand. Products that are manufactured by our Group, are lab tested, quality inspected and preferentially selected to meet all Botswana Bureau of Standards requirements. Service levels are renewed by continued training and evaluation.

Through our UHT milk plant in Gaborone and maize plant in Serowe, we have been able to bring in – house, parts of the supply chain, enabling the Group to internally enforce efficient supply chain initiatives and better price our products to customers.

We are proud to have been able to donate 3 furnished houses to deserving families in villages across central Botswana

A brand you can TRUST

Corporate Social Responsibility Report
(continued)

Giving back to our Community

The underlying motivation for our CSR activities is to make a positive impact in our Community. Our Corporate Social Responsibility (CSR) Committee considers and evaluates all applications received and reports its recommendations directly to the Board. This Committee meets on a quarterly basis to consider potential CSR projects and determining how best our support of these projects will benefit the wider community.

In the current year, we paid close attention to the Education sector, focusing our efforts towards enriching the learning environment of children who are less fortunate and who live in mostly rural areas.

Our greatest achievement for the year was the hand over of three furnished houses, each at a cost of P100 000, to deserving families in central Botswana. We worked on this project for over a year and together with the Central District Council, we selected families who did not have easy access to the basic amenities of water and electricity.

Our beneficiaries were:

Mandu Botsang in Mauntlala, who had not been living with any family and after futile efforts of being employed was in desparate need of a home.

Letsogile Piet, who resided in a mud hut in Sefophe, following a disaster that hit the village.

Rebecca Mosebetsi a resident of Mabolwe who was living with eleven family members in a two roomed house.

Sefalana is committed to promoting dignity through the provision of shelter and with the collaborative efforts of Government, to eradicate poverty and promote dignity for our people.

We are pleased with the contribution we have made towards our society through CSR activities this year. A number of new, substantial initiatives have been approved by our CSR Committee which will be rolled out in the 2020 financial year.

Some of the causes supported during the year as set out below:

Arts and Culture

Kgabo-Kwena Cultural Exchange
Sponsored the first ever Choral (Dikhwaere) music competitions with P43 000 which were held in Molepolole as part of a cultural exchange and celebration commemorating the ever popular "dikhwaere" musical extravaganza. This is most popular in the southern part of the country especially during the Christmas holiday period.

Improved living

Eagles Arena International Church
We donated merchandise to be used for hampers to be given to disabled members of the community.

Childline Botswana
We continue to supply monthly food hampers from our Hyper Store to Childline Botswana as a means of aiding their initiative to care for abused and under privileged children.

Education

Being a part of school prize giving ceremonies
Ditshegwane Primary School in Letlhakeng, Magatladi Primary school in Thamaga and Mokgadi primary school in Kanye were assisted with P6 000 worth of prizes for top achievers at their annual prize giving ceremonies.

Ngami CJSS (Sehitwa)
P30 000 worth of IT equipment was donated to the school in an effort to improve the IT infrastructure for students.

Radisele JSS and Ramotswa CJSS
Donations of P13 000 and P10 000 were provided to these schools respectively for prizes for top achievers in annual prize giving ceremonies.

Sports

Football kit for Botswana Defence Force (BDF)
We supported the BDF with a donation of P80 000 towards their new football kits.

Other

BTV Cooking Show
We are proud to have supplied BTV with groceries for their first ever cooking show.

Donation of furniture to deserving households in North East District
Sefalana Cash & Carry Limited together with Banner Group Members donated P60 000 to four families in the North East District. The donation was in the form of household furniture and kitchen appliances for these deserving families.

Corporate Social Responsibility Report
(continued)

Office of the President
Sefalana donated four truckloads of Christmas hampers to our diligent, uniformed civil servants on duty over the festive holidays in December 2018.

The donation was handed over to His Excellency Dr. Mokgweetsi E.K. Masisi, the President of the Republic of Botswana at the Office of the President.

Sponsor of the Sefalana 5-a-side-Soccer-under 20-tournament

Sefalana Shopper Birthday Promotion
Retail birthday promotion consisted of giving away cash prizes amounting to P1.7 million. This generated a lot of excitement in the market as we found a number of our retail customers preferred cash.

Foods Botswana
donates healthy and nutritious tsabotlhe porridge every month to the SOS Children's Village, Serowe.

Corporate Social Responsibility Report
(continued)

Gakuto Primary School
Sefalana Hyper Gaborone built an outdoor study centre which can also double as a presentation stage for Gakuto Primary School.

Gakuto Primary School
Sefalana Hyper Gaborone donated school uniform voucher for the best male and female standard seven student to prepare them for Secondary School.

In his closing remarks, the Honourable Minister of Basic Education, Mr Bagalatia Arone, a qualified passionate former teacher himself, thanked Sefalana Gaborone Hyper team for reaching out to the young learners.

Sefalana Cash & Carry Birthday Promotion
As part of our annual birthday promotion, our Cash & Carry business gave away 28 mobile kiosks worth just under P2 million thereby empowering local Batswana entrepreneurs.

Gakuto Primary School
Sefalana Hyper Gaborone also donated a fully stocked tuck-shop to be run and maintained by school learners and staff to help instill entrepreneurship skills.

Corporate Social Responsibility Report
(continued)

Our Environment

Masses of cardboard boxes and paper are used and discarded on a daily basis in our retail and manufacturing operations. In our efforts to give back to our environment, we recycle the majority of our waste, allowing it to be converted into toilet tissue and related products.

Our Environment

Water conservation

Our Head Office is fitted with a water reservoir that collects rain water from gutters used to wash company vehicles and other amenities. We have also put in place a number of boreholes to reduce the amount of municipal water used.

Recyling

All scrap cardboard boxes from our stores is collected for recycling by a third-party contractor and converted into toilet tissue and related products for reuse.

We are also actively promoting the use of reusable shopping bags through offering three variants of Sefalana branded bags which are increasingly becoming popular with the ban on plastic bags being put in force in Botswana.

E - environment

Our staff are encouraged to limit printing and use of paper wherever possible. We strive towards a paperless environment for the future.

Energy saving lights

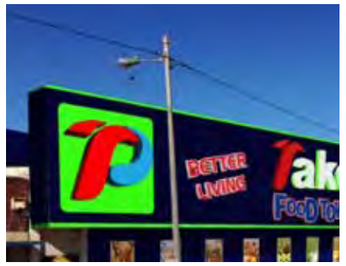
Our Head office is fitted with energy saving lights, which has reduced our carbon emission considerably.

Used cooking oil

All used cooking oil from our delis and bakeries is collected and safely disposed by a third part contractor.

Cash & Carry Namibia - Green energy solar power project

We continued the roll-out of converting our stores across Namibia to use solar power panels and are happy to report that the majority of our stores now use this power source to run their daily operations.



Our investment in South Africa is in its third year now, with a sizeable profit contribution.

Corporate Governance Report

Dr Ponatshego Kedikilwe (81)
Chairman
Non - Executive

Chandra Chauhan (57)
Group Managing Director
Executive

Elias Dewah (77)
Non - Executive

Mohamed Osman (42)
Group Finance Director
Executive

With over four decades of existence, Sefalana prides itself in a strong governance culture and for being the first publicly listed company in Botswana. This culture has assisted us in positively contributing to the country's growth, as the economy largely depends on the drive and efficiency of its larger organisations. The essence of any system of corporate governance is to freely drive a company forward but to exercise that freedom within the framework of effective accountability. The Board adopts concepts of ethical leadership, sustainable development, integrated reporting, corporate citizenship and stakeholder inclusivity as stipulated in King IV.

The Board believes that this Annual Report considers all material matters which reflect the performance of the Sefalana Group of companies, and accordingly adopts an Integrated Reporting approach in line with best practice.

Sefalana strives to align itself to good corporate governance with reference to the newly constituted King IV that builds on the same foundations as King III but raises the importance of ethical and effective leadership with an objective of achieving an ethical culture, better performance, effective control and legitimacy. The Company has applied the guidelines as entrenched in the revised Botswana Stock Exchange ("BSE") listing rules.

The Group also, on an on-going basis, looks at other regions in the World to determine best practice in Governance, to guide and improve the way in which it operates. This year a reference point was the UK's Combined Code which is discussed later in this report.

The Board is therefore very much committed to the highest standards of business integrity, ethical values and governance at all times.

- Nominations Committee
- Remuneration Committee
- Audit & Risk Committee
- CSR Committee

Reginald Motswaiso (55)
Non - Executive

Keneilwe P Mere (46)
Non - Executive

Dr Keith Jefferis (62)
Non - Executive

Bryan Davis (61)
Sefalana Cash and Carry
Namibia - MD - Executive

Company Secretary Certification

The Company Secretary certifies to the best of his knowledge and belief, that Sefalana Holding Company Limited has lodged with the Registrar of Companies all such notices and returns required, and that all such returns and notices are true, correct and up to date. He also certifies that the Company has complied with every disclosure requirement for continued listing on the BSE as imposed by the BSE and has submitted an Annual Compliance Certificate to that effect.

Board Charter

The Board has in place a Board Charter to clarify roles of the Board and to enhance its decision-making processes. The purpose of the Board Charter is to clearly outline the structure of the Board and to define its role, focusing on strategic leadership, performance management, investor relations, risk management and governance. The Board Charter also outlines fiduciary duties of Directors according to Section 130 of the Companies Act and as recommended by King IV. The Board reviews the Charter annually to ensure that it is in line with recent changes in the law and standards of governance practice. No significant changes were made to the Charter during the reporting period.

Corporate Governance Report

(continued)

Conflict of interest

The Directors declare their direct and indirect financial, economic and other interest at the beginning of every Board meeting. Each Director is expected to abstain from voting on resolutions in relation to which such interest exists and from participating in the discussions concerning such resolutions unless resolved otherwise by the remainder of the Board members. The Company Secretary maintains an interest register and updates it regularly.

Role of the Board

Considerable planning goes into setting the agendas for the Board and sub - committee meetings. This is to ensure that duties as set out in the respective Charters are carried out effectively, and that the Board and its committees are focused on relevant matters. The Board meets once every quarter and holds additional meetings as may be required from time to time.

The Board's ultimate responsibility is for the supervision of the Group's activities. It has the following principal duties:

- **Formulating and monitoring implementation of the Group's long term business strategy;**
- **Identification of key risks that threaten the Group's ability to achieve its strategy;**
- **Approval of the Group's investment plans, budgets and forecasts;**
- **Review of reports submitted to the Board for approval;**
- **Review of the business operations of the Group;**
- **Establishing sound accounting and financial control principles, as well as principles of financial planning;**
- **Ensuring compliance with legal and ethical standards;**
- **Ensuring that the Managing Director and other members of the senior management team are competent, and that an effective succession strategy and plan is adopted for the Group's senior executive positions; and**
- **Review of Board sub - committees for purposes of delegation of power and duties in order to enhance the overall effectiveness of the Board.**

Closed periods

Directors and certain executive staff members are not permitted to transact in the company's shares in any way during closed periods. There are other occasions where the Directors impose a closed period on themselves; when there is price sensitive information that the Board is aware of that is not publically available.

Director's direct and indirect interest in the issued shares of the Company as at the year-end is as disclosed in the table below:

Director	Number of shares controlled as at the year–end date
Dr Ponatshego Kedikilwe	11 233 (2018: 11 233)
Mr Chandra Chauhan	13 150 700 (2018: 12 871 200)
Mr Elias Dewah	Nil (2018: Nil)
Mr Bryan Davis	Nil (2018: Nil)
Mr Keith Jefferis	34 804 (2018: 34 804)
Mrs Keneilwe Mere	Nil (2017: Nil)
Mr Mohamed Osman	201 632 (2018: 158 543)
Mr Reginald Motswaiso	247 620 (2017: 247 620)

Board appointments and resignations

The Board considers, on an on-going basis the appropriateness of the mix of skills, experience, diversity and independence of each of its members. During the year there were no changes to the composition of the Board.

Board diversity and balance

Sefalana Holding Company Limited enhances the decision-making of its Board by ensuring that the Board of Directors comprises a balance of power. The majority of the Board members are Non - Executive Directors, and are independent. This ensures that no one individual or block of individuals dominate the Board's decision - thereby promoting objectivity. Non - Executive Directors bring objective judgement and experience to the deliberations of the Board.

The Board of Sefalana Holding Company Limited comprises astute individuals of different backgrounds, experience and qualifications. Having a Board with diverse perspectives is critical to its decision-making as it brings objective judgement and experience to the deliberations carried out. The background and qualifications of the Directors are disclosed under the Board of Directors' profile section.

Board Committees

The Board delegates certain functions to well - structured committees without relinquishing its own responsibilities. The committees constitute an integral part of the governance process and are established with clearly defined formal terms of reference. In order to keep up to date with any recent changes in the law and governance principles, the terms of reference are reviewed and approved annually.

Sefalana Holding Company Limited comprises of the following four sub – committees;

Dr Ponatshego Kedikilwe (81)
Nominations Committee Chairman

Nominations Committee

The Nominations Committee is tasked with providing a formal and transparent procedure for the appointment and re-election of Directors to the Board through a formal process of reviewing the balance and effectiveness of the Board, identifying the requisite skills and identifying the individuals who would best provide them. Through the Committee, annual review of the Board composition is conducted to ensure that the appropriate skill set is met. The Committee conducts an annual Board evaluation whose purpose is to assess Board effectiveness by interrogating governance, accountability and Board processes including the assessment of the Directors' collective and individual performance.

The Nominations Committee comprises of the following three Independent Non - Executive Directors;

Dr Ponatshego Kedikilwe (Chairman)

Mr Reginald Motswaiso

Dr Keith Jefferis

Corporate Governance Report

(continued)

Remuneration Committee

The role of the Remuneration Committee is to ensure that the Group adopts and implements appropriate policies and procedures that provide the framework for remunerating its employees on a competitive and equitable basis and to set the Group's grading and remuneration levels each year. The Committee also ensures alignment of the compensation and incentive plans with the Group's strategy and values charter.

The Remuneration Committee reports to the Board on its activities after each meeting held. The Group has established a formal and transparent procedure for developing policies on Executive remuneration and for setting the remuneration packages of individual Directors. No Executive Director is involved in deciding his own remuneration.

The Remuneration Committee consists of the following Non - Executive Directors:

Dr Keith Jefferis (Chairman)

Mr Elias Dewah

Mr Reginald Motswaiso

Dr Ponatshego Kedikilwe
(by invitation – Chairman of the main Board)

Remuneration structure for Executive Directors

Monthly salary

All Executive Directors are paid a salary for services rendered to the Group. These are market based and are determined by the Remuneration Committee after taking into account the detail of the role, the responsibilities assumed, and performance. Salaries are reviewed annually. Any proposed changes are put forward to the main Board for final approval.

Incentives

(i) Cash bonus

In addition to the monthly salary, Executive Directors are entitled to an annual bonus, provided a threshold percentage of budgeted profit is achieved. In the event that this threshold is not met, the Executive Directors are not entitled to a bonus for that year, unless discretionally awarded.

Dr Keith Jefferis (62)
Remunaration Committee Chairman

In the event that the Executive Director is entitled to a bonus for the respective year, the amount due to the Executive Director is determined by a set formula which incorporates a number of matrix relating to the statement of comprehensive income and the statement of financial position and a three - year look-back period.

The Remuneration Committee may recommend to the Board a discretionary cash amount to be paid to any of the Executive Directors should it consider it appropriate to do so.

(ii) Deferred remuneration – retention component

The Group Managing Director is entitled to a deferred shadow share reward equating to the cash payment referred to above. This amount is converted into a notional number of shares based on the share price as at the respective year end. The deferred shadow payment is payable after three years have lapsed and is only payable in the event that the Group Managing Director is still employed by the Group. The amount payable is the growth in value attributable to the notional shadow shares during the three-year period.

The Group Finance Director is also entitled to a deferred remuneration component, similar to that of the Group Managing Director.

This deferred remuneration component is designed to retain those considered to be critical to the Leadership team.

Executive Directors' Emoluments

	2019 (P)			2018 (P)		
	Salary	Incentive	Total	Salary	Incentive	Total
Total Executive remuneration	7 513 133	11 141 966	18 655 099	7 595 617	7 330 801	14 926 418

The above amounts are included within Administrative expenses in the Statement of Comprehensive Income.

Remuneration structure for Non - Executive Directors

All Non - Executive Directors are paid a monthly retainer for services rendered to the Group. These are market based and are determined by the Remuneration Committee after taking into account the complexity of the role and the responsibilities assumed.

In addition, Non – Executive Directors are paid sitting fees in respect of each meeting held. Details of the frequency of these meetings are included on page 95 of this report.

Out- going Non – Executive Directors are paid an additional once-off fee equivalent to one year's Main Board sitting fees (i.e. excluding any fees earned relating to sub committees).

Fees relating to Non – Executive Directors are reviewed periodically. Any proposed changes are put forward to the main Board for final approval.

Non - Executive Directors' Emoluments

	2019 (P)			2018 (P)		
	Retainer	Sitting fees	Total	Retainer	Sitting fees	Total
Total Non - Executive remuneration	712 800	566 720	1 279 520	712 800	531 190	1 243 990

The above amounts are included within Administrative expenses in the Statement of Comprehensive Income.

Corporate Governance Report

(Continued)

Audit and Risk Committee

The Board ensures that the Company has an effective and independent Audit and Risk Committee tasked with the following distinct responsibilities:

- **To direct internal assurance planning and programme execution, to deliver risk identification, monitoring and mitigation;**
- **To oversee that Management has established effective systems of internal controls; and to further oversee Management's arrangements to establish combined assurance and the relationship with the external auditor;**
- **To report to the Board on decisions taken, including approval of the annual financial statements and any formal announcements relating to the company's performance;**
- **Providing advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable , and provides the information necessary for Shareholders to assess the company's position and performance, business model and strategy;**
- **To discuss audit procedures, including the proposed scope and the results and findings of procedures performed by the external auditors;**
- **To ensure that the external auditors findings are adequately addressed;**
- **To oversee the quality of the external audit;**
- **To confirm the nomination and appointment of the external auditor, and ensuring such appointment is compliant;**
- **To approve the terms of engagement and fees paid to the external auditor;**
- **To review risk and tax management programmes and initiatives; and**
- **To provide oversight of fraud and information technology management.**

Developing and implementing policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required.

Reginald Motswaiso (55)
Audit Risk Committee Chairman

The Audit and Risk Committee comprises of the following Non - Executive Directors;

Mr Reginald Motswaiso (Chairman)

Mr Elias Dewah

Mrs Keneilwe Mere

Corporate Social Responsibility (CSR) Committee

The CSR Committee advises the Board on the Group's corporate responsibility objectives and strategy. It also ensures that Sefalana's corporate responsibility priorities deliver our core purpose which include:

- **Providing guidance to the Group in its pursuit of being a responsible corporate citizen;**
- **Enhancing the performance of the Group within the economic, social and environmental aspects in which it exists; and**
- **Development and implementation of Corporate Social Investment strategies which include assisting deserving and income generating projects.**

The Committee reviewed and assisted various causes including supporting NGO's for vulnerable and orphaned children, supplying resources and equipment to disadvantaged schools, and aiding various charities which seek to assist underprivileged communities.

The CSR Committee comprises of the following Directors;

Mr Ponatshego Kedikilwe (Chairman)

Mr Elias Dewah

Dr Keith Jefferis

Mr Mohamed Osman

Relations with Shareholders

The Board emphasises stakeholder engagements and ensures that satisfactory dialogue with shareholders takes place. The Board uses the Annual General Meeting and Special General Meetings to communicate with Shareholders and potential investors and encourage their participation. Frequent announcements through the press and mailing of information for the attention of Shareholders are practiced wherever required. The Company circulates with every Notice of General Meetings a summary of the procedures governing voting at General Meetings.

The Chairman of the Audit and Risk, Remuneration, Corporate Social Responsibility and Nominations Committees are present and available to answer questions at the Annual General Meeting and Special General Meetings, if so requested by the Chairman of the Board.

The Board also discloses to Shareholders through trading announcements, all proposed corporate transactions, which if entered into, would materially alter or vary the Group's net asset base or share price.

In this way, the Board ensures all relevant information is effectively communicated to the Company's Shareholders and on a timely basis.

Attendance at Board and sub - committee meetings of Sefalana Holding Company Limited during the year ended 30 April 2019:

Member	Main Board		Nominations Committee		Remuneration Committee		Audit and Risk Committee		Corporate Social Responsibility Committee	
	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible	Attended	Maximum Possible	Attended
Mr Chandra Chauhan	4	4	2*	2*	1*	1*	2	2*	2*	2*
Mr Elias Dewah	4	4			1	1	2	2	2	2
Dr Keith Jefferis	4	4	2	2	1	1			2	1
Mr Bryan Davis	4	4								
Dr Ponatshego Kedikilwe	4	4	2	2	1*	1*			2	2
Mrs Keneilwe Mere	4	4					2	2		
Mr Reginald Motswaiso	4	4	2	2	1	1	2	2		
Mr Mohamed Osman	4	4	2*	2*	1*	1*	2*	2*	2	2

* Attendance by invitation

Attendance by Directors at Board and sub - committee meetings for the 2019 financial year is set out in the table above. The external auditors and the Head of Internal Audit also attended the Audit and Risk committee meetings as invitees.

Corporate Governance Report
(continued)

Compliance with King IV

King III was developed as a consequence of changing trends in international corporate governance and has been considered as leading guidance on best practice. King III was then further developed to the enhanced King IV. Whereas King III's approach was the 'apply or explain' compliance requirement, King IV recommends that practices be applied in accordance with the nature of the business. Further King IV focuses on sustainability and promoting integration of systems and processes.

Although the King Codes are not mandatory for Botswana companies, Sefalana has assessed its governance structure against the principles of King IV as follows:

	PRINCIPLE	ASSESSMENT
1	**The governing body should lead ethically and effectively**	The governing body of the Group is the Board of Directors. All Directors are fully aware of their fiduciary duties and ensure that at all times these are being adhered to with an overall objective of leading the Group ethically and effectively. Through its Nomination Committee, the Board ensures the appropriate skill sets are in place and that independence is maintained through quarterly declarations of interests by Board members. The Terms of Reference for the Main Board and its sub - committees are annually reviewed and updated in line with best practice. Closed period restrictions are put in place at appropriate times and regular communication is carried out to all stakeholders, with the intent of demonstrating enhanced transparency.
2	**The governing body should govern the ethics of Sefalana in a way that supports the establishment of an ethical culture**	The Board is governed by a Board Charter incorporating effective and responsible leadership. The Group's ethics are managed through the Audit and Risk Committee. The Committee also reviews the Group's whistle-blowing arrangements, and its reporting and investigation process to ensure that arrangements are in place for proportionate and independent investigation of matters. Sefalana's Value Charter regulates guiding principles that set out internal conduct as well as relations with various stakeholders.

	PRINCIPLE	ASSESSMENT
3	**The governing body should ensure that Sefalana is and is seen to be a responsible corporate citizen**	The Board is committed to ensuring that the Company is a good corporate citizen as envisaged in its Group Strategy of 2019-2023. One of the values entrenched in the strategy is to be a model corporate citizen Group that is passionate and committed to uplifting our communities and safeguarding the environment. The Board through its Corporate Social Responsibility ("CSR") Committee ensures that the Company supports and invests in the wellbeing of the economy, society and the natural environment and in particular, supports income generating initiatives for those in need. Further information regarding our CSR activities is included in our CSR report.
4	**The governing body should appreciate that Sefalana's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**	The Board monitors the implementation of strategy through the Group Strategy Coordinator who reports to the Board at quarterly meetings. The Group Internal Auditor also reports to the Audit and Risk Committee at all its meetings. The inter - dependencies and relationship of human, financial, manufacturing capital, intellectual capital and other externalities are reported in the Group Managing Director's and Group Finance Director's reports and the Annual Financial Statements. Sefalana's focus continues to be adopting sustainability practices in integrating environmental and social issues in the business strategy of the company so as to create value for the stakeholders. Sefalana also engages in innovative practices in its products and business processes in order to enhance the business strategy. Refer to page 148 on how this Integrated Report features all these critical areas.
5	**The governing body should ensure that reports issued by Sefalana enable stakeholders to make informed assessments of Sefalana's performance, and its short, medium and long term prospects**	Sefalana through its annual reports provides detailed understanding of the Group's performance in the context of the external environment, demonstrated through a wide range of activities, interactions and relationships. In addition, detailed information on each business unit's performance is provided in the half year results publications. The Sefalana Facebook site allows for an improved level of interaction with various stakeholders. We encourage strong engagement with investors and other stakeholders through our planned program of investor relations activities, as well as responding to queries from shareholders and analysts throughout the year.

Corporate Governance Report

(continued)

	PRINCIPLE	ASSESSMENT
6	**The governing body should serve as the focal point and custodian of corporate governance in the Group**	The Group is headed by a Board that directs, governs and is in effective control of the Company as embedded in the Board Charter. For effective control the Board delegates some of its duties to its Board sub - committees which are also governed by committee charters. The Board meets at least four times a year. At these meetings, all subsidiary companies are discussed and adequate consideration is given to all matters of significance. This includes any governance matters. The Board works according to an annual Board plan which ensures a structured and formal approach to governance. In advance of each Board meeting, members are provided with ample context, information and reports to be able to ensure that the Group acts ethically, performs according to expectations, maintains the necessary controls and is being perceived as a responsible corporate citizen. Board meeting attendance is high and additional conversations between Board members are encouraged for updates or when pertinent decisions require more deliberation. The Board is satisfied that it has fulfilled its responsibilities in accordance with the Board Charter during the year.
7	**The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively**	The Board ensures that there is an appropriate balance of power and authority in its composition. The majority of Non - Executive Directors are independent. The chairperson of the Board is considered to be independent. The Nominations Committee meets from time to time to consider the diversity and appropriateness of the Board. The focus area for the Committee in the coming year will be facilitating a transition process for retiring directors. The Board member profiles in the annual report summarises the qualifications and experience of each Board member.
8	**The governing body should ensure that its arrangements for delegation with its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties**	The Board has well developed committees which have been established with clear mandates and reporting procedures. The Committee Charters are reviewed annually. The committees are satisfied that the have fulfilled their responsibilities in accordance with the Terms of Reference for the year.
9	**The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**	Board evaluations are done annually which interrogate the past year Board's collective and individual performance. It measures its respective performances and its committees, and presents to the Board the results of those self-assessments. Our board evaluations aim to assess board performance against established best practice, reflect on the role of the board, its objectives and efficiency, create the opportunity to enhance board effectiveness and identify future development needs.

	PRINCIPLE	ASSESSMENT
10	**The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities**	The Directors make decisions giving due regard to their fiduciary duties and as such act with an independence of mind. The Directors also declare their direct and indirect interests at each Board meeting and the Company Secretary maintains a register of Director's interests. Succession planning is an ongoing focus area as the Board ensures that the success of the organization is not reliant on one or few key members of the organization. The role of CEO and Chairman are performed by separate individuals. The CEO is given certain decision-making power. Decisions over a set threshold are considered by the Board. This ensures effective and timely decision-making. Procedures of appointment to the Board are formal and transparent and are a matter of the whole Board on recommendation by the Nominations Committee, subject to Shareholder approval. The appointment of the Company Secretary is a matter of the Board.
11	**The governing body should govern risk in a way that supports Sefalana in setting and achieving its strategic objectives**	The Audit & Risk Committee plays a key role in ensuring that the Company's Internal Audit function has the necessary resources, budget standing and authority within the Company to enable it to discharge its functions. The Head of Internal Audit reports directly to the Audit & Risk Committee. The Audit & Risk Committee acts in accordance with its statutory duties and the delegated authority of the Board in terms of governance of risk. The Audit & Risk Committee is an integral component of the risk management process and oversees the development of policies. Risk assessments are conducted on a continuous basis and reported to the Board through the Audit & Risk Committee. The Audit and Risk Committee provide oversight over risk management. Assurance of good governance is achieved through the regular measurement and reporting of risk management. To achieve this, recent risk management initiatives included: › A documented, approved Risk Management Policy, Framework and Plan. › Board and Executive management assessment of risks impacting on the Group's strategic objectives. A strategic risk register with core risks is maintained and these shall be monitored on a continuous basis by the Board.

Corporate Governance Report

(continued)

	PRINCIPLE	ASSESSMENT
12	**The governing body should govern technology and information in a way that supports Sefalana in setting and achieving its strategic objectives**	The Board has endorsed the Group IT policies and procedures. The Group IT Manager reports to the Audit and Risk Committee at all its meetings. The Board ensures that the IT strategy is integrated into the Sefalana Group's strategic and business processes, and that IT is in alignment with the achievement of the Group's business objectives. Group Management is mandated by the Audit & Risk Committee to guide IT governance framework within the Group. The framework supports effective and efficient management and decision making around the utilisation of IT resources to facilitate the achievement of the Group's objectives and the management of IT related risk. IT is represented at Audit & Risk Committee meetings by the Head of Corporate Services and Group IT Manager. Detailed feedback is made to the Audit and Risk Committee on the IT governance framework and progress reports are provided to ensure that any IT risk is appropriately managed and mitigated.
13	**The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports Sefalana being ethical and a good corporate citizen**	The Company complies with applicable laws and non-binding rules. The Company Secretary certifies that such rules are adhered to. The Company also seeks professional legal advice from time to time. As the Group's operations extend beyond Botswana's borders the aim remains to observe compliance with laws and regulations in the country the Group and its subsidiaries operate in.
14	**The governing body should ensure that Sefalana remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term**	The Company has adopted remuneration practices which create value for the Company and are aligned with the Company's strategy. The Remuneration Committee assists the Board in its responsibility for setting and administering the remuneration policy. Directors' fees in aggregate are disclosed in the annual report and tabled for Shareholders' approval at Annual General Meetings. The Board is committed to paying fair, competitive and market-related remuneration to ensure that the Company is able to attract, retain and motivate talented employees. Targets are set relative to budget and in reference to prior year results and contain a performance range to incentivise performance and set minimum performance levels to ensure that poor performance is not rewarded.

	PRINCIPLE	ASSESSMENT
15	**The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of Sefalana's external reports**	The Audit and Risk Committee ensures comprehensive implementation of and adherence to internal controls. Internal Audit provides a written assessment on the effectiveness of internal controls to the Audit and Risk Committee each year. There is a sound collaboration between assurance providers. The Internal Audit team has been enhanced during year and shall ensure more reliance is placed on Internal Audit work by External Audit. We support a culture of zero tolerance to fraud and corruption in all activities of the Group. A comprehensive anti-fraud program incorporating all elements of prevention, detection, investigation and resolution is coordinated through Internal Audit. Instances of fraud are reported through the anonymous tip –off line and these are investigated, and the outcome reported to the Audit and Risk Committee. The Board has assigned oversight of the Group's risk management function to a well-established Audit & Risk Committee. This Committee approves the annual internal audit plan. The Group Internal Auditor and the Risk Manager report to the Committee at all its meetings.
16	**In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time**	The Board, through the Sefalana Group Strategy monitors legitimate stakeholder interests and expectations, relevant to the Group's strategic objectives and long -term sustainability. The Board not only encourages proactive stakeholder engagement through attending Annual General Meetings, but also through informal processes such as direct contact, advertising and press releases. The Sefalana website provides on-going information about the Group. The Facebook site helps improve interaction with various stakeholders. Sefalana endeavors to engage regularly with its various stakeholders ranging from suppliers, employees, consumers, Governments, local communities and institutional investors as part of a vital condition for good corporate governance practices. Institutional investors engage directly with the Board about their request for governance reforms and are also advanced during Annual General meetings. Sefalana encourages strong engagement with various stakeholders including shareholders, suppliers, employees and the public through various forums.

Corporate Governance Report

(continued)

Compliance with UK Corporate Governance Code

Although not a requirement, Sefalana has endeavoured to encapsulate the UK Corporate Governance Code formerly known as the Combined Code in its governance framework while adhering to local legislation.

In light of recent local and global corporate governance failures and misconduct, it is vital that Sefalana utilises enhanced corporate governance codes to strengthen its governance frameworks to deliver long-term sustainable performance. The adoption of the UK Corporate Governance Code amongst several governance codes is due to similar legal systems as well as the similarity of governance models being the Shareholder model of ownership and control. The UK Corporate Governance Code sets out the standards of good practice for listed companies. Similar to the King Code the overarching principles of the UK Code are leadership, capability, accountability, sustainability and integrity. Below is an expansion of the principles to which Sefalana has aligned itself:

Board Leadership and Company Purpose

It is the Board's responsibility to embody and promote the desired corporate culture. The Board establishes the company's purpose, values and strategy, and satisfies itself that these and its culture are aligned. Directors must act with integrity, lead by example and promote the desired culture. The Board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success, and that the workforce is able to raise any matters of concern. Further, the Board is to ensure effective engagement with, and encourage participation from, Shareholders and stakeholders.

Division of Responsibilities

The Board should include an appropriate combination of executive and non-executive directors such that no one individual or a group of individual dominates Board's decision making. There should be a clear division between of responsibilities between the leadership of the Board and executive leadership of the company's business. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Composition, Succession and Evaluation

Appointments and succession plans are based on merit and objective criteria, and promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The Nomination Committee's remit will be broadened in this context to oversee the development of a diverse pipeline for succession.

Audit, Risk and Internal Control

The Board establishes formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial statements. Further the Board should present a fair, balanced and understandable assessment of the company's position and prospects. The Board establishes procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Remuneration

The remuneration responsibilities will include reviewing workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking them into account when setting executive director remuneration. A recommended minimum vesting and post-vesting holding period for executive share awards of five years to encourage focus on longer-term outcomes. Remuneration schemes and policies are to make provision for Boards to override formulaic remuneration outcomes. Pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.

The above principles are very much consistent with the King IV rules and by adhering to these general principles of corporate governance, Sefalana as a leading listed company strengthens the control of its business, public accountability and transparency, and therefore meets the international standards of corporate governance whilst retaining the essential spirit of enterprise.

Risk and Compliance Management

Successful management of existing and emerging risks is critical to the long-term success of our business and to the achievement of our strategic objectives.

The Group applies an integrated approach to risk management, which is aligned to international best practice frameworks including the Committee of Sponsoring Organisations (COSO) Enterprise Risk Management (ERM).

This integrated approach is defined in the Sefalana Group ERM Policy, which articulates and guides the approach and direction on ERM.

This integrated approach is based on four pillars:

- **Assurance and oversight by the Board**
- **Process improvement and optimisation**
- **Value addition**
- **Business resilience**

The current year has seen improvement in the risk management system with aligned operational control testing processes in addition to regular testing of key financial controls across the Group. Our risk governance framework is set out below:

Risk governance

Our Board of Directors recognises that proactive risk management is an essential element of sound corporate governance and provides oversight to the Group-wide process. The Audit and Risk Committee is delegated responsibility from the Board for considering strategic, operational, financial and compliance risks ensuring that these risks are monitored and mitigated on a continuous basis.

The responsibility for designing, implementing and monitoring the risk management plan is delegated to management, who manage these various risks in accordance with their delegated authority and within a comprehensive system of controls and deliberation processes designed to be commensurate with risk. We regularly monitor known risks and evaluate the environment to identify emerging risks in both Strategic and operational areas. Mitigating controls and other assurances in identifying and assessing the risks are continuously evaluated.

The Group follows a three-line-of-defence approach to the roles, responsibilities and accountabilities for risk management, control, policy, monitoring and assurance:

- Individual business units form the first line of defence. They identify the risks in their areas of responsibility and are accountable for the timely and effective management of risks that could affect the achievement of their objectives.

- The second line of defence involves the monitoring and compliance roles performed by a range of risk management and compliance business functions within the Group, including the Risk and Loss Control team.
- The Internal Audit Department acts as the third line of defence. It provides independent assurance to Executive Management and the Board's Audit and Risk Committee on the effectiveness of the Group's risk management, control and governance processes.

Risk and Compliance Management

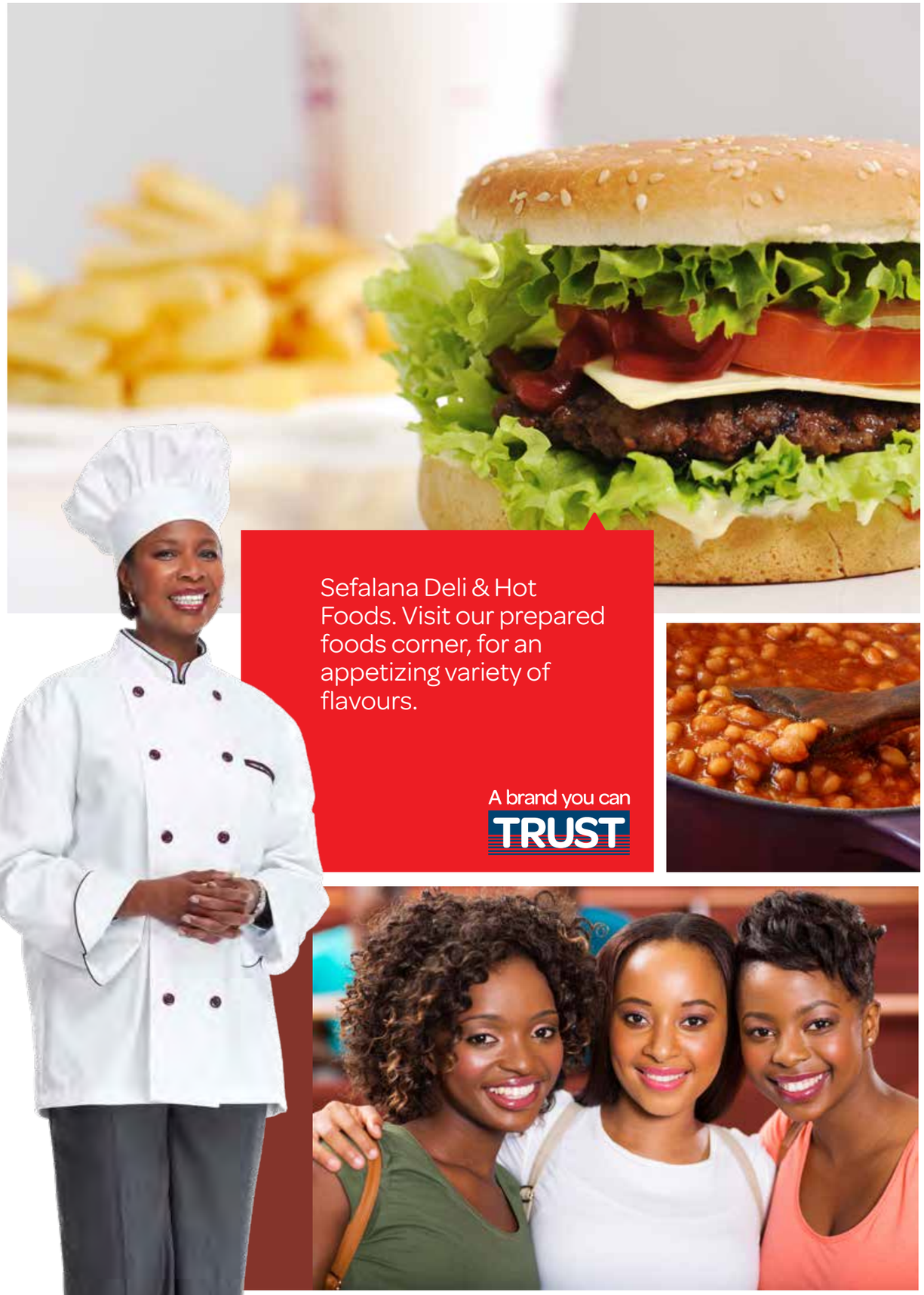
(continued)

Our Top Priorities and Risks

We determined our principal risks through a review process that analyses the risks facing business units in relation to Sefalana strategy and key priorities. The material issues highlighted below are those issues which could materially impact our value chain, cause deviation from expected strategic outcomes and negatively influence Sefalana reputation.

OUR PRIORITIES	RISK DESCRIPTION	MITIGATING ACTIVITIES
Business Strategy	We are committed to delivering on our strategy through ongoing focus on our customers as well as transformation initiatives Failure of our business customer value proposition to adequately cater to customer demands may impact results from operations and future growth. This risk would adversely affect our businesses	➢ The Board and Executive Management are very focussed on the strategy and mindful of the risks, so there is strong direction and commitment from the top ➢ Monitoring the overall market conditions continues to occur so that plans can be adapted, or contingency plans invoked if required
Governance and Regulatory Compliance	With our operations spread across various regional markets, we are exposed to a range of laws and regulations, and contractual arrangements with which we must comply or else risk incurring fines or other sanctions from regulatory bodies	➢ Compliance framework has been imbedded in the business through the group internal assurance providers ➢ Communication and a strong tone from the top concerning compliance with laws and regulations ➢ The Group policies and training programs promote compliance and awareness to legal, regulatory and internal policy requirements
Market Position	The trading environment continues to be competitive, driven by new entrants, as well as being affected by changing customer needs and expectations. We must be able to compete in changing markets There is the risk that if we do not respond adequately to such business challenges or if our products and services fail to meet changing customer demands and preferences, that our turnover, market share and profitability will suffer as a result	➢ Our outstanding market position as a leading FMCG group, and the strength of our brand enables us to respond robustly to competitive threats ➢ Our key business enhancement objective is to ensure that the Group is able to respond more effectively, efficiently and competitively to the changing dynamics of our local and regional marketplace
Procurement and Strategic Sourcing	Failure to deliver effective product availability and growth initiatives may impair competitive position	➢ Strong sourcing capabilities with established buying operations continue to be leveraged to maintain optimal procurement costs ➢ The Group has a dedicated team of procurement experts and have built strong relationships with suppliers
Diversification and growth	There is a risk that we could be unsuccessful in maximising opportunities to execute our expansion strategy This could mean that we fail to achieve some of the initiatives we have embarked upon, which could result in us falling short against the overall growth targets we have set for the business	➢ We have set ourselves a target growth in earnings. This will be driven by growth in our FMCG and other investments, as well as top line and efficiency improvements ➢ There are a number of initiatives underway to achieve growth which reduces the risk through diversification

OUR PRIORITIES	RISK DESCRIPTION	MITIGATING ACTIVITIES
Data Security	Our responsibility is to protect the confidentiality, integrity and availability of the data we have to provide to our customers, employees, suppliers and service delivery teams If we do not ensure we have the appropriate level of security controls in place across the Group, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications	➢ Disaster Recovery plans and procedures are in place across the Group ➢ Continued commitment from the Executive Board in support of key initiatives to ensure all existing and future IT systems are secure by design, that exposure to vulnerability is managed effectively and employees are made aware of information security risks through appropriate training ➢ We continue to strengthen our cyber-control framework and improve our resilience and cybersecurity capabilities, including threat detection and analysis, access control, payment systems controls, data protection, network controls and back-up and recovery
IT Strategy and Information Management	Our focus is on enhancing customer experience by providing seamless and continuous customer service through delivery of leading digital solutions, core platform capabilities, underlying IT services required to support the Group's overall strategy for driving profitable growth A significant IT Strategy implementation failure could impact on our ability to provide leading technology solutions in our markets and therefore impacting on our competitiveness, our ability to provide a superior customer experience and associated impact on quality and operational efficiency	➢ We continue to invest in our operational capability across processes and technology ➢ The Group continually enhances and refreshes its IT Strategy to ensure alignment with our overall business objectives, and considers external factors such as the pace of technology change and internal factors such as the underlying quality required throughout IT ➢ Leverage customer data and analytics from loyalty programmes to inform all our businesses
Value Based Employee Culture	Risks associated with workforce capability, retention, capacity and performance culture with potential impact on growth and operational efficiency are continually identified and assessed in our dynamic business environment	➢ We continue to monitor workforce capacity and capability requirements in line with the Group growth strategy and any emerging issues in the markets in which we operate ➢ The Group has expanded capabilities in the areas of finance, marketing, business development, and supply chain and continues to do so through the recruiting of senior managers in the various fields, implementing comprehensive training programmes and providing employees with exposure in their fields ➢ The Group has implemented remuneration and incentive policies that seeks to recruit and retain suitable talent and to remunerate talent at levels commensurate with market levels ➢ We continue to strengthen talent management through staff training and senior leadership development programmes

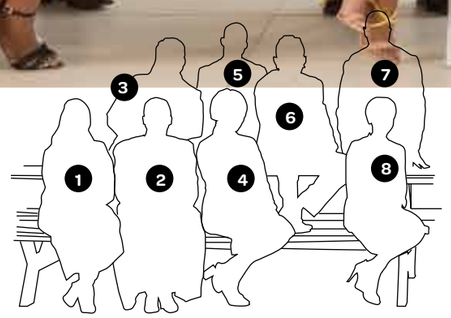

Sefalana Deli & Hot Foods. Visit our prepared foods corner, for an appetizing variety of flavours.
A brand you can
TRUST

COMPANY PROFILES

Our diversification into neighbouring countries has been central to our strategy and over the last five years has helped us improve the Group's overall perfomance.

Sefalana Group
Integrated Report 2019

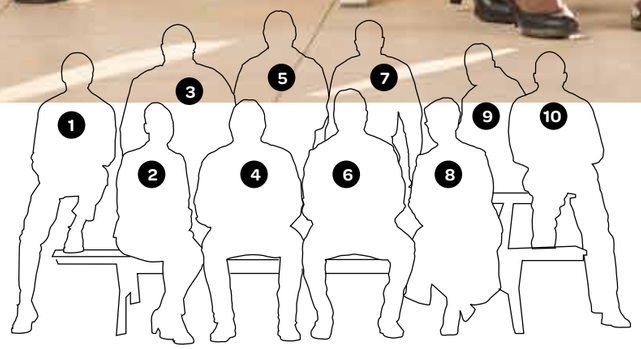
Our Management teams



1 **Zeenat Mia**
Group Data Analyst
2 **Mosetsana Disela**
Receptionist
3 **Lorato Radiposo**
Head of Internal Audit
4 **Chedza Mothebe**
Trainee Internal Auditor
5 **Kgositsile Setumo**
Messenger
6 **Mohamed Osman**
Group Finance Director (GFD)
7 **Yule Madikwe**
Group Internal Auditor
8 **Loatile Molefi**
Group Marketing
9 **Omphemetse Mokgosi**
PA to GMD and GFD
10 **Michael Simaye**
Group IT Manager
11 **Izdihar Salim**
Group Financial Accountant
12 **Nkongi Makosha**
Group Assistant Company Secretary
13 **Gaolathe Solomon**
Receptionist
14 **Chandra Chauhan**
Group Managing Director (GMD)
15 **Bofitlhile Malesela**
Property Accountant
16 **Otsile Chapo**
Office Cleaner
17 **Tapiwa Muzembe**
Group Brand Custodian
18 **Saju Peter**
Group Financial Controller

Sefalana Group
Integrated Report 2019

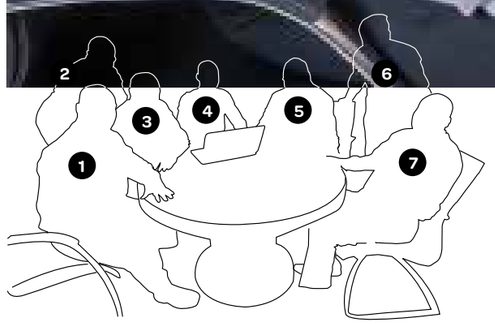
Our Management teams (continued)



1 **Mike Makin**
Sefalana Cash & Carry - Finance Director
2 **Mmapula Pilane**
Head of HR
3 **Shane Colloty**
Merchandise Executive
4 **Gerhard Scheepers**
General Manager - Wholesale
5 **Anthony Lambrechts**
General Manager - Sefalana Catering
6 **Sunil Urath**
General Manager - Retail
7 **Moagi Buzwani**
Operations Executive - Wholesale
8 **Delores Adul**
Head of Merchandise
9 **David Levin**
Head of Corporate Services
10 **Godfrey Ndwapi**
Head of Risk

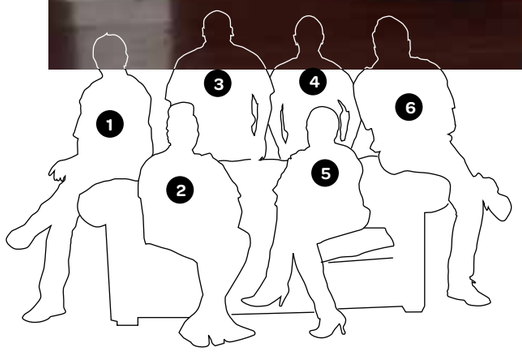
Sefalana Group
Integrated Report 2019

Our Management teams (continued)



1 **Rhyno van Rooyen**
Risk Executive
2 **Amand du Preez**
IT and Systems Executive
3 **Philip Nel**
Operations Executive
4 **Sinsikus Amwiigidha**
Finance Executive
5 **Bryan Davis**
Metro Cash & Carry Namibia - Managing Director
6 **Kobus Boshoff**
Merchandise Executive
7 **Milton Shiimi**
HR Executive

Our Management teams (continued)



1 **Sadik Patel**
Senior Buyer and Sales Manager
2 **Mary Moloi**
Branch Administration Manager
3 **Maime Lehlohonolo**
Branch Manager
4 **Rapelang Maubelle**
Finance Officer
5 **Consolata Pheko**
Administration Manager
6 **Devin Serfontein**
Country General Manager

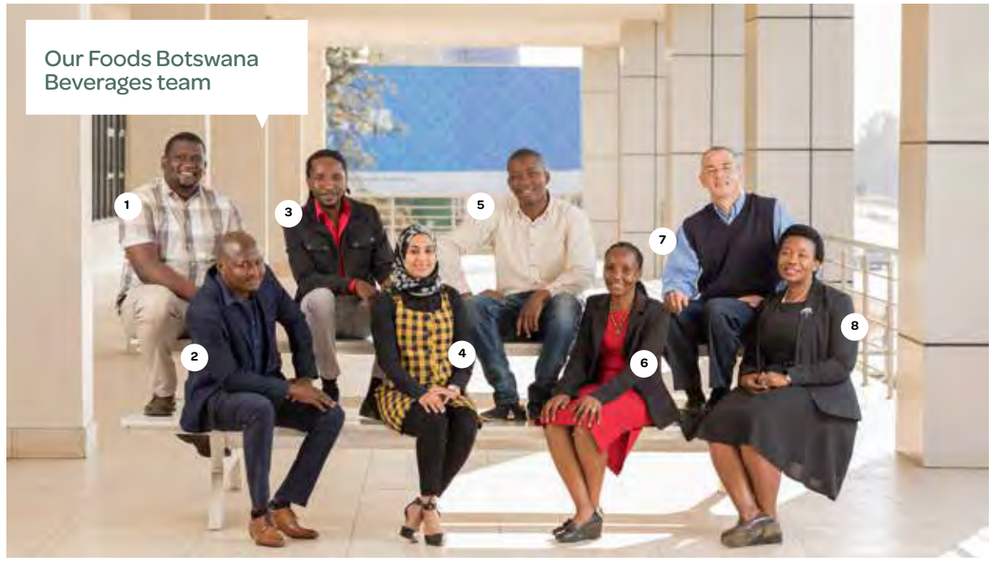
Cm
Commercial Motors
A Sefalana Group Company

1 **Rudolf Kroukamp**
Workshop Relationship Manager
2 **Khumo Christos**
Finance Manager
3 **Maitumelo Mosweunyane**
MF Group HR Manager
4 **Akhtar Nanuck**
Dealer Principal
5 **Rejeesh Kumar**
Tata Workshop Manager
6 **Nazim Shaikh**
Parts Manager (Honda, MAN, Tata)

Mf
Mechanised Farming
A Sefalana Group Company

1 **Thato Sikunyana**
Senior Accountant
2 **Maitumelo Mosweunyane**
MF Group HR Manager
3 **Izdihar Salim**
Group Financial Accountant
4 **Dintle Selepe**
Sales Executive

Our Management teams (continued)

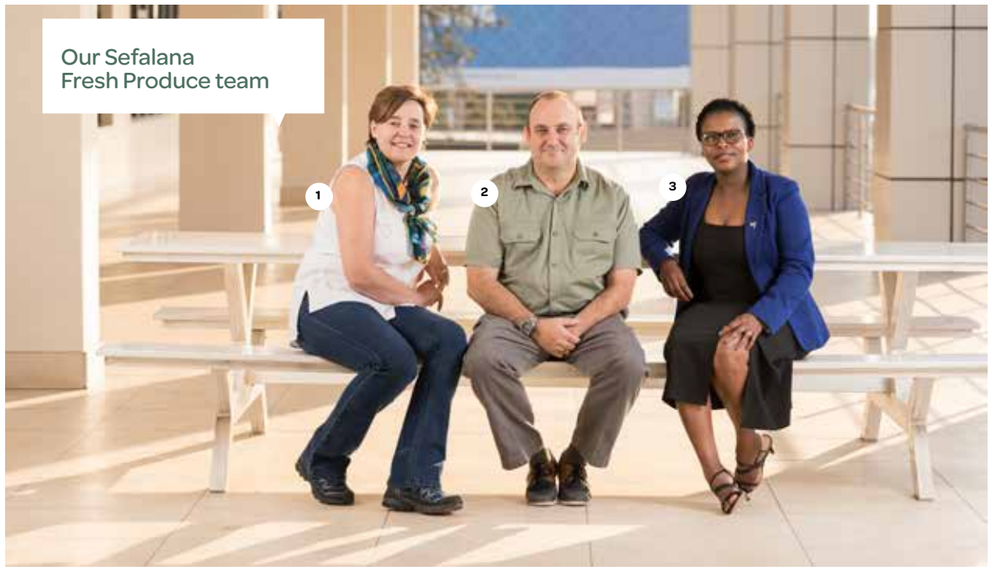


Foods Botswana Beverages
A Sefalana Group Company

1 **Tirelo Danga**
Plant Technician
2 **Boikaego Discharge**
Warehouse Officer
3 **Kgakgamatso Monare**
Production Foreman
4 **Zeenat Malek**
Finance Manager
5 **Mogotsi Selebatso**
Production Supervisor
6 **Keitumetse Ngwako**
HR Officer
7 **Scharl Varnfield**
Operations Manager
8 **Mary Mosarwa**
Warehouse Manager

Foods Botswana Milling
A Sefalana Group Company

1 **Oaitse Goitsemang**
General Manager - Production
2 **Robert Mmereki**
Quality Officer
3 **Mavis Manyaapelo**
Human Resources Officer
4 **Patrick Muzhingi**
Finance Manager
5 **Randas Siziba**
Miller



Sefalana Fresh Produce
A Sefalana Group Company

1 **Amande Morris**
Operations Director
2 **Kevin Morris**
Managing Director
3 **Sophie Montshiwa**
Finance Accountant

Kgalagadi Soap Industries

1 **Phemelo Hosia**
Finance Manager
2 **Tim Yannitsaros**
General Manager
3 **Molome Kesupile**
HR Manager
4 **Fanie Schoeman**
Factory Manager

Sefalana Group
Integrated Report 2019

Sefalana Cash and Carry
(Proprietary) Limited

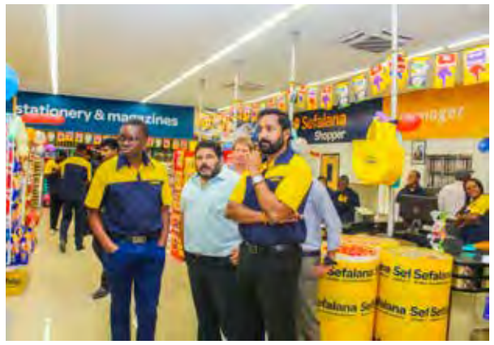
Sefalana TRADING

Sefalana
Sa Rona - Your family value store

- Sefalana Hyper
- Sefalana Shopper
- Sefalana Cash & Carry
- Sefalana Quick
- Sefalana Liquor
- Sefalana Catering

HOUSE-BRAND Range

Sefalana Cash and Carry Limited operates in the fast - moving consumer goods ("FMCG") sector. The Company's store portfolio is spread strategically throughout Botswana.



The Company has just under

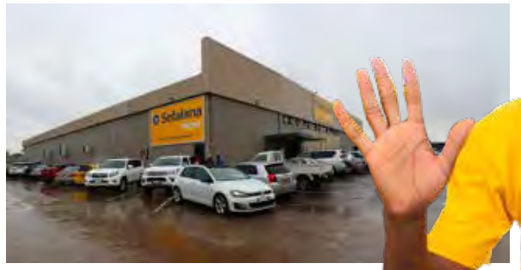
400

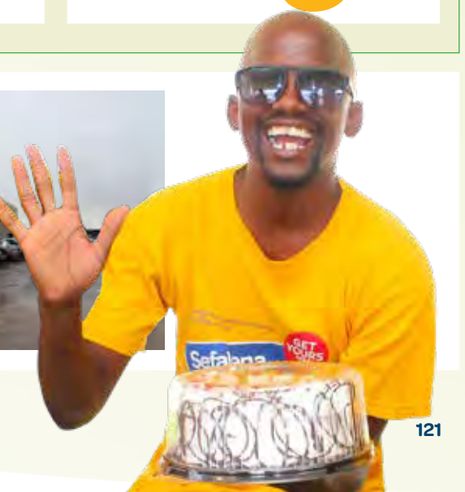
voluntary retail franchise members located throughout Botswana who trade under the names Supa 7, Supa Deal, Citi Saver, Bonanza, Pula Value and Triple Seven Liquor.

Company Profiles

Our store compliments consists of the following:

- **25 retail supermarkets** trading under the name **"Sefalana Shopper"** — Sefalana Shopper **25**
- **3 convenience** stores under the name **'Sefalana Quick** — Sefalana Quick **3**
- **25 Cash & Carry** outlets trading as **"Sefalana Cash & Carry"** — Sefalana Cash & Carry **25**
- **4 Hyper Stores located** in Gaborone, Francistown and Mahalapye, **operating as "Sefalana Hyper"** — Sefalana Hyper **4**
- **5 Liquor** stores under name **"Sefalana Liquor"** — Sefalana Liquor **5**





Sefalana Cash and Carry Limited

(continued)

Our journey began in 1974 when Sefalana Sa Botswana was formed and took over the operations of Bechmalt Holdings which included six wholesale stores. Over the last 45 years, our FMCG operations have expanded throughout the country making Sefalana a house-hold name and a trusted local brand.

Over the years, Sefalana Cash and Carry has evolved to meet the needs of the modern-day customer. Through astute leadership and a devoted staff compliment, we have been able to bring forth a number of 'Firsts' to the Botswana market. These include:

1. **Launch of Botswana's first FMCG online shopping site 'Sefalana Online' in 2016. This platform allows customers to purchase goods online and have these delivered or held for collection in store**
2. **Launch of Sefalana Rewards in 2016, making Sefalana the first local entity to introduce a loyalty program to its customers, allowing customers to earn points on current purchases which can be redeemed at a later date.**
3. **First FMCG store to include post-office services instore. This was achieved through partnership with Botswana Post who now operate in over 15 of our stores countrywide. Our customers benefit from postal services, collection of pension, renewing vehicle licences and much more.**

We pride ourselves in being a one-stop-shop for our customers and providing a wide range of quality products and services at competitive prices. Our focus over the last year has been to further enhance the shopping experience for our customers through improved product displays, well stocked isles and a better store layout.

Our dedicated store management team is always keen to provide a helping hand to customers and is supported by a team of Regional Managers and a central leadership structure. Store managers focus on running their stores, meeting consumers and supporting communities in line with providing the highest levels of quality and care that customers expect from a brand they have come to believe in.

We work hard to live up to this expectation and are happy to be a preferred alternative to other chains in the market. We focus on ensuring our supply chains are efficient and reliable and that our service standards are monitored closely and continually improved, increasing efficiency and achieving optimal levels of inventory in store.

Our 'A Star' range of branded products continues to gain popularity and is now a preferred brand for many of our customers. With over 40 different A Star our brand ranges from perishables such as milk and flour to household toiletries and canned products. This has allowed us to offer our customers quality products at competitive prices.

Sefalana continues to be an employer of choice and we are proud to have long standing employees, some of which have been with us from the very beginning. We believe in investing in our human capital and providing continuous development programs for our staff. All training programs are BQA accredited and enable career progression. Sefalana also has an affiliation with the University of Stellenbosch for the development of store level staff.

We recently partnered with the Botswana Institute of Chartered Accountants (BICA) and are now a BICA Accredited Training Employer (ATE) offering approved practical experience towards the BICA qualification. We are proud of this accreditation and are happy to have BICA trainees under our employment, developing future leaders.

During the year, we opened two new Sefalana Shopper stores in Letlhakane and Charles Hill respectively, broadening our presence in both areas. We also relocated our Gaborone Cash and Carry from Old Industrial Area to Gaborone West.

We are excited about our new Catering Division, Sefalana Catering that commenced shortly after the year end. This division operates from Gaborone West Industrial area and is focused on the supply and delivery of frozen food and related catering equipment to the local hospitality industry. Our fleet of new, multi-temperature vehicles and freezer facilities ensure all products are delivered in a safe manner, ensuring the best quality at affordable pricing.

Our large, modern freezers are open to walk in customers and we are able to offer a fantastic range of ready-made cakes, desserts, fries, ribs, chicken and seafood, to name but a few. Our extensive ambient products are suitable for any size kitchen, from the large industrial kitchens catering for thousands of people to the passionate home kitchen, where quality, price and a large range is important to the consumer.

Sefalana Catering aims to be the preferred supplier to the Hotel, Restaurant, Lodge and Catering industry in all corners of Botswana, offering a full range of frozen, chilled and ambient products and equipment.

Sefalana rewards
Giving back to you everytime you shop with us

Sefalana's Rewards Card allows you to earn SefBacks (points) for every Pula you spend in our stores. It helps you save money by redeeming your SefBacks on future purchases.

How it works

1. Get your Sefalana Rewards card at the till point
2. Link your card via the in-store self service kiosk or online
3. Earn SefBacks by swiping your card when you shop with us
4. Collect as many SefBacks as you like
5. Redeem your SefBacks on purchases in-store

Visit our stores for a one-stop shopping experience

Sefalana
Sa Rona - Your family value store

A brand you can
TRUST

Sefalana Group
Integrated Report 2019

Sefalana Cash and Carry Namibia

(Proprietary) Limited ("Metro")

Sefalana TRADING

Metro NAMIBIA Cash 'n Carry

Metro NAMIBIA Hyper

Metro NAMIBIA Liquor

AStar HOUSE-BRAND Range

In December 2013, Sefalana embarked on its Regional expansion journey and took the bold step of opening our first store outside of our borders in Katima Mulilo, Namibia. Within a year, we took over Metro, one of the largest FMCG chains in Namibia with 12 stores spread across the country. This enabled us to carve our footprint deep into Namibian soil and make a name for ourselves in the local market.

Our store compliments consists of the following:

662 employees across the country

662

15 stores across the country

15

3 liquor outlets across Namibia

3

Improved bottom line which has increased five-fold over the last five years, allowing this business segment to be the second largest contributor to overall Group results

This year, we celebrate our five year anniversary in Namibia.

5 years

Sefalana Cash and Carry Namibia (Pty) Limited

(continued)

Our newest Cash and Carry was opened in March 2019 in Divundu. We are excited to have a presence in the area

Led by a well experienced team and a large staff compliment, our Namibian business has achieved tremendous success over the last five years, which include:

- **Remarkable support and growth of our customer base which has allowed the Metro brand to be a brand of choice in Namibia, encouraging store growth and expansion into new areas of the country. Two new stores were opened over this period in Swakopmund and Divundu respectively with a number of stores being revamped. We also opened three liquor stores bringing our total number of stores to 18 in the country.**
- **Providing employment to over 650 Namibian nationals, an increase of over 250 employees from inception. We look towards adding on to our staff compliment through additional store openings.**
- **Improved bottom line which has increased five-fold over the last five years, allowing this business segment to be the second largest contributor to overall Group results**

Over the next five years, we intend to become bigger and better for our customers through the following initiatives:

- **Further enhance the range of goods and services in store which will include Sefalana's own brand of A Star products that will be offered to the Namibian market for the first time.**
- **Relocate some of our stores to larger premises accommodating the increased footfall and wider range of products on offer. We will also look to open new stores in areas in which we do not have a presence**
- **Improved efficiencies in technology together with a full roll out of our Arch data management system to all stores which will enable operational optimisation and enhanced performance.**

Providing employment to over 650 Namibian nationals, an increase of over 250 employees from inception. We look towards adding on to our staff compliment through additional store openings.

5 YEARS ANNIVERSARY

From inception, we have monitored the property market in Namibia and have purchased properties in strategic locations, including Windhoek. We look towards growing our property portfolio in a manner similar to what we have done in Botswana. We are constantly on the lookout for well placed, reasonably priced locations for potential store openings as we work towards our medium-term target of 20 stores across the country.

Our people are our pride - offering a friendly and efficient service, always ready to help our customers

Metro NAMIBIA Cash 'n Carry

A brand you can TRUST

Sefalana Group
Integrated Report 2019

Sefalana Trading Lesotho

T/A Sefalana Cash & Carry Lesotho

Sefalana TRADING

Sefalana Cash & Carry Lesotho

Sefalana Cash & Carry

Sefalana Liquor

On 1 November 2016, Sefalana entered the Lesotho market through a takeover of the country's largest distribution and logistics company, TFS Wholesalers, Distribution and Logistics in Maseru. The acquisition provided us with the opportunity to achieve a strong presence in the market in a short space of time, making Sefalana a market leader in the country.

Over the last three years, we have developed this business to meet the needs of the local population through an extensive rage of products and adhering to our customer requests. In 2018, we extended our operations through opening our first liquor store in the country.

We are constantly on the look out for potential new sites to open new stores and are delighted to have opened a new cash and carry and liquor wholesale in Maputsoe in September this year.

During the year, the entity launched a Facebook profile page making it more accessible to customers and took part in various local community events such as co-sponsoring Lesotho Sky, an international cycling event with the focus of promoting local talent and hosting an annual Stokvel Day which was well attended by customers.

In the coming year, we aim to introduce alternate payment methods to our customers such as Mobile Money and will look to introduce our A Star brand of products to the Lesotho market in the next few months.

117 employees
across the country

117

Turnover of **P439 million** has been achieved for the year, contributing **8%** of
total Group revenue

8%

Our Lesotho business is led by a strong management team with just under 120 full time staff. The team has been busier than usual this year with ongoing training for our new Arch Point of Sale system which was launched in September 2018. We look forward to improved efficiencies in our procurement practices and overall stock management.

Celebrating our heritage means a lot to us. It has taught us to welcome our customers and ensures that their shopping needs are met.

Sefalana Cash & Carry Lesotho

A brand you can TRUST

Sefalana Group
Integrated Report 2019

Foods Botswana
(Proprietary) Limited

Sefalana INDUSTRIES

Fb Foods Botswana Milling
A Sefalana Group Company

Fb Foods Botswana Beverages
A Sefalana Group Company

Sfp Sefalana Fresh Produce
A Sefalana Group Company

AStar HOUSE-BRAND Range

Almost 40 years since inception, Foods Botswana has grown into a reliable producer of quality products for the Nation, and is accredited by the Botswana Bureau of Standards. With a staff compliment of just under 180 full time employees, the entity is one of Serowe's largest employers, and continues to supply the Government with Tsabana and Malutu. In addition, Foods Botswana produces the following range of products sold to the general public:

- Sarona Samp
- Sechaba Mabele
- Phala Beer Power (instant beer powder)
- Tholo Malt
- Soya Sorghum enriched Foods (Malutu) for all age groups above 3 years
- Soya Sorghum Weaning Food (Tsabana) for infants up to 3 years
- Tsabotlhe (soya sorghum extruded product)
- Maatla (enriched maize meal product)

Producing for the nation for **almost 40 years**

40 Years

Staff compliment of **179** full time employees

179

The Company continues to support its local community through social contributions and supporting farmers through the purchase of Sorghum. Foods Botswana encourages local farmers to increase production enabling them to be the Mill's first choice in sorghum selection rather than sourcing grain from outside the country.

Foods Botswana (Pty) Limited ("Foods Botswana") (continued)

Foods Botswana Milling
A Sefalana Group Company

Foods Botswana Milling was established in 1981 and operates a factory in Serowe. It was felt that the central location of Serowe, together with its growing population, abundant water supplies and power source through the Morupule Colliery located nearby were an added advantage to operating a production plant in the area.

With a workforce of only 20 employees at the time, the plant commenced production of sorghum, malt and beer powder. In 1989 together with the Government of Botswana and international NGO's, the entity embarked on a research and development project that led to the production of a nutritious supplementary weaning food known today as Tsabana.

Over the next few years extruders were installed to enable production of Tsabana and a modern, pneumatic plant was constructed. In 1993, the Government awarded Foods Botswana its first contract to supply Tsabana and an additional wholesome product, Malutu, a pre-cooked fortified maize meal, to vulnerable groups across the country.

In 2015, operational capacity was increased through the commissioning of two additional silos and a new maize plant in Serowe. This has enabled a better grain storage facility, improved the quality and value of our products and allowed for increased production.

Effective and strategic grain procurement policies, together with ample working capital allows the Company to reduce the risk of constantly shifting commodity prices thereby sourcing grain at a reasonable cost. This in turn allows us to reasonably price our products, making them affordable for our customers. We also continue to support the SOS Village and numerous schools within the vicinity through sponsoring fund raisers, supporting events and football clubs.

Foods Botswana Beverages
A Sefalana Group Company

A new division, Foods Botswana Beverages, was created through purchase of the liquidated Delta Dairies business in 2015. The division operates from its milk processing plant in Broadhurst Industrial and produces long life, UHT milk under the brand names of Delta Fresh and A Star.

The division started off with 54 employees which were retrenched by Delta Diaries. We are pleased to have reemployed these people who would have otherwise lost their jobs. Almost four years later, we grown our staff compliment by almost 20% full time employees and look to employee additional staff as we expand our manufacturing operations.

For the first few months post takeover, our main focus was restoration of the milk plant which had remained switched off for over 18 months. In 2016, we commenced manufacture of our house brand A Star milk and re-launched the Delta Fresh brand which was well received by the public. Both brands are available in 500ml and 1 litre cartons.

In late 2016, the division commenced production of milk for the Government milk feeding scheme and in 2018 low fat and skim milk variants were introduced to meet the needs of our growing customer base. Our focus for the next year is to expand operations to include fruit juice, dairy blends and bottled water while preserving eco-friendly production methods and bio-degradable packaging.

Sefalana Group
Integrated Report 2019

Commercial Motors
(Proprietary) Limited

Sefalana MOTORS

Cm Commercial Motors
A Sefalana Group Company

Mf Mechanised Farming
A Sefalana Group Company

Through the use of latest technology, support from a well experienced management team and dealership principals in South Africa, Commercial Motors has succeeded to international service standards and extended its customer base.

MAN strives to make its transportation models safer, more efficient and environmentally friendly through focusing on three core initiatives; automated driving, connectivity and climate-friendly drives. MAN is excited to deliver its eBus to customers for the first time this year. During the year, Commercial Motors promoted the new Efficient Line Truck model which has been well accepted in the Botswana market.

MAN is one of the worlds leading international suppliers of vehicles and transport solutions with a wide range of trucks, special - purpose vehicles and buses of impeccable quality. As Germany's oldest listed Company, MAN possesses a history of producing innovative vehicles that have proved to be favoured over a number of its competitors.

Contributed 5% of
Profit before tax
5%

Number of
employees
82

Commercial Motors (Pty) Limited

(continued)

As the official franchised local representative for MAN (Heavy commercial vehicles), HONDA (Passenger vehicles and motorcycles) and TATA (Light and heavy commercial vehicles) in Botswana, Commercial Motors remains an important and integral component of the Sefalana Group.

Commercial Motors started off with just a hand full of staff in 1998 with the objective of introducing the MAN and TATA range of vehicles to the Botswana market. Five years later in 2003, the entity took over the HONDA dealership in Botswana and became the official dealership of all three brands in the country, offering vehicle sales, parts and service.

The Company has impressive showrooms and workshops in the Broadhurst Industrial area of Gaborone and continues to offer its growing customer base a first-class service. Plans are currently underway to relocate the dealership along the A1 highway to Setlhoa Village, offering an enhanced showroom and improved visibility to the general public.

Commercial Motors historically placed its focus on supplying vehicles to Government through tenders placed in the market. This strategy worked well for the entity and has seen the business grow from just five staff members in 1998 to its current count of over 80 full time employees.

In the last few years, the entity shifted its focus from relying on tenders placed in the market and steered towards growing private sales as we noted a reduction in Government tenders. Through the use of latest technology, support from a well experienced management team and dealership principals in South Africa, Commercial Motors has succeeded to international service standards and extended its customer base.

MAN (heavy commercial motor vehicles)

MAN is one of the worlds leading international suppliers of vehicles and transport solutions with a wide range of trucks, special - purpose vehicles and buses of impeccable quality. As Germany's oldest listed Company, MAN possesses a history of producing innovative vehicles that have proved to be favoured over a number of its competitors. Focused on key technology, the company offers a variety of pioneering commercial vehicles, diesel and gas engines as well as passenger and freight transportation services. In 2017, MAN Truck & Bus expanded its product range to include large vans, with the model name MAN TGE, which has enabled it to be a full-range supplier of commercial vehicles with a weight of between 3 – 44 tonnes and special purpose vehicles with a weight of up to 250 tonnes. At the end of May 2019, MAN was proud to produce its 20 000th MAN TGE, proving success of the TGE model.

MAN strives to make its transportation models safer, more efficient and environmentally friendly through focusing on three core initiatives; automated driving, connectivity and climate-friendly drives. MAN is excited to deliver its eBus to customers for the first time this year. During the year, Commercial Motors promoted the new Efficient Line Truck model which has been well accepted in the Botswana market.

Tata (light and heavy commercial motor vehicles)

Tata Motors Limited is India's largest automobile company and is the market leader in commercial vehicles and amongst the top three in passenger vehicles in India. Tata believes in the motto "connecting aspirations" through offering advanced mobility solutions that are in line with customers aspirations. Tata is the world's fifth largest truck and fourth largest bus manufacturer.

Our Tata range predominantly specialises in the construction, sales and after - sales service of Tata Buses and Tata Trucks. Tata Buses and Trucks surpass many of their competitors in power, speed, carrying capacity and operating economy. Tata Trucks have set the new benchmark in life - cycle costs, design and technology, offering first class features, comfort, reliability and safety at an affordable price. Our Tata buses offer three models with seating capacity for 28, 38 and 65 passengers.

We welcomed the TATA Ultra 814 into our showrooms last year and continue to market this range as it has proved popular with customers. The model is powered by a turbo charged inter cooler engine, new generation transmission unit, G-550 gear box with cable shift mechanisms and higher load margins. Operational efficiencies are built into the vehicle through disk brakes and tubeless radial tyres.

Honda (passenger vehicles)

Honda uses its motto 'The Power of Dreams' to excel at producing modern, safe, fuel-efficient and award winning vehicles.

For nearly four decades Honda has challenged to exceed universal automobile requirements and became the first automaker to meet the Clean Air Acts standard in the 1970's. Honda exhibits a full range of cars, from its best selling Civic and HR-V global models to country specific models such as the Ridgeline pick-up truck for North America and the N-BOX mini for the Japanese market.

At Commercial Motors, we look forward to the 2019 Honda Brio coming soon to our showroom. This new model exhibits swept-back headlights, a minimalistic interior feel and a sportier tail end.

Honda (motorcycles)

Honda motorcycles continue to be recognised as the leading brand in this segment both locally and abroad. From producing commuter models to fun-to-ride dynamic sports models, Honda provides the convenience and pleasure of riding to customers world-wide.

Mechanised Farming (Pty) Limited
("Mechanised Farming")

Supply and delivery of 8 locomotives to Botswana Railways

Mf Mechanised Farming

A Sefalana Group Company

Mechanised Farming is situated in Broadhurst Industrial and for many years was primarily focused on the sale and servicing of farming equipment. As a result of limitations in Government spend on the agricultural sector and due to reduced rainfall over the last few years, we noted a drop in the performance of this entity and its overall contribution to the Group.

A strategic decision to downscale the operations of this business and to do away with the retail sales to customers was therefore made in 2018. Focus has now been placed on the supply and delivery of parts and equipment to Botswana Railways (BR) as our primary customer.

We have noted an improved performance of the entity and continue to support BR with the maintenance spares for their locomotives. Mechansied Farming is proud to be the local representative for Electro-Motive Diesel (EMD) and are the sole authorised dealer for supply of imported diesel electric locomotives and spares.

Sefalana Properties

Sefalana PROPERTIES

Sefalana holds just under 800 000 square meters of land, of which 165 000 square meters is developed property. Sefalana and its subsidiaries occupy approximately 75% of the developed property with the remaining 25% let out to third party tenants. Our local properties are spread throughout Botswana and include office blocks, workshops, factories, and warehouses. Our undeveloped land provides the Group with a remarkable potential for future investment and capital appreciation.

Over the last two years, we have undertaken to develop our 35 000 sqm property in Setlhoa Village, situated along the A1 highway. We were excited to have opened this flagship Retail store in September which offers a significantly wider range of products and offerings in the 3,000 sqm building. Adjacent to this store is our first petrol station offering Puma fuel in 6 lanes, and our very own Sefalana Quick convenience store.

We have also invested in properties outside of Botswana in Zambia, Namibia and Lesotho which compliment our operations in these areas.

In Lusaka, Zambia we have a well positioned property from which we earn a favourable rental income. However, the property is currently only 70% occupied due to the emergence of many new, modern office buildings closer to the city centre.

We continue to evaluate investment projects in the countries in which we have a presence as we look to grow our Group property portfolio.

Kgalagadi Soap Industries
(Proprietary) Limited ("KSI")

Kgalagadi Soap Industries

KSI manufactures laundry and bath soaps, under brand names such as Marang, Olga, Fusion as well as house brands for the Zimbabwe, Namibia and Mauritius markets.

KSI was established over 30 years ago in 1988 and is one of Botswana's oldest manufacturing companies. It's toilet soap is a favourite with local hospitality providers and the factory was recently upgraded with new machinery which has permitted a quicker and more efficient production cycle.

In 2014, the Group entered into an agreement with a strategic partner and diluted its shareholding in the manufacturing company. This entity which was previously a 50% owned subsidiary, has since been accounted for as an associate company with an effective 25% interest. This represents a very small segment in the Group.

Our focus is largely on the KSI property portfolio that owns warehouse space in Broadhurst, Gaborone. Rental income from these properties is by far the largest income stream for the KSI group. Sefalana controls the relevant activities of this business through the KSI holding company in which the Sefalana Group still maintains a 50% shareholding.

Sefalana Fresh Produce
(Proprietary) Limited

Sefalana Fresh Produce
A Sefalana Group Company

Sefalana Fresh Produce (Pty) Limited (SFP), previously known as Natural Value Foods Botswana (Pty) Limited. (NVF) joined the Group in 2014 as a joint venture between Sefalana and Natural Value Foods (Pty) Limited (South Africa). In an effort to improve profitability of this business and gain additional control, the entity was restructured to operate as a 90% subsidiary of Sefalana Holding Company Limited in 2018.

SFP is a wholesaler of fresh fruits and vegetables and supplies its produce to Sefalana retail and wholesale stores throughout the country. Fresh produce is purchased from both local and South African farmers alike.

The entity operates from Gaborone North and employs a total of 22 staff. Over the year we have noted a significant improvement in both the quality of fresh fruit and vegetables that is supplied by SFP as well as profitability of the business. This has enabled us to offer a more favourable price to our customers and be more competitive in the local fruit and veg market.

Our aim for the coming year is to enrich our range of fresh fruits and vegetables and assist in the development of our local farmers, primarily supporting quality produce that has been cultivated locally.

How our Integrated Report comes together

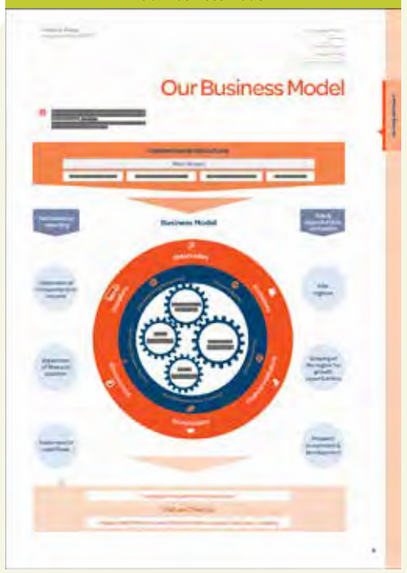
Objectives

Page 211 — Risk management disclosure

Page 88 — Governance Report

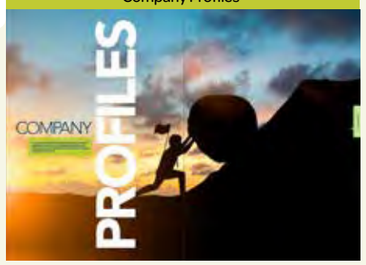
Page 6 — Forms of Capital

Page 7 — Our Business Model



Page 8 — Material Matters

Page 108 — Company Profiles



Page 64 — Values Charter

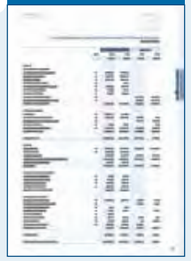
Perfomance

Page 26 — Chairman's report

Page 160 — Statement of Comprehensive Income

Page 32 — Group Managing Director's Report

Page 161 — Statement of Financial Position



Page 46 — Group Finance Director's Report

Page 163 — Statement of Cash Flow

Integrated Annual Reports

Enhanced disclosure

ANNUAL FINANCIAL STATEMENTS

We pride ourselves on having one of the strongest balance sheets in the country on the Botswana Stock Exchange.

WELCOME TO OUR INTEGRATED ANNUAL REPORT

Directors' statement of responsibility

The directors of Sefalana Holding Company Limited are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Sefalana Holdings Company Limited and its subsidiaries ("the Group"), comprising the consolidated and separate statement of financial position as at 30 April 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate changes in equity and consolidated and separate cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS").

The directors are required to maintain adequate accounting records and are responsible for the content and integrity of the financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of their operations and cash flows for the year then ended, in conformity with IFRS.

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

The consolidated and separate financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors' responsibilities also include maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these consolidated and separate financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the directors endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors have made an assessment of the company's ability to continue as a going concern and there is no reason to believe the business will not be a going concern in the year ahead.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the consolidated and separate financial statements. The financial statements have been examined by the external auditors and their report is presented on pages 154 to 159.

Directors' approval of the financial statements

Against this background, the Board of directors accepts responsibility for the consolidated and separate financial statements on pages 160 to 217 which were approved on 18 July 2019 and signed on its behalf by:

PHK Kedikilwe
Chairman

CD Chauhan
Group Managing Director

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Sefalana Holding Company Limited

Deloitte.

Opinion

We have audited the consolidated and separate financial statements of Sefalana Holding Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 160 to 217, which comprise the consolidated and separate statements of financial position as at 30 April 2019, and the consolidated and separate statements of profit or loss and other 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 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 the Group and Company as at 30 April 2019, and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 the Company in accordance with the requirements of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B), together with other ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other responsibilities in accordance with these requirements. 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.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Sefalana Holding Company Limited (continued)

Key Audit Matter	How the matter was addressed in the audit
Investment in preference shares	
Significant judgement is required by the directors in determining the fair value of the investment held by the Group in preference shares, which is carried at fair value through profit and loss as disclosed in Note 19, and is determined based on the significant assumptions applied to the valuation of the investment in preference shares. Due to the significance of the investment in preference shares balance to the consolidated financial statements as a whole, combined with the significant assumptions associated with the determination of the fair value of the instrument, this is considered to be a key audit matter. The disclosures relating to the fair value assessments are set out in the following notes to the consolidated financial statements: • Note 4 – Critical accounting judgements and key sources of estimation uncertainty; and • Note 19 - Investment in preference shares.	We performed the following audit procedures: • Evaluated the design and implementation of relevant controls around the process followed to determine the fair value of the investment in preference shares; • Obtained the fair value calculations prepared by the directors and audited the validity and reasonableness of the assumptions applied in the fair value assessment; • Involved a specialist to assist with the testing of the fair value calculation prepared by the directors. The specialist's procedures included evaluating the appropriateness of the valuation methodology applied, the expected exercise price of the embedded option, the current stock price, the implied volatility and other key inputs into the valuation model. • Reviewed the future expected cash flows used in the directors' fair value calculation to determine whether these are reasonable; • Re-computed and tested the accuracy of the key inputs used in the computation, which include the discount rates and the valuation model applied; • Performed independent sensitivity analysis of key inputs (discount rates and the expected cash flows) used in the fair value computation; and • Evaluated the adequacy and appropriateness of the Group financial statements disclosures relating to the investment in the preference shares against the requirements of IFRS 13 and IFRS 9. After consideration of the audit adjustments, which were processed by management, no other significant findings were noted that had a material impact on the consolidated financial statements. We found that the financial statements incorporated appropriate disclosures relating to the investment in preference shares.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Sefalana Holding Company Limited (continued)

Key Audit Matter	How the matter was addressed in the audit
Valuation of investment property and land and buildings	
The Group accounts for investment properties and land and buildings at fair value. The carrying value of investment properties as at 30 April 2019 was P287.2 million and the fair value adjustment recorded in profit before tax in respect of investment properties amounted to P4.4 million for the financial year. The carrying value of land and buildings as at 30 April 2019 was P442.2 million and the gross gain on revaluation of land and buildings recorded in other comprehensive income amounted to P12.4 million. At 30 April 2019, the directors' valuation of the portfolio of Group properties was based on updated valuations carried out by independent valuers. Significant judgement is required to determine the fair value of investment properties and land and buildings, especially with respect to the determination of appropriate capitalisation rates and sustainable rental income, and we therefore considered the valuation of these assets to be a matter of most significance to the current year audit. The disclosures relating to fair value assessments are set out in the financial statements in the following notes: • Note 4 - Critical judgements and key sources of estimation uncertainty; • Note 14 - Property, Plant and Equipment; and • Note 15 - Investment Property.	We performed the following audit procedures: • Assessed the design and implementation of relevant controls over the fair valuation of investment property and land and buildings; • Assessed the competence and capabilities of the Group's independent valuers through a consideration of their qualifications and past experience; • Compared the valuation approaches used by the independent valuers against IFRS requirements and industry norms to assess whether the methodologies were appropriate under the circumstances; • Assessed the assumptions used by independent valuers for reasonability; • Reviewed data inputs used in the independent valuations, including rental income, against appropriate supporting documentation (such as rental agreements, business plans and historical performance) to assess the accuracy and completeness thereof; • Compared the capitalisation rates utilised in the valuation to those generally used in the market, rates used in historical valuations and general market factors, such as comparable long-bond yield rates; • Performed sensitivity analysis to assess the impact which reasonable changes in the capitalisation rates may have on the fair values as determined by the independent valuers; and • Reviewed the related disclosures for compliance with the requirements of IFRSs. We consider the fair valuations to be within an acceptable range in the context of income capitalisation approach to fair value measurement and found that the Group financial statements incorporated appropriate disclosures relating to the fair valuation of investment properties and land and buildings.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Sefalana Holding Company Limited (continued)

Key Audit Matter	How the matter was addressed in the audit
Allowances for slow moving and obsolete retail inventory	
The Group's retail trading systems record the unit costs of inventory before allowances for deterioration in value due to slow moving, and obsolete items. In making an allowance for slow moving and obsolete items, the Group determines the estimated loss rates for slow moving and obsolete items held in inventory based on historical sales quantities, its estimate of likely sales discounts (below original cost), which the Group may have to offer in order to sell slow-moving items, and the extent of losses which the Group may incur when writing off obsolete items. This allowance was a matter of most significance to our current year audit due to the magnitude of the inventory balance and of the allowance, and because of the judgements applied in determining the allowance. The disclosures relating to the inventory allowance are set out in the financial statements in the following notes: • Note 4 - Critical accounting judgements and key sources of estimation uncertainty; and • Note 23 – Inventories.	We performed the following audit procedures: • Evaluated the design and implementation of relevant controls around the process followed to quantify the estimate for slow moving and obsolete retail inventory; • Reviewed and evaluated the Group's provisioning policy for reasonableness and appropriateness, including the validity of the assumptions applied; • Re-performed the computations to ensure the arithmetical accuracy of the estimate; • Independently re-computed the ageing of inventory at year end based on sales records for the past twelve months to assess the likelihood of inventory items becoming slow moving or obsolete through the use of our internal data analytical tools; • Using this analysis and our understanding of likely value of loss rates based on our experience in the industry, we formed an independent view of a range of appropriate loss rates for slow moving and obsolete items; and • We assessed the adequacy of the disclosures in the financial statements relating to inventory. Our testing did not identify material exceptions and concluded that the Group's financial statements included the appropriate disclosures relating to the allowance for slow moving and obsolete retail inventory.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Sefalana Holding Company Limited (continued)

Other matter

The consolidated and separate financial statements of the Company and the Group for the year ended 30 April 2018, were audited by another auditor who expressed an unmodified opinion on those statements on 30 July 2018.

Other Information

The directors are responsible for the other information. The other information comprises Corporate Information and the Statement of Directors' Responsibility and Approval, which we obtained prior to the date of this report, and the other parts of the Sefalana Integrated Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and 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's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including

INDEPENDENT AUDITOR'S REPORT to the Shareholders of Sefalana Holding Company Limited (continued)

the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte & Touche

Deloitte & Touche
Certified Auditors
Practicing Member: Massimo Marinelli (CAP 005 2019)

Gaborone
30 July 2019

Consolidated and Separate Statements of Comprehensive Income

For the year ended 30 April 2019

	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
REVENUE	5	**5 305 981**	**4 785 500**	**114 900**	**87 016**
Cost of sales		(4 965 856)	(4 490 990)		
Gross profit		340 125	294 510	114 900	87 016
Other income and gains / (losses)	8	48 897	46 779	(7 799)	(437)
Administrative expenses		(168 082)	(142 676)	(24 536)	(7 265)
Earnings before interest, tax and amortisation (EBITA)		**220 940**	**198 613**	**82 565**	**79 314**
Amortisation	16	(5 819)	(6 380)		
Investment income	7	55 409	50 117	24 830	25 421
Finance costs	9	(9 866)	(9 898)	(1 242)	(134)
Profit before share of results of associate and joint venture		260 664	232 452	106 153	104 601
Share of result of associate	17	(1 994)	(382)		
Share of result of joint venture	18		(361)		
Profit before tax		**258 670**	**231 709**	**106 153**	**104 601**
Income tax expense	10	(60 026)	(54 035)	(4 434)	(11 514)
PROFIT FOR THE YEAR	11	**198 644**	**177 674**	**101 719**	**93 087**
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Net gain on revaluation of land and buildings		9 752	12 171		
Gross gain on revaluation of land and buildings		12 398	15 275		
Income tax on gain on revaluation of land and buildings		(2 646)	(3 104)		
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		(46 462)	(718)		
Other comprehensive (loss) / income for the year (net of tax)		(36 710)	11 453		
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**161 934**	**189 127**	**101 719**	**93 087**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the parent		198 860	175 871	101 719	93 087
Non - controlling interests		(216)	1 803		
TOTAL PROFIT FOR THE YEAR		**198 644**	**177 674**	**101 719**	**93 087**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the parent		162 150	187 324	101 719	93 087
Non - controlling interests		(216)	1 803		
TOTAL COMPREHENSIVE INCOME		**161 934**	**189 127**	**101 719**	**93 087**
Earnings per share attributable to the equity holders of the Company during the year:					
BASIC AND DILUTED EARNINGS PER SHARE (THEBE)	13	**79.31**	**70.14**		
TOTAL COMPREHENSIVE INCOME PER SHARE (THEBE)	13	**64.67**	**74.71**		

Consolidated and Separate Statements of Financial Position

As at 30 April 2019

	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
ASSETS					
NON - CURRENT ASSETS					
Property, plant and equipment	14	641 720	617 064		
Investment property	15	287 166	260 685		
Intangible assets	16	134 546	145 823		
Investment in associate	17		2 616		
Investment in preference shares	19	197 895	198 114		
Deferred lease assets	20	2 656	1 090		
Deferred tax assets	21	17 254	16 708		
Investment in subsidiaries	22			523 755	520 206
Amounts due from related parties	25			131 618	129 269
Total non - current assets		1 281 237	1 242 100	655 373	649 475
CURRENT ASSETS					
Inventories	23	607 640	615 791		
Trade and other receivables	24	254 882	254 464	20 194	836
Amounts due from related parties	25			48 041	96 653
Current tax assets	10	1 669	5 628		608
Cash and cash equivalents	26	537 566	407 835	133 168	68 559
Total current assets		1 401 757	1 283 718	201 403	166 656
TOTAL ASSETS		**2 682 994**	**2 525 818**	**856 776**	**816 131**
EQUITY					
Stated capital	27	686 354	686 354	686 354	686 354
Other reserves	28	205 353	242 063		
Retained earnings		867 318	751 199	109 951	90 973
Equity attributable to owners of the parent		1 759 025	1 679 616	796 305	777 327
Non - controlling interests		16 064	16 280		
Total equity		1 775 089	1 695 896	796 305	777 327
NON - CURRENT LIABILITIES					
Finance lease obligations	29	1 360	2 244		
Deferred lease obligations	30	17 653	19 399		
Loans and borrowings	31	110 831	112 103		
Deferred tax liabilities	21	88 948	86 586		
Total non - current liabilities		218 792	220 332		
CURRENT LIABILITIES					
Trade and other payables	32	607 336	515 393	4 459	2 673
Amounts due to related parties	25			40 251	7 821
Finance lease obligations	29	775	633		
Loans and borrowings	31	1 429	5 280		3 763
Contract liabilities	36	14 119			
Current tax liabilities	10	11 655	4 465	1 253	353
Bank overdrafts	26	5 325	24 194	74	24 194
Provisions and accruals	37	48 474	59 625	14 434	
Total current liabilities		689 113	609 590	60 471	38 804
Total liabilities		907 905	829 922	60 471	38 804
TOTAL EQUITY AND LIABILITIES		**2 682 994**	**2 525 818**	**856 776**	**816 131**

Consolidated and Separate Statements of Changes in Equity

For the year ended 30 April 2019

		Attributable to owners of the parent					
		Stated capital	Other reserves	Retained earnings	Total	Non - controlling interests	Total equity
	Note	P'000	P'000	P'000	P'000	P'000	P'000
Group							
At 30 April 2017		686 354	216 334	663 082	1565 770	47 100	1612 870
Profit for the year				175 871	175 871	1 803	177 674
Other comprehensive income for the year:							
Gain on revaluation of land and buildings (net of tax)			12 171		12 171		12 171
Currency translation differences			(718)		(718)		(718)
Transactions with non-controlling interests	22		14 276		14 276	(30 107)	(15 831)
Dividends paid - 2018 interim and 2017 final	13			(87 754)	(87 754)	(2 516)	(90 270)
As at April 2018		686 354	242 063	751 199	1679 616	16 280	1695 896
Profit for the year				198 860	198 860	(216)	198 644
Other comprehensive income for the year:							
Gain on revaluation of land and buildings (net of tax)			9 752		9 752		9 752
Currency translation differences			(46 462)		(46 462)		(46 462)
Dividends paid - 2019 interim and 2018 final	13			(82 741)	(82 741)		(82 741)
As at April 2019		686 354	205 353	867 318	1759 025	16 064	1775 089

Other reserves consist of land and buildings revaluation reserve and currency translation reserve, and other gains on purchase of minority interests as set out in note 28.

		Stated capital	Retained earnings	Total equity
	Note	P'000	P'000	P'000
Company				
At 30 April 2017		686 354	85 640	771 994
Profit for the year			93 087	93 087
Dividends paid - 2018 interim and 2017 final	13		(87 754)	(87 754)
At 30 April 2018		686 354	90 973	777 327
Profit for the year			101 719	101 719
Dividends paid - 2019 interim and 2018 final	13		(82 741)	(82 741)
At 30 April 2019		**686 354**	**109 951**	**796 305**

Consolidated and Separate Statements of Cash Flows

For the year ended 30 April 2019

		Group		Company	
	Note	2019	2018	2019	2018
		P'000	P'000	P'000	P'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		198 644	177 674	101 719	93 087
Income tax expense	10	60 026	54 035	4 434	11 514
Finance costs	9	9 866	9 898	1 242	134
Investment income	7	(55 409)	(50 117)	(24 830)	(25 421)
Net exchange differences		(4 355)	2 871	7 863	1 738
Fair value gain from investment in preference shares	19	(11 202)			
Gain on revaluation of investment property	8	(4 424)	(8 107)		
Transfer of property held for sale			8 000		
Share of loss from associate	17	1 994	382		
Share of loss from joint venture	18		361		
Net effect of movement in deferred lease		(3 312)	4 735		
Impairment of investment in associate	17	1 808	4 184	308	4 184
Impairment of investment in joint venture	18				2 627
Gain on disposal of property, plant and equipment	8	(581)	(125)		
Amortisation of intangible assets	16	5 819	6 380		
Depreciation of property, plant and equipment	14	47 688	42 476		
Cash generated by / (utilised in) operating activities before working capital changes		246 562	252 647	90 736	87 863
Movements in working capital:					
Trade and other receivables		(418)	(28 728)	(19 358)	4 607
Inventories		8 151	(90 395)		
Provisions, contract liabilities, trade and other payables		94 911	144 501	16 220	1 551
Finance lease obligations	29	(742)	675		
Loans from related parties				70 922	11 140
Cash generated by operations		348 464	278 700	158 520	105 161
Finance cost	9	(9 866)	(9 898)	(1 242)	(134)
Income taxes paid		(49 679)	(56 883)	(2 926)	(11 402)
Net cash generated by operating activities		288 919	211 919	154 352	93 625
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and other dividends received	7	55 409	17 492	24 830	25 421
Distributions received from associate company			2 032		
Purchase of property, plant and equipment	14	(73 667)	(58 640)		
Additions to investment property	15	(27 073)	(825)		
Purchase of computer software rights	16	(1 275)	(200)		
Net cash paid on business combinations	16		(34 997)		
Investment in subsidiary	22			(3 549)	(276 902)
Investment in preference shares	19		(198 114)		
Transaction with non - controlling interests	22		(16 000)		
Proceeds from sale of property, plant and equipment		3 584	990		
Investment in associate	17	(308)	(4 184)	(308)	(4 184)
Net cash flows (utilised in) / generated by investing activities		(43 330)	(292 446)	20 973	(255 665)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings	31	(5 123)	(3 959)	(3 763)	(2 337)
Cash dividend paid to:					
Owners of the parents	13	(82 741)	(87 754)	(82 741)	(87 754)
Non - controlling interest			(2 516)		
Net cash flows utilised in financing activities		(87 864)	(94 229)	(86 504)	(90 091)
Net increase / (decrease) in cash and cash equivalents		157 725	(174 756)	88 821	(252 131)
Cash and cash equivalents at beginning of year		383 641	554 916	44 365	296 251
Effects of exchange rate changes on cash and cash equivalents		(9 125)	3 481	(92)	245
Cash and cash equivalents at end of year		**532 241**	**383 641**	**133 094**	**44 365**
Represented by:					
Bank overdrafts	26	(5 325)	(24 194)	(74)	(24 194)
Cash and cash equivalents	26	537 566	407 835	133 168	68 559
		532 241	**383 641**	**133 094**	**44 365**

Notes to the financial statements

For the year ended 30 April 2019

1 GENERAL INFORMATION

Sefalana Holding Company Limited is a Company incorporated in the Republic of Botswana and listed on the Botswana Stock Exchange. The addresses of its registered office and principal places of business are disclosed in the introduction to the annual report. The principal activities of the Company and its subsidiaries ("the Group") are described under the Company profiles section. The consolidated financial statements include the financial results and financial position of Sefalana Holding Company Limited and its subsidiaries as disclosed in note 22. The consolidated Group and separate Company's financial statements for the year ended 30 April 2019 were authorised for issue by the Board of Directors on 18 July 2019.

2 BASIS OF PREPARATION

(i) Compliance with IFRS
The consolidated and separate 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. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention
The consolidated and separate financial statements are prepared under the historical cost convention except for land and buildings, investment property and the investment in preference shares which are carried at fair value.

(iii) New and amended standards adopted by the Group
The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 May 2018:

- IFRS 9 - Financial Instruments
- IFRS 15 - Revenue from Contracts with Customers
- Amendment to IAS 40 – Investment Property: Transfers of investment property
- IFRIC 22 - Foreign currency transactions and advance consideration

The adoption of these new standards and amendments has not resulted in any material changes to the Group's accounting policies and has had a low impact on the current period, any prior period and is not likely to affect future periods. IFRS 9 and IFRS 15 have resulted in additional disclosures which clarify the Group's approach towards compliance of these standards. These disclosures have been presented under note 24 and note 36 respectively.

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

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

The objective of the project was to develop a new leases standard that sets out the principles that both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"), apply to provide relevant information about leases in a manner that faithfully represents those transactions. To meet this objective, IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar manner to finance leases under IAS 17. The Group has an extensive operating lease portfolio, acting as both lessor and lessee (refer to note 20). The application of IFRS 16 may result in changes in the manner in which such agreements are accounted for on a prospective basis (as and when new leases are entered into or leases existing at 1 May 2019 are modified). Given the prospective nature of application of this standard, the exact impact cannot be fully modelled at this time, however, management has assessed the likely impact of this accounting standard which has been disclosed under note 44.

Amendment to IFRS 9 – Prepayment features with negative compensation (effective for the Group for the financial year ending April 2020)

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI (Solely Payments of Principal and Interest) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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

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

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

Amendments to IAS 28 - Long-term Interests in Associates and Joint Ventures (effective for the Group for the financial year ending April 2020)

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. In applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments (effective for the Group for the financial year ending April 2020)

The standard provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. It also explains when to reconsider the accounting for a tax uncertainty. The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

IFRS 10 - Consolidated Financial Statements and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Directors do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Consolidation

(i) Subsidiaries
Subsidiaries are all 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 to direct the activities of the entity.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control listed above. When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Group and to the non-controlling interests. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between:

- the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive

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For the year ended 30 April 2019 (continued)

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For the year ended 30 April 2019 (continued)

income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required by IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(ii) Associates
Associates are all entities over which the Company or its subsidiaries have 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 shareholding in associates is as disclosed in note 17.

(iii) Joint arrangements
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method. The Group's shareholding in joint ventures is as disclosed in note 18.

(iv) Equity method
Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 3.7.

(v) Changes in ownership interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to the owners of Sefalana Holding Company Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(vi) Business combinations
The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the
- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(vii) Investment in subsidiaries
The Company accounts for its investment in subsidiaries at cost, which includes transaction costs, less provision for impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Investments in subsidiaries are assessed for impairment when indicators of impairment are identified. Such impairment indicators include, but are not limited to, for example:

- Sustained deterioration in financial results of operations and / or financial position of the subsidiary;
- Changes in the operating environment of a subsidiary, including regulatory and economic changes, market entry by new competitors, etc.; and
- Inability of a subsidiary to obtain finance required to sustain or expand operations.

Where impairment indicators are identified, the recoverable value of the subsidiary is measured at the lower of realisable value through sale less costs to sell, and value in use. Value in use is the present value of future cash flows expected to be derived from the subsidiary.

Once an impairment loss has been recognised, the Group assesses at each year-end date whether there is an indication that the impairment loss previously recognised no longer exists or has decreased. If this is the case, the recoverable value of the subsidiary is remeasured and the impairment loss reversed or partially reversed as may be the case.

Where the recoverable value of a subsidiary is below the carrying amount, the carrying amount is reduced to the recoverable value through an impairment loss charged to the statement of profit or loss and comprehensive income.

3.2 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 consolidated financial statements are presented in Botswana Pula, which is the 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 profit or loss and comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss and comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of profit or loss and comprehensive income within 'net foreign exchange gains'.

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 reporting date;
- Income and expenses for each statement of profit or loss and 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 dates of the transactions; and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the statement of profit or loss and comprehensive income as part of the gain or loss on sale.

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

3.3 Property, plant and equipment

Land and buildings comprise mainly wholesale and retail outlets, offices and residential buildings. Land and buildings are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and

Notes to the financial statements

For the year ended 30 April 2019 (continued)

the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Buildings capitalised under finance leases comprise retail outlets which were designed and developed specifically for the Group's use and are leased by the Group under long-term lease agreements. These buildings are accounted for at cost (being the present value of the minimum committed lease payments at inception of the respective lease contracts) less accumulated depreciation and accumulated impairment adjustments.

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 reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income.

Properties in the course of construction for production or supply of goods or services, or for administrative purposes, or for purposes not yet determined, are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in terms of the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings	50 years
Leasehold buildings	remaining period of lease
Buildings capitalised under finance leases	15 years, being initial lease period
Plant and machinery	4 to 20 years
Motor vehicles	4 to 6 years
Fixtures and equipment	4 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases in the carrying amount arising on revaluation of land and buildings are charged to other comprehensive income and debited against other reserves directly in equity. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

3.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date on an appropriate valuation basis, which may include internal valuation models, valuations by independent professional valuers and comparison to recent market transactions and values. Where valuations from these sources indicate a range of reasonable fair value estimates, considered judgement is applied to determine the most reliable estimate of fair value. These valuations form the basis for the carrying amounts in the financial statements.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be reliably determined, management considers the following factors, among others:

- The provisions of the construction contract
- The stage of completion
- Whether the project/property is standard (typical for the market) or non - standard
- The level of reliability of cash inflows after completion
- The development risk specific to the property
- Past experience with similar constructions
- Status of construction permits

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit and loss for the period in which it arises. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss for the period in which it arises within net gain from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is re-classified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and increases directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the statement of profit or loss and comprehensive income.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

3.5 Lease rights

Lease rights represent rights covered by contract or similar arrangement to occupy, lease out or otherwise utilise property. Separately acquired lease rights are shown at historical cost. Lease rights acquired in a business combination are recognised at fair value at the acquisition date.

Where land rights are acquired directly through agreement with Government, the Group records these at nominal amounts at the inception of the underlying lease / rental agreements or when such agreements are renewed.

Lease rights have a finite useful life based on the underlying contractual agreement assigning such rights to the consignee and are carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost of lease rights over their estimated useful lives based on contractual assignment terms.

3.6 Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Brands, trademarks and customer contracts

Separately acquired brands or trademarks are shown at historical cost. Brands, trademarks, and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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For the year ended 30 April 2019 (continued)

Amortisation of brands, trademarks and customer contracts is calculated using the straight-line method to allocate their cost to their respective residual values over their useful lives as follows:

- Brands: 25 years
- Customer contracts: 10 years

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives (three to five years) on a straight-line basis.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income is recognised on a straight-line basis over the term of the relevant lease, and is included in revenue in the statement of profit or loss and comprehensive income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of profit or loss and comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Contingent rentals are recognised as expenses in the periods in which they are incurred. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.9 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss and comprehensive income over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of profit or loss and comprehensive income for the period in which they are incurred.

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 reporting date.

3.10 Employee benefits

Pension obligations

The Sefalana Group Staff Pension Fund converted from a defined benefit plan to a defined contribution plan during 2004. Upon this conversion a portion of the surplus of Fund assets over the Fund's liability to members was distributed into an Employer Reserve. This was available to be utilised solely for employer contributions into the members' pension credits in lieu of cash contributions, for the approximately 60 members in the Fund at that time. In accordance with the International Financial Reporting Standard, IAS 19 (Employee Benefits) and IFRIC 14 (IAS 19 –the limit on a defined benefit asset, minimum funding requirements and their interaction), the participating employers of the Sefalana Pension Fund and the amalgamated Sefalana Group Staff Pension Fund are required to recognize the fair value of the Employer Reserve balance as an asset in its own financial statements. The fair value of the plan asset represents the cumulative sum total of the members' credits at the reporting date. The movement on the plan assets during the year represents the utilisation of part of the Employer Reserve and is included within staff costs.

Gratuities and severance plans

The Group does not provide pension benefits for all its employees, but operates a gratuity scheme for expatriates in terms of employment contracts, and a severance benefit scheme for citizens in terms of section 28 of the Botswana Employment Act. Severance pay is not considered to be a retirement benefit plan as the benefits are payable on completion of each 60 month period of continuous employment, at the option of the employee. The expected gratuity and severance benefit liability is provided in full by way of a provision.

Profit - sharing and bonus plans

The Group recognises a liability and an expense for staff bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss and comprehensive income, except to the extent it relates to items recognised directly in equity. In this case, tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income taxes arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets are recognised for loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Withholding tax of 7.5% is payable on the gross value of dividends on behalf of the shareholder, in accordance with the Botswana Income Tax Act.

3.12 Inventories

Inventories comprising fast moving consumer goods for resale are valued at the lower of cost and net realisable value. Cost on these goods is determined on the weighted average basis and is the net of the invoice price, insurance, freight, customs duties, trade discounts, rebates and settlement discounts.

Inventories comprising vehicles and equipment for resale are also stated at the lower of cost and net realisable value. Costs, including an appropriate portion

Notes to the financial statements

For the year ended 30 April 2019 (continued)

of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on the first-in first-out basis.

Work in progress arising from rendering of services of vehicles and equipment is valued with costs of materials used and excludes labour or overhead components. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete the sale.

3.13 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.13.1 Financial assets

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

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; 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 the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cashflows and selling the 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 the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. Refer note 8 for 'other income and gains / (losses).

Dividends and interest earned on financial assets measured at FVTPL are recognised in profit or loss as part of investment income (note 7) from continuing operations when the Group's right to receive payment is established.

As at the reporting date, the only financial asset measured at FVTPL was the investment in preference shares (note 19).

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administration expenses' in the statement of profit or loss and comprehensive income.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion be considered.

Write - off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Impairment assessment of trade receivables is described in note 24.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Foreign exchange gains and losses

Translation differences relating to changes in amortised cost are recognised in profit or loss, and other changes in carrying amounts are recognised in other comprehensive income. Translation differences on non-monetary securities are recognised in other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include 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. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

3.13.2 Financial liabilities and equity

Classification

The Group only has financial liabilities that are classified as 'financial liabilities at amortised cost'

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Stated capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the receivable can be measured reliably. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to the present value where the effect is material.

3.15 Warranties

Provisions for warranty costs are recognised at the date of the sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

3.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue from the principal activities of retailing and associated activities. For the majority of revenue streams, there is a low level of judgement applied in determining the consideration or the timing of transfer of control. As such, the Group's revenue streams were not materially affected by the adoption of IFRS 15.

The Group recognises revenue when the Group satisfies its performance obligations in terms of the related customer contract. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods – merchandise

Merchandise sales are recognised when control of the goods has transferred, being at the point the customer purchases / consumes the goods. Payment of the transaction price is due immediately at the point the customers purchase / consume the goods.

Payment is generally received via cash, debit card, credit card or cheque, or through charge to a line of credit granted to the customer.

A loyalty program is offered to customers which enables customers to purchase goods in future at a discounted price through the use of loyalty cards. The card holder cannot redeem points without future purchases. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for the points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers.

Sales of goods – others

Revenue from sale of other goods is recognised when control of the goods has transferred, being at the point the customer purchases / consumes the goods. Payment of the transaction price is due immediately at the point the customers purchases / consumes the goods.

Sales of services

Revenue from the provision of services is recognised when the Group satisfies its performance obligations, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.17 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in

Notes to the financial statements

For the year ended 30 April 2019 (continued)

the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- Costs that relate directly to the specific contract;
- Costs that are attributable to contract activity in general and can be allocated to the contract; and
- Such other costs that are specifically chargeable to the customer under the terms of the contract.

3.18 Dividend distribution

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

3.19 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors, that make strategic decisions. The costs of shared services are accounted for in a separate ("unallocated") segment. Transactions between segments are generally accounted for in accordance with Group policies as if the segment were a stand-alone business with intra-segment revenue being eliminated through a separate adjustment to revenue.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. All inter-segment transactions are eliminated on consolidation.

The Group's areas of operations were limited to the Republic of Botswana, the Republic of Namibia, the Kingdom of Lesotho and the Republic of Zambia during the reporting periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements and applying the Group's accounting policies, the entity has made certain key judgements and estimates in order to present balances and amounts in these financial statements. The following is a summary of those key judgements and key sources of estimation uncertainty at the reporting date, which has the most significant effect on the carrying amounts of assets and liabilities included in the financial statements:

4.1 Fair value of land and buildings and investment properties

The Group periodically commissions an external expert to value its property portfolio. The latest full scope evaluation was carried out at 30 April 2018. At 30 April 2019, an update was performed in the form of a desktop valuation. This assessment was carried out by the same independent valuer and on the same basis as at 30 April 2018. This updated valuation was used to support the Directors' valuation of the portfolio of Group properties. Resulting fair value gains and losses have been recognised in the statement of profit or loss and comprehensive income. Market values for developed property have been determined based on rental yields. A capitalisation factor has been applied to each property depending on its location and condition. Capitalisation rates applied in the recent valuation range from 6.0% to 15.0% (2018: 7.0 to 12.0%)

A 1% increase in the capitalisation rate would result in a P6.5 million reduction in overall portfolio value. A 1% decrease in capitalisation rate would result in a P6.5 million increase in overall portfolio value. Undeveloped land has been valued based on recent market data on similar properties transacted on an arm's length basis. Refer to notes 14 and 15 respectively for fair value disclosure.

4.2 Impairment of goodwill

The Group tests annually whether goodwill (as disclosed in note 16) has suffered any impairment, in accordance with its accounting policy on goodwill. The recoverable amounts of cash-generating units have been determined by the Directors based on forecast pre-tax free cash flows of each cash-generating unit. These calculations require the use of estimates, the most significant of which are assumptions of a growth rate and discount rates (refer note 16).

The impairment calculations performed by the Group at the current year-end indicate significant headroom between the value in use attributed to cash generating units and the carrying value of the goodwill allocated to such units.

4.3 Inventory adjustments

Unit cost adjustments

The Group adjusts recorded unit costs for rebate income and settlement discount. Unit cost is recorded gross of rebate income and the adjustment is thus required to bring the unit cost to a post-rebate level; and

The Group also adjusts inventory by foreign exchange difference to account for the variance between standard exchange rates utilised in the unit cost calculation and actual achieved exchange rates.

Provision for shrinkage

Shrinkage is estimated as a percent of sales for the period from the last inventory date to the end of the fiscal period. Physical inventories are taken at least quarterly and inventory records are adjusted accordingly. The shrinkage rate from the most recent physical inventory, in combination with current events and historical experience, is used as the standard for the shrinkage accrual rate for the next inventory cycle.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

Inventory net realisable value allowances

The Group evaluates its inventory to ensure that it is carried at the lower of cost or net realisable value. Allowances are made against slow moving, obsolete and damaged items. Damaged inventories are identified and written down through inventory verification processes.

In making an allowance for slow moving and obsolete items, the Group determines the ageing of the inventory held at the year-end date based on historical sales quantities, its estimate of the likely sales discounts (below original cost), which the Group may have to offer in order to sell slow-moving items, and the extent of losses which the Group may incur when writing off obsolete items.

Provision for warranties

One of the subsidiary companies gives a warranty on vehicles sold by it; most of the warranty costs are met by the initial suppliers of these vehicles, but there is an element of cost that will be borne by the Company. Based on the Directors' knowledge of the industry and previous practices a provision has been made to account for future warranty costs on vehicles sold (note 36).

4.4 Fair Value of Investment in Preference Shares

The Group has made judgements and assumptions concerning the valuation of the preference shares. These are detailed in note 19 to the financial statements.

4.5 Consolidation of KSI Holdings (Pty) Limited

The Group has a 50% equity ownership in KSI Holdings (Pty) Limited ("KSI"), and on the basis that all the shareholders of KSI have unilaterally given control to Sefalana Holding Company Limited, through a shareholder agreement, to make all necessary strategic decisions pertaining to the KSI business, including decisions relating to the management of the business and its relevant activities, control is deemed to be held by Sefalana in accordance with IFRS 10 ("Consolidated Financial Statements"). KSI is therefore classified as a subsidiary company and has been consolidated in the Group's financial statements accordingly.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	Group	
	2019	2018
	P'000	P'000
5 REVENUE		
An analysis of the Group's revenue is as follows:		
Revenue from trading and manufacturing	5 287 679	4 772 294
Property rental income	18 302	13 206
	5 305 981	**4 785 500**
Property rental income comprises:		
Contractual rental income	16 736	14 149
Straight - line lease rental adjustment	1 566	(943)
	18 302	**13 206**

	Company	
	2019	2018
	P'000	P'000
Dividend income	95 608	87 016
Management cost recoveries	19 292	
	114 900	**87 016**

Dividends received from subsidiaries by the Company were previously presented under Investment Income (note 7) but has been re-classified in the current year as Revenue to better reflect the nature of this income to the Company. Prior year comparisons have been reclassified accordingly.

6 SEGMENTAL ANALYSIS

The Company's Board of Directors acts as the Chief Operating Decision Maker of the Group and it assesses the performance of the operating units based on the measure of earnings before interest, tax and amortisation (EBITA) and also on profit before tax (PBT).

These measurement bases assess performance on the bases of recognition and measurement which are consistent with the accounting policies of the Group. Performance is monitored based on business and geographical segments.

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

Trading - consumer goods:
Wholesale and retail distribution of fast moving consumer goods. The segments for the Botswana, Namibia and Lesotho businesses are presented separately.

Trading - others:
Sale of automotive products, equipment for construction and agricultural related sectors including after-sale services.

Manufacturing:
Milling, production and sale of sorghum, soya and maize based extruded food products and the manufacture of Ultra High Temperature (UHT) milk.

Property:
Holding of commercial and industrial properties for own use as well as for generating income from lease arrangements with external tenants, along with capital appreciation in value.

With the exception of Trading others and Manufacturing segments, revenue is derived from a very broad and diversified customer base, with no dependence on any significant customer.

Revenue from Trading - others and Manufacturing operating segments is derived largely from various Government departments following the award of tenders.

The Group's most significant operations are in Botswana, Namibia and Lesotho where the Group engages in the wholesale and retail distribution of fast moving consumer goods. The Group also operates a property company in Zambia with operating leases in place with third party tenants. The operational results and financial position of the Lesotho, Namibian and Zambian businesses are reported as separate geographical segments. There is no single external customers whose revenue transactions amount to 10% or more of the Group's revenue.

In July 2017, the Group invested in a consortium of companies that own a chain of retail stores in South Africa. The Sefalana Group does not own any of these stores but has invested in a preference share arrangement (note 19). The return on this investment is shown in a separate segment (South Africa) for the first time given its significant contribution to the Group's results.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

6 SEGMENTAL ANALYSIS (continued)

Segment results

	Botswana				Zambia	Lesotho	Namibia	South Africa	Group	
2019	Trading consumer goods P'000	Trading others P'000	Manufacturing P'000	Property P'000	Property P'000	Trading consumer goods P'000	Trading consumer goods P'000	Investment in preference shares P'000	Inter-segment or unallocated P'000	Consolidated P'000
Revenue	2 941 668	120 472	209 679	48 994	4 344	438 638	1 629 985		(87 799)	5 305 981
Cost of sales	(2 806 026)	(96 533)	(172 106)			(426 796)	(1 547 889)		83 494	(4 965 856)
Gross profit	135 642	23 939	37 573	48 994	4 344	11 842	82 096		(4 305)	340 125
Other income and gains / (losses)	10 274	8 479	900	1 431	5 265	253	14 147	11 202	(3 054)	48 897
Administrative expenses	(70 508)	(19 472)	(28 919)	(12 407)	(1 247)	(5 890)	(20 465)		(9 174)	(168 082)
Earnings before interest, tax and amortisation (EBITA)	**75 408**	**12 946**	**9 554**	**38 018**	**8 362**	**6 205**	**75 778**	**11 202**	**(16 533)**	**220 940**
Amortisation	(247)					(1 584)	(3 988)			(5 819)
Investment income	4 043	1 135	1 095	355	44	113	7 318	37 339	3 967	55 409
Finance costs	(1 895)	(11)	(78)	(9 750)		(7 406)	(18 090)		27 364	(9 866)
Profit before share of results from associate	77 309	14 070	10 571	28 623	8 406	(2 672)	61 018	48 541	14 798	260 664
Share of results from associate									(1 994)	(1 994)
Profit before tax	**77 309**	**14 070**	**10 571**	**28 623**	**8 406**	**(2 672)**	**61 018**	**48 541**	**12 804**	**258 670**
Total segment results above include:										
Revenue from external customers	2 940 210	119 958	158 888	13 958	4 344	438 638	1 629 985			5 305 981
Revenue from internal customers	1 458	514	50 791	35 036					(87 799)	
Total revenue	2 941 668	120 472	209 679	48 994	4 344	438 638	1 629 985		(87 799)	5 305 981
Depreciation and amortisation	23 135	873	6 593	10 819		2 767	9 320			53 507

Segment assets and liabilities

	Botswana				Zambia	Lesotho	Namibia	South Africa	Group	
2019	Trading consumer goods P'000	Trading others P'000	Manufacturing P'000	Property P'000	Property P'000	Trading consumer goods P'000	Trading consumer goods P'000	Investment in preference shares P'000	Inter-segment or unallocated P'000	Consolidated P'000
Assets	732 480	85 513	188 949	582 501	62 771	168 462	537 603	197 895	126 820	2 682 994
Liabilities	(598 824)	(25 165)	(25 069)	(207 121)	(1 052)	(46 926)	(371 555)		367 807	(907 905)
Inter-group balances	(39 335)		32 155	(6 681)	3 029		(131 618)		142 450	
Capital expenditure during the year	42 344	60	4 050	28 913		777	25 871			102 015

Notes to the financial statements

For the year ended 30 April 2019 (continued)

6 SEGMENTAL ANALYSIS (continued)

Segment results

	Botswana				Zambia	Lesotho	Namibia	South Africa	Group	
2018	Trading consumer goods P'000	Trading others P'000	Manufacturing P'000	Property P'000	Property P'000	Trading consumer goods P'000	Trading consumer goods P'000	Investment in preference shares P'000	Inter-segment or unallocated P'000	Consolidated P'000
Revenue	2 564 579	130 136	215 814	41 444	4 007	387 759	1 549 684		(107 923)	4 785 500
Cost of sales	(2 466 953)	(108 878)	(170 850)			(376 780)	(1 470 457)		102 928	(4 490 990)
Gross profit	97 626	21 258	44 964	41 444	4 007	10 979	79 227		(4 995)	294 510
Other income and gains / (losses)	625	22 053	2 578	25 564	4 155	315	11 181		(19 692)	46 779
Administrative expenses	(47 415)	(23 094)	(25 476)	(28 162)	(1 357)	(1 779)	(19 122)		3 729	(142 676)
Earnings before interest, tax and amortisation (EBITA)	**50 836**	**20 217**	**22 066**	**38 846**	**6 805**	**9 515**	**71 286**		**(20 958)**	**198 613**
Amortisation	(452)					(1 640)	(4 288)			(6 380)
Investment income	2 381	1 437	444	237	32	1 203	6 240	32 625	5 518	50 117
Finance costs		(9)	(1 414)	(9 544)		(6 975)	(19 392)		27 436	(9 898)
Profit before share of results from associate and joint venture	52 765	21 645	21 096	29 539	6 837	2 103	53 846	32 625	11 996	232 452
Share of results from associate									(382)	(382)
Share of results from joint venture									(361)	(361)
Profit before tax	**52 765**	**21 645**	**21 096**	**29 539**	**6 837**	**2 103**	**53 846**	**32 625**	**11 253**	**231 709**
Total segment results above include:										
Revenue from external customers	2 534 668	130 023	170 192	9 167	4 007	387 759	1 549 684			4 785 500
Revenue from internal customers	29 911	113	45 622	32 277					(107 923)	
Total revenue	2 564 579	130 136	215 814	41 444	4 007	387 759	1 549 684		(107 923)	4 785 500
Depreciation and amortisation	20 284	1 151	6 163	9 671		3 117	8 470			48 856

Segment assets and liabilities

	Botswana				Zambia	Lesotho	Namibia	South Africa	Group	
2018	Trading consumer goods P'000	Trading others P'000	Manufacturing P'000	Property P'000	Property P'000	Trading consumer goods P'000	Trading consumer goods P'000	Investment in preference shares P'000	Inter-segment or unallocated P'000	Consolidated P'000
Assets	524 400	142 578	211 445	569 969	65 690	151 613	470 065	198 114	191 944	2 525 818
Liabilities	(394 000)	(26 400)	(86 174)	(218 283)	(645)	(61 600)	(196 784)		153 964	(829 922)
Inter-group balances	(57 477)		(16 566)	(8 710)	2 764	(65 935)	(139 670)		285 594	
Capital expenditure during the year	29 226	886	1 378	17 239		2 696	46 143			97 568

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
7 INVESTMENT INCOME					
Interest income from:					
Bank deposits		17 717	17 179	5 381	5 355
Related party loans				19 449	20 066
Other loans and receivables		353	313		
Dividends from preference shares		37 339	32 625		
		55 409	**50 117**	**24 830**	**25 421**

Dividend income from subsidiaries were reclassified to revenue under note 5 to better reflect the nature of this income.

	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
8 OTHER INCOME AND GAINS / (LOSSES)					
Fair value gain on investment in preference shares		11 202			
Gain on disposal of property, plant and equipment		581	125		
Commissions received		1 204	14 350		
Gain on revaluation of investment property	15	4 424	8 107		
Net effect of straight line - rental adjustment		(1 566)	946		
Net foreign exchange gains / (losses)		9 855	5 853	(7 771)	2 345
Impairment of investment in joint venture	18				(2 627)
Impairment of investment in associate		(1 808)		(308)	
Insurance claims, rent and rebates		24 541	16 281		
Other		464	1 117	280	(155)
		48 897	**46 779**	**(7 799)**	**(437)**
9 FINANCE COSTS					
Interest paid on:					
Bank overdrafts and loans		9 286	9 374	25	134
Finance lease obligations		421	430		
Related party loans				1 217	
Other		159	94		
		9 866	**9 898**	**1 242**	**134**

The weighted average cost of borrowing for the Group is 8.01% (2018: 7.95%). Other finance costs related mainly to foreign exchange losses arising on the US Dollar term loan.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
10 INCOME TAX EXPENSE				
Current tax				
Basic Company Tax	51 975	49 557	4 141	5 064
Withholding tax on dividend and interest	8 965	6 450	300	6 450
Adjustment in respect of prior years	(112)	(1 079)	(7)	
Total current tax	**60 828**	**54 928**	**4 434**	**11 514**
Deferred tax				
Origination and reversal of temporary differences	(802)	(632)		
Adjustment in respect of prior years		(261)		
Total deferred tax	**(802)**	**(893)**		
Income tax expense	**60 026**	**54 035**	**4 434**	**11 514**

The Group has used the single corporate tax rate of 22% for calculating the current and deferred income taxes at the current and previous financial year end for the non - manufacturing entities in Botswana. For manufacturing entities the current and deferred taxation rate applied is 15%. The Namibian corporate tax rate of 32% has been applied for the operations in Namibia. The tax rate in Zambia is a fixed final tax of 10% on rental income and the applicable tax rate of 25% and 15% has been applied to operations in Lesotho and Mauritius respectively. The charge for the year can be reconciled to the accounting profit as follows:

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Profit before tax	**258 670**	**231 709**	**106 153**	**104 601**
Tax calculated at current tax rates - 22% / 15%(*) (2018: 22% / 15%(*))	54 443	50 976	23 353	23 012
Effect of differential tax rates	(2 719)	(4 185)	(19 212)	(17 948)
Expenses not deductible for tax purposes	1 057	2 471		
Adjustment in respect of prior years	(112)	(1 079)	(7)	
Final tax on dividend and interest income	8 965	6 450	300	6 450
Tax effect of income not subject to tax	(1 608)	(598)		
Income tax expense per statement of comprehensive income	**60 026**	**54 035**	**4 434**	**11 514**

(*) On 1 August 2017 the Company was granted IFSC status and accordingly the applicable tax rate of 15% applied throughout the financial year on all qualifying profits and will continue to apply going forward.

Current tax assets and liabilities

	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
Current tax assets:				
Income tax refund receivable	1 669	5 628		608
Current tax liabilities:				
Income tax payable	11 655	4 465	1 253	353

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	Note	Group 2019 P'000	Group 2018 P'000	Company 2019 P'000	Company 2018 P'000
11 PROFIT FOR THE YEAR					
Profit for the year has been arrived at after charging / (crediting):					
Auditors' remuneration		3 362	3 304	299	18
Amortisation of intangible assets	16	5 819	6 380		
Cost of inventories expensed		4 782 688	4 341 367		
Depreciation of property, plant and equipment	14	47 688	42 476		
Directors and employee benefits		233 797	211 410	21 601	1 244
Impairment of receivables	24	2 762	2 853		
Operating lease costs:					
- properties		51 817	49 375		
Gain on revaluation of investment property	15	(4 424)	(8 107)		
Fair value gain on investment in preference shares	8	(11 202)			
Gain on disposal of property, plant and equipment	8	(581)	(125)		

12 DIRECTORS EMOLUMENTS

Emoluments of the Directors of Sefalana Holding Company Limited from the Company and its subsidiaries:

Fees for services as Non - Executive Directors	1 280	1 244	1 280	1 244
Managerial services	18 655	14 926	14 410	
Total	**19 935**	**16 170**	**15 690**	**1 244**
In respect of subsidiary companies	4 245	14 926		
In respect of the Company	14 410		14 410	
Fees for services as Non - Executive Directors	1 280	1 244	1 280	1 244
Total	**19 935**	**16 170**	**15 690**	**1 244**

During the year, Head Office Botswana Executive Management remuneration contracts were transferred from a subsidiary company to Sefalana Holding Company Limited to better reflect the nature of services rendered by the respective staff members.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	2019	2018
13 EARNINGS AND COMPREHENSIVE INCOME PER SHARE		
Profit attributable to owners of the parent (P'000)	**198 860**	**175 871**
Total comprehensive income attributable to owners of the parent (P'000)	**162 150**	**187 324**
Shares in issue at end of year (number)	**250 726 709**	**250 726 709**

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue by the share options in force assuming conversion of all dilutable potential ordinary shares.

Total comprehensive income per share is calculated by dividing the total comprehensive income attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

Shares in issue at beginning and end of year (number)	250 726 709	250 726 709
Weighted average shares in issue during the year (number)	**250 726 709**	**250 726 709**
Basic and diluted earnings per share (thebe)	**79.31**	**70.14**
Total comprehensive income per share (thebe)	**64.67**	**74.71**

	2019 P'000	2018 P'000
DIVIDENDS		
Declared and paid during the year:		
Interim 2019: 10 thebe per share and Final 2018: 23 thebe per share; (Interim 2018: 10 thebe per share and final 2017: 25 thebe per share)	82 741	87 754
Final 2019: 27.5 thebe per share; (Final 2018: 23 thebe per share)	68 950	57 667

Notes to the financial statements

For the year ended 30 April 2019 (continued)

14 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Buildings capitalised under finance leases	Plant fixtures and equipment	Motor vehicles	Total
	P'000	P'000	P'000	P'000	P'000
Group					
Cost or valuation					
At 30 April 2017	382 353	11 008	261 125	31 911	686 397
Additions	16 484	569	37 997	3 590	58 640
Gain on revaluation	15 275				15 275
Reversal of depreciation on revaluation	(10 307)				(10 307)
Business combination - acquisition (note 16)	36 453	221	1 048	91	37 813
Currency translation	227		223	190	640
Transfer from investment property (note 15)	4 386				4 386
Disposals			(773)	(328)	(1 101)
At 30 April 2018	**444 871**	**11 798**	**299 620**	**35 454**	**791 743**
At 30 April 2018	444 871	11 798	299 620	35 454	791 743
Additions	7 694		57 767	8 206	73 667
Gain on revaluation	12 398				12 398
Reversal of depreciation on revaluation	(11 488)				(11 488)
Currency translation	(3 125)		(2 193)	(266)	(5 584)
Reclassification	(784)		784		
Transfer to investment property (note 15)	(5 876)				(5 876)
Disposals	(1 419)		(16 745)	(2 455)	(20 619)
At 30 April 2019	**442 271**	**11 798**	**339 233**	**40 939**	**834 241**
Depreciation and impairment					
At 30 April 2017		10 707	113 740	18 185	142 632
Depreciation charge for the year	10 307	1 091	27 859	3 219	42 476
Disposals			(46)	(190)	(236)
Currency translation			101	13	114
Elimination of depreciation previously charged	(10 307)				(10 307)
At 30 April 2018		**11 798**	**141 654**	**21 227**	**174 679**
At 30 April 2018		11 798	141 654	21 227	174 679
Depreciation charge for the year	11 488		32 345	3 855	47 688
Disposals			(15 432)	(2 184)	(17 616)
Currency translation			(660)	(82)	(742)
Elimination of depreciation previously charged	(11 488)				(11 488)
At 30 April 2019		**11 798**	**157 907**	**22 816**	**192 521**
Carrying amount					
At 30 April 2019	**442 271**		**181 326**	**18 123**	**641 720**
At 30 April 2018	444 871		157 966	14 227	617 064

Notes to the financial statements

For the year ended 30 April 2019 (continued)

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value of land and buildings

The following table analyses the non - financial assets carried at fair value, by revaluation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

	Fair value measurements at 30 April 2019 arising		
	Level 1	Level 2	Level 3
	P'000	P'000	P'000
Recurring fair value measurements			
Office buildings - Botswana			67 503
Retail sale outlets - Botswana			263 680
Manufacturing sites - Botswana			55 550
Retail sale outlet and employee houses - Namibia			45 904
Warehouse - Lesotho			9 634
			442 271

There were no transfers between levels during the year.

	Fair value measurements at 30 April 2018 arising		
	Level 1	Level 2	Level 3
	P'000	P'000	P'000
Recurring fair value measurements			
Office buildings - Botswana			61 134
Retail sale outlets - Botswana			274 365
Manufacturing sites - Botswana			55 175
Retail sale outlet and employee houses - Namibia			44 017
Warehouse - Lesotho			10 180
			444 871

There were no transfers between levels during the year.

Valuation process

An independent valuation of the Group's land and buildings was performed by a professional third party valuer at 30 April 2018. The valuation conforms to International Valuation Standards and was based on recent market data on similar properties transacted on an arm's length basis. These valuations were performed using the Income Return Method (discounted cash flow method) which is based on individual property capitalisation rates.

At 30 April 2019, an update was performed on the above valuations in the form of a desktop valuation. This assessment was carried out by the same independent valuer and on the same basis as at 30 April 2018. This updated valuation was used to support the Directors' valuation of the portfolio of Group properties.

Fair value measurements using significant un - observable inputs (Level 3)

	2019	2018
	P'000	P'000
Opening fair value	444 871	382 353
Additions	7 694	16 484
Additions through business combination		36 453
Disposals	(1 419)	
Reclassification / transfers / currency translation	(9 785)	4 613
Gain on revaluation recognised in other comprehensive income	12 398	15 275
Reversal of depreciation on revaluation	(11 488)	(10 307)
Closing fair value	**442 271**	**444 871**

Notes to the financial statements

For the year ended 30 April 2019 (continued)

14 PROPERTY, PLANT AND EQUIPMENT (continued)

2019

Fair value measurement using significant un - observable inputs (level 3)

Description	Fair value at 30 April 2019 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Land and buildings	442 271	Income capitalisation	P25 per sqm to P75 per sqm (weighted average of P41 per sqm) and capitalisation factor range from 9% to 14% with a weighted average of 11%	The higher the price per square meter, the higher the value of the property

2018

Fair value measurement using significant un - observable inputs (level 3)

Description	Fair value at 30 April 2018 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Land and buildings	444 871	Income capitalisation	P25 per sqm to P75 per sqm (weighted average of P40 per sqm) and capitalisation factor range from 7% to 12% with a weighted average of 9%	The higher the price per square meter, the higher the value of the property

A 10 basis point increase / decrease in capitalisation rate on each property would decrease / increase the overall valuation by P4.6 million (2018: P4.3 million).

Revaluation surpluses net of deferred tax relating to property, plant and equipment is credited to other reserves in shareholder's equity and are included in the Statement of Comprehensive Income.

Depreciation expenses of P 30.0 million (2018: P26.3 million) and P17.4 million (2018: P16.2 million) are charged to "cost of sales" and "administrative expenses" respectively in the Statement of Comprehensive Income.

If land and buildings were stated on the historical cost basis the amounts would be as follows:

	2019 P'000	2018 P'000
Cost	166 282	160 007
Accumulated depreciation	(27 435)	(23 389)
Net carrying amount	**138 847**	**136 618**

Notes to the financial statements

For the year ended 30 April 2019 (continued)

15 INVESTMENT PROPERTY

	2019 P'000	2018 P'000
Group		
Freehold and leasehold land and buildings at fair value	289 822	261 775
Straight - line lease rental adjustment	(2 656)	(1 090)
Balance at end of year	**287 166**	**260 685**
Reconciliation of fair value:		
Opening fair value	260 685	262 923
Additions during the year	27 073	825
Transfer from / (to) property, plant and equipment (note 14)	5 876	(4 386)
Currency translation differences	(12 458)	(5 841)
Gain on revaluation of properties	4 424	8 107
Straight - line lease rental adjustment	1 566	(943)
Closing fair value	**287 166**	**260 685**

Fair value of investment property

The following table analyses the investment property carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

	Fair value measurements at 30 April 2019		
	Level 1 P'000	Level 2 P'000	Level 3 P'000
Recurring fair value measurements			
Office buildings - Botswana			161 665
Office buildings - Zambia			56 720
Retail sale outlets - Botswana			22 446
Manufacturing site - Botswana			46 335
			287 166

There were no transfers between levels during the year.

	Fair value measurements at 30 April 2018		
	Level 1 P'000	Level 2 P'000	Level 3 P'000
Recurring fair value measurements			
Office buildings - Botswana			131 556
Office buildings - Zambia			62 791
Retail sale outlets - Botswana			20 338
Manufacturing site - Botswana			46 000
			260 685

There were no transfers between levels during the year.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

15 INVESTMENT PROPERTY (continued)

Fair value measurements using significant un - observable inputs (level 3)

2019

	Botswana properties	Zambia property	Total
	P'000	P'000	P'000
Opening fair value	197 894	62 791	260 685
Additions	27 073		27 073
Transfer to property, plant and equipment (note 14)	5 876		5 876
Regrouping	(2 382)	2 382	
Currency translation differences		(12 458)	(12 458)
Gain on revaluation of properties	531	3 893	4 424
Straight - line lease rental adjustment and others	1 454	112	1 566
Closing fair value	**230 446**	**56 720**	**287 166**

Fair value measurements using significant un - observable inputs (level 3)

2018

	Botswana properties	Zambia property	Total
	P'000	P'000	P'000
Opening fair value	198 223	64 700	262 923
Additions	825		825
Transfer to property, plant and equipment (note 14)	(4 386)		(4 386)
Currency translation differences		(5 841)	(5 841)
Gain on revaluation of properties	4 214	3 893	8 107
Straight - line lease rental adjustment and others	(982)	39	(943)
Closing fair value	**197 894**	**62 791**	**260 685**

Valuation process

An independent valuation of the Group's investment properties was performed by a professional third party valuer at 30 April 2018. The valuation conforms to International Valuation Standards and was based on recent market data on similar properties transacted on an arm's length basis. These valuations were performed using the Income Return Method (discounted cash flow method) which is based on individual property capitalisation rates.

At 30 April 2019, an update was performed on the above valuations in the form of a desktop valuation. This assessment was carried out by the same independent valuer and on the same basis as at 30 April 2018. This updated valuation was used to support the Directors' valuation of the portfolio of Group properties.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

15 INVESTMENT PROPERTY (continued)

Information about fair value measurements using significant unobservable inputs (level 3)

2019

Description	Fair value at 30 April 2019 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Investment property (Botswana)	230 446	Income capitalisation method	P8 per sqm to P96 per sqm (weighted average of P43 per sqm) and capitalisation factor range from 6% to 15% with a weighted average of 7%	The higher the price per square meter, the higher the value of the property
Investment property (Zambia)	56 720	Income capitalisation method	Market price per square metre	The higher the price per square meter, the higher the value of the property
Total	**287 166**			

Information about fair value measurements using significant unobservable inputs (level 3)

2018

Description	Fair value at 30 April 2018 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Investment property (Botswana)	197 894	Income capitalisation method	P8 per sqm to P96 per sqm (weighted average of P41 per sqm) and capitalisation factor range from 7% to 10% with a weighted average of 9%	The higher the price per square meter, the higher the value of the property
Investment property (Zambia)	62 791	Comparable market transactions	Market price per square metre	The higher the price per square meter of a comparable property, the higher the value of the property
Total	**260 685**			

A 10 basis point increase / decrease in capitalisation rate on each property would increase / decrease the overall valuation by P1.9 million (2018: P1.0 million).

Revaluation surpluses relating to investment property is included in other income and gains (note 8)

	2019	2018
	P'000	P'000
Contractual rental income from investment property	16 736	14 149
Expenses directly attributable to investment property	(1 392)	(1 326)

Lease agreements exist for all let properties and range from 12 months to 10 years with options to renew.

No contingent rentals are charged. Most leases include escalation clauses which approximate to expected inflation rates over the period of the respective leases.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

16 INTANGIBLE ASSETS

	Goodwill	Brand value	Computer software	Customer contract	Total
	P'000	P'000	P'000	P'000	P'000
Group					
Cost					
At 30 April 2017	50 900	90 697	15 169	20 600	177 366
Additions			200		200
Business combination	90				90
Disposals			(4)		(4)
Currency translation	311	1 229	30	279	1 849
At 30 April 2018	51 301	91 926	15 395	20 879	179 501
Additions			1 275		1 275
Currency translation	(1 343)	(5 300)	(136)	(1 204)	(7 983)
At 30 April 2019	**49 958**	**86 626**	**16 534**	**19 675**	**172 793**
Amortisation and impairment					
At 30 April 2017	443	10 278	14 296	2 017	27 034
Currency translation		191	27	46	264
Charge during the year		3 627	685	2 068	6 380
At 30 April 2018	443	14 096	15 008	4 131	33 678
Currency translation		(863)	(129)	(258)	(1 250)
Charge during the year		3 515	317	1 987	5 819
At 30 April 2019	**443**	**16 748**	**15 196**	**5 860**	**38 247**
Carrying amount					
At 30 April 2019	**49 515**	**69 878**	**1 338**	**13 815**	**134 546**
At 30 April 2018	50 858	77 830	387	16 748	145 823

Goodwill
The impairment calculations performed by the Directors at the year - end indicate significant headroom between the value in use attributed to cash generating units and the carrying value of the goodwill allocated to such units.

Brand value
Brand value arose on the acquisition of the trading business of Metro Cash and Carry Namibia in July 2014. This value is being amortised over 25 years on straight - line basis. Its useful life is reviewed at each reporting date.

Computer software rights
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The useful lives of software are reviewed at each reporting date.

Customer contracts
This arises from the long standing contractual agreements in place with credit customers of Sefalana Cash & Carry (Namibia) (Proprietary) Limited and Sefalana Trading (Proprietary) Limited Lesotho.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

16 INTANGIBLE ASSETS (continued)

For the purpose of impairment testing, goodwill is attached to the following cash generating units:

	2019	2018
	P'000	P'000
Sefalana Cash and Carry Limited	21 375	21 375
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	22 254	22 254
Sefalana Trading (Proprietary) Limited, Lesotho	1 371	1 371
PWT Properties (Proprietary) Limited Namibia	90	90
MF Holdings (Proprietary) Limited	3 794	3 794
Wholesale operations in South West Botswana	2 393	2 393
Currency translation	(1 762)	(419)
Total	**49 515**	**50 858**

Key assumptions used in the calculation of recoverable amounts are discount rates and growth rates as follows:

	2019					2018				
	Sefalana Cash and Carry Limited	Sefalana Cash and Carry (Namibia) (Pty) Limited	Sefalana Trading (Pty) Limited, Lesotho	MF Holdings (Pty) Limited	Wholesale operations in South West Botswana	Sefalana Cash and Carry Limited	Sefalana Cash and Carry (Namibia) (Pty) Limited	Sefalana Trading (Pty) Limited, Lesotho	MF Holdings (Pty) Limited	Wholesale operations in South West Botswana
Discount rates	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%
Growth rates	2.00%	3.00%	5.00%	0.30%	2.00%	1.00%	3.00%	3.50%	4.00%	1.00%

The table below shows the amount that these assumptions are required to change individually in order for the estimated recoverable amount to equal its carrying amount.

	2019					2018				
	Sefalana Cash and Carry Limited	Sefalana Cash and Carry (Namibia) (Pty) Limited	Sefalana Trading (Pty) Limited, Lesotho	MF Holdings (Pty) Limited	Wholesale operations in South West Botswana	Sefalana Cash and Carry Limited	Sefalana Cash and Carry (Namibia) (Pty) Limited	Sefalana Trading (Pty) Limited, Lesotho	MF Holdings (Pty) Limited	Wholesale operations in South West Botswana
Discount rates	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%
Growth rates	(1.88%)	(9.15%)	(6.91%)	(1.54%)	(1.88%)	0.92%	(11.50)%	7.90%	0.30%	0.92%

Management used a 3 year projected cashflow based on approved financial budgets / forecasts of each cash generating unit to determine the recoverable amounts.

Analysis of amortisation of intangible assets

	2019	2018
	P'000	P'000
Computer software	317	685
Brand value	3 515	3 627
Customer contracts	1 987	2 068
Total	**5 819**	**6 380**

Notes to the financial statements

For the year ended 30 April 2019 (continued)

16 INTANGIBLE ASSETS (continued)

Business combination during the prior year

On 7 March 2018 the Group acquired an additional 40% of the share capital of Natural Value Foods Botswana (Proprietary) Limited with an effective purchase date of 1 October 2017. The purchase consideration amounted to P733 000 and increased the Group's shareholding to 90%. This entity was subsequently renamed to Sefalana Fresh Produce (Proprietary) Limited.

In performing the purchase price allocation with respect to this acquisition, the Group applied its judgment to determine the assets which are separately identifiable and recognisable, and on the basis of recognition and measurement. These judgments are summarised as follows:

Accounting for the investment in Sefalana Fresh Produce (Proprietary) Limited

		2018
Separately Identifiable Asset	Basis of recognition and measurement	Value assigned (P'000)
Fixed property	Not recognised as no fixed property was acquired. Properties are leased based on a market - related contract with the landlord, thus there was no fair value to be assigned to the lease contract	
Movable assets	Recognised based on a blended depreciated historical cost and depreciated replacement cost basis	1 360
Net current assets	Assets recognised at the lower of cost or net realisable value. Liabilities recognised at fair value.	(1 772)
Cash and cash equivalents	Cash and cash equivalents	2 189
Assembled Workforce	Not significant, thus not separately valued	

Fair value of net assets acquired before deferred tax adjustment	1 777
Deferred tax adjustment (deemed to be immaterial)	
Deferred lease liability	(91)
Non-controlling interest	(169)
Fair value of net assets acquired after non-controlling interest	1 517
Fair value of investment in joint venture of Sefalana Fresh Produce (Proprietary) Limited prior to change of control	784
Fair value of purchase consideration	733
Goodwill recognised	

The net assets acquired were as follows:

	P'000
Fair value of consideration - cash	733
Fair value of consideration - transfer of investment in joint venture	784
Total identifiable assets - Note 1	1 517

Note 1: Total identifiable net assets

Plant and equipment	1 360
Inventories	218
Trade and other receivables	2 290
Cash and cash equivalents	2 189
Less: Trade and other creditors	(4 280)
Less: Deferred lease liability	(91)
Net assets	1 686
Non - controlling interests	(169)
Total identifiable assets	1 517

Notes to the financial statements

For the year ended 30 April 2019 (continued)

16 INTANGIBLE ASSETS (continued)

Business combination during the prior year

On 24 May 2017 the Group acquired 100% of the share capital of Auas Properties (Proprietary) Limited, a company incorporated in Namibia, with the principal nature of business being that of an investment property holding company, for a cash consideration of N$4.5million (P3.6million). In performing the purchase price allocation with respect to this acquisition, the Group applied its judgment to determine the assets which are separately identifiable and recognisable and on the basis of recognition and measurement. These judgments are summarised as follows:

Accounting for the investment in Auas Properties (Proprietary) Limited

		2018
Separately Identifiable Asset	Basis of recognition and measurement	Value assigned (P'000)
Fixed property	Fair value of property acquired	3 566

Fair value of net assets acquired before deferred tax adjustment	3 566
Deferred tax adjustment (deemed to be immaterial)	
Fair value of net assets acquired after deferred tax adjustment	3 566
Fair value of purchase consideration	3 566
Goodwill recognised	

The net assets acquired were as follows:

	N$'000	P'000
Total identifiable asset	4 500	3 566
Fair value of consideration - cash	(4 500)	(3 566)
Goodwill		

Notes to the financial statements

For the year ended 30 April 2019 (continued)

16 INTANGIBLE ASSETS (continued)

Business combination during the prior year

On 19 September 2017, the Group acquired 100% of the share capital of PWT Property (Proprietary) Limited, a company incorporated in Namibia, with the principal nature of business being that of an investment property holding company, for a cash consideration of N$41.5 million (P32.9 million). In performing the purchase price allocation with respect to this acquisition, the Group applied its judgment to determine the assets which are separately identifiable and recognisable and on the basis of recognition and measurement. These judgments are summarised as follows:

Accounting for the investment in PWT Properties (Proprietary) Limited

		2018
Separately Identifiable Asset	Basis of recognition and measurement	Value assigned (P'000)
Fixed property	Fair value of property acquired	32 887
Net current assets	Assets recognised at the lower of cost or net realisable value. Liabilities recognised at fair value.	123

Fair value of net assets acquired before deferred tax adjustment	33 010
Deferred tax adjustment	(213)
Fair value of net assets acquired after deferred tax adjustment	32 797
Fair value of purchase consideration	32 887
Goodwill recognised	90

The net assets acquired were as follows:

	N$'000	P'000
Total identifiable asset - Note 1	41 386	32 797
Fair value of consideration - cash	41 500	32 887
Goodwill	(114)	(90)
Note 1: Total identifiable assets		
Land and building	41 500	32 887
Trade and other receivables	155	123
Deferred tax liabilities	(269)	(213)
Total identifiable assets	41 386	32 797

Notes to the financial statements

For the year ended 30 April 2019 (continued)

17 INVESTMENT IN ASSOCIATE

	Grow Mine Africa (Proprietary) Limited	Kgalagadi Soap Industries (Proprietary) Limited	2019 Total	2018 Total
	P'000	P'000	P'000	P'000
Investment at 1 May		2 616	2 616	5 030
Investment during the year	308		308	4 184
Impairment recognised during the year	(308)	(1 500)	(1 808)	(4 184)
Other movements		(96)	(96)	
Add: Share of results		(1 994)	(1 994)	(382)
Less: Dividend received net of tax				(2 032)
Transfer to loan receivable		974	974	
Carrying value at 30 April				**2 616**

Grow Mine Africa (Proprietary) Limited

On 23 October 2017 Sefalana Holding Company Limited entered into a consortium arrangement whereby it holds 40% of the share capital of Grow Mine Africa (Proprietary) Limited. The business is at the inception stage and a total investment of P4.5 million was made by the Company in preparation for business activities expected to commence in late 2019.

The summarised results of this entity have not been presented on the basis that activities have not yet commenced at 30 April 2019. A cumulative impairment provision of P4.5 million has been made against this investment at year end as the funds raised by the consortium were utilised in the submission of the tender and the Group is awaiting results of the tender award which remains uncertain.

Kgalagadi Soap Industries (Proprietary) Limited

As at 30 April 2019, the fair value and carrying value of the Group's interest in Kgalagadi Soap Industries (Proprietary) Limited was P nil (2018: P2.6 million) following an impairment provision of P1.5 million to reflect the potential net realisable loss of its asset base. Kgalagadi Soap Industries (Proprietary) Limited is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the associate.

Set out below are the summarised financial information for Kgalagadi Soap Industries (Proprietary) Limited which are accounted for using the equity method.

Summarised balance sheet

	2019	2018
	P'000	P'000
Non - current assets		
Plant and equipment	4 021	4 970
Deferred tax	89	215
Total non - current assets	4 110	5 185
Current assets		
Cash and cash equivalents	425	1 896
Other current assets	17 997	19 066
Total current assets	18 422	20 962
Current liabilities		
Financial liabilities	(9 611)	(9 286)
Other current liabilities	(11 773)	(11 629)
Total current liabilities	(21 384)	(20 915)
Net assets	**1 148**	**5 232**

Notes to the financial statements

For the year ended 30 April 2019 (continued)

17 INVESTMENT IN ASSOCIATE (continued)

	2019 P'000	2018 P'000
Summarised statement of comprehensive income		
Revenue	14 913	18 263
Depreciation and amortisation	(397)	(391)
Interest income	49	42
Interest expense	(586)	(366)
Loss before tax	(3 824)	(898)
Income tax	(164)	134
Total comprehensive loss for the year	(3 988)	(764)
Share of loss for the year	(1 994)	(382)

Reconciliation of summarised financial information

	Equity investment	Loan	Total
As at 1 May 2018	2 616	5 652	8 268
Movement in loan / other adjustments	(96)	82	(14)
Share of loss from associate	(1 994)		(1 994)
	526	5 734	6 260
Less: impairment provision	(526)	(974)	(1 500)
As at 30 April 2019 (note 24)		4 760	4 760

Other information pertaining to Kgalagadi Soap Industries (Proprietary) Limited include:

Country of incorporation	Botswana
Financial year end	30 April
Effective interest in stated capital at KSI Holdings (Proprietary) Limited level	50%
Effective interest in stated capital at Sefalana Holding Company Limited level	25%
Principal activity	Manufacture and distribution of soaps and oil products

18 INVESTMENT IN JOINT VENTURE

	2019	2018
	P'000	P'000
	Sefalana Fresh Produce (Proprietary) Limited P'000	Total P'000	Total P'000
Shares at cost			
Loan to joint venture			3 580
Total cost of investment			3 580
Share of loss for the year ended 30 April 2017			(2 266)
Share of loss for the period ended 30 September 2017			(361)
Business combination			(953)
Carrying value at 30 April			

Sefalana Fresh Produce (Proprietary) Limited

On 7 March 2018, Sefalana Holding Company Limited entered into an agreement with Natural Value Foods (Proprietary) Limited, South Africa, to purchase their 40% shares in Natural Value Foods Botswana (Proprietary) Limited, with effect from 1 October 2017. Thus Natural Value Foods Botswana (Proprietary) Limited was subsequently renamed to Sefalana Fresh Produce (Proprietary) Limited and became a 90% subsidiary of the Group with effect from 1 October 2017.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

19 INVESTMENT IN PREFERENCE SHARES

Group	2019 P'000	2018 P'000
1 May	198 114	
Investment in preference shares		198 114
Foreign exchange retranslation	(11 421)	
Fair value gain	11 202	
30 April	**197 895**	**198 114**

The Group entered into a Preference Share subscription agreement with Set to Run Trade and Invest (Proprietary) Limited, renamed UIH Investment Holdings (Proprietary) Limited ("UIH") with an effective date of 1 July 2017. UIH consists of third parties in South Africa who have come together with the overall objective of acquiring a number of independent chains in the fast moving consumer goods sector in South Africa. The largest member is Unitrade Management Services (Proprietary) Limited ("UMS" / a "Buying Group") which services over 350 members across the country. Sefalana has been a member of this Buying Group for a number of years and procures a significant proportion of its products through this entity thereby establishing economies of scale.

Under this agreement, UIH is expected to make certain investments in the fast moving consumer goods sector in South Africa in accordance with an agreed business plan.

The cashflows expected to be generated through implementation of this business plan underpin the Group's R250 million investment in preference shares issued by UIH. The Group earns a fixed annual return of 20% on the invested amount of R250 million for a 5 year period, at which time the preference shares will either be redeemed at face value or, at the Group's election, may be converted to ordinary shares in UIH representing up to 30% of the issued share capital of UIH. Such conversion may be blocked by the majority ordinary shareholder of UIH through the exercise of a call option.

Through operation of the agreement, should actual cash flows be below those forecasted, the Group remains entitled to the original capital amount invested. However, should actual cash flows exceed those as originally forecasted and agreed, the Group may be required to invest additional amounts upon conversion of the preference shares.

The subscription price of R250 million was funded out of the Rights Issue program carried out in November 2016. Under this program 1 share was issued for every 8 shares held at an exercise price of P12.50. Total proceeds of P351 million was raised net of expenses. The remaining proceeds were utilised for the Group's acquisition into the Lesotho market.

The investment is assessed to be a financial instrument at fair value through profit or loss.

The fair value of the preference share investment was determined by the Group in accordance with IFRS 9; Financial Instruments, using the Discounted Cash Flow Method and is based on the business plans and forecasted cash flows of UIH as originally agreed between the parties. Since the start of UIH's business operations in December 2017, there have been no indicators that these plans or forecasts would change significantly over the 5 year term of the instrument.

As time lapses and the redemption date of 30 June 2022 approaches, or if the performance and cash flows of UIH deviates significantly from originally anticipated, or if there is a significant change in interest rates, any changes to fair value of the preference shares will be determined based on all information available at that time. However, the fair value of the preference shares will not be lower than the initial investment, unless there is a significant increase in the issuer's credit risk, as the initial investment would be redeemed.

The valuation methodology applied at the year end remains consistent with that of the prior year and is based on expected future cashflows relating to this investment. The fair value measurement is a Level 3 fair value measurement with the following inputs:

1. Earnings before interest, tax, depreciation and amortisation (EBITDA)
2. Expected rate of return
3. Interest rates
4. Inflation rates
5. Benchmark market information

The most significant input in the model is EBITDA and the expected rate of return. For every R10 million change in the average annual EBITDA the value of the instrument would change by R8 million, and for every 1% change in the expected rate of return, the value of the investment instrument would change in the opposite direction by R7 million.

20 DEFERRED LEASE ASSETS

Group		
At beginning of year	1 090	2 033
Movement during the year	1 566	(943)
At end of year	**2 656**	**1 090**

Deferred lease assets relate to investment properties and deferred letting commission and represents the unamortised lease rentals arising from straight - lining of lease charges and unamortised letting commission over the lease term.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

21 DEFERRED TAX ASSETS AND LIABILITIES

Group

Deferred tax assets (liabilities) arise from the following:

	Accelerated tax depreciation	Revaluation of land and buildings	Inventory net realisable value adjustments	Other	Total
	P'000	P'000	P'000	P'000	P'000
At 30 April 2017	(7 307)	(77 472)	14 395	2 909	(67 475)
Current year movement	(2 645)	(993)	3 195	1 336	893
Currency translation				(192)	(192)
Gain on revaluation of land and building included in Other Comprehensive Income		(3 104)			(3 104)
At 30 April 2018	**(9 952)**	**(81 569)**	**17 590**	**4 053**	**(69 878)**
At 30 April 2018	(9 952)	(81 569)	17 590	4 053	(69 878)
Current year movement	(1 676)	1 846	3 195	(2 563)	802
Currency translation				28	28
Gain on revaluation of land and building included in Other Comprehensive Income		(2 646)			(2 646)
At 30 April 2019	**(11 628)**	**(82 369)**	**20 785**	**1 518**	**(71 694)**

	2019	2018
	P'000	P'000
Disclosed as:		
Deferred tax assets	17 254	16 708
Deferred tax liabilities	(88 948)	(86 586)
	(71 694)	**(69 878)**

22 INVESTMENT IN SUBSIDIARIES

Company		2019 %	2018 % holding	2019 P'000	2018 P'000
Held directly:					
Cebay Investments (Proprietary) Limited		100	100		
Foods (Botswana) (Proprietary) Limited		100	100	32 524	32 524
KSI Holdings (Proprietary) Limited		50	50	4 250	4 250
Meybeernick Investments (Proprietary) Limited		100	100	1 504	1 504
MF Holdings (Proprietary) Limited	*	100	100	31 961	31 961
Sefalana Fresh Produce (Proprietary) Limited	**	90	90	1 517	1 517
Sefalana Cash and Carry Limited		100	100	109 524	154 777
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	***	100		48 802	
Sefalana sa Botswana Limited		100	100		
Sefalana Mauritius (Proprietary) Limited		100	100	283 051	283 051
Sefalana Properties Limited, Zambia		100	100	10 561	10 561
Sefalana Cash and Carry Limited, Zambia		100	100	61	61
				523 755	**520 206**

Notes to the financial statements

For the year ended 30 April 2019 (continued)

22 INVESTMENT IN SUBSIDIARIES (continued)

		% holding by the controlling entity 2019	2018
Held indirectly, through :			
KSI Holdings (Proprietary) Limited			
Refined Oil Products (Proprietary) Limited		100	100
Kgalagadi Soap Industries (Proprietary) Limited		50	50
Sefalana Cash and Carry Limited			
Welcome Serowe (Proprietary) Limited		100	100
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	***		100
Sefalana Properties (Namibia) (Proprietary) Limited	***		100
MF Holdings (Proprietary) Limited			
Commercial Motors (Proprietary) Limited		100	100
Ellerry Holdings (Proprietary) Limited		100	100
Mechanised Farming (Proprietary) Limited		100	100
Sefalana Mauritius (Pty) Limited			
Sefalana Lesotho (Proprietary) Limited		100	100
Sefalana Properties (Lesotho) (Proprietary) Limited		100	100
Sefalana Trading (Proprietary) Limited		95	95

The principal activities of the subsidiaries are described in the Group Managing Director's report and Company Profiles. Wherever control is established through operation of shareholders agreement, those companies are deemed subsidiaries.

* On 3 November 2017, Sefalana Holding Company Limited entered into a Share Purchase Agreement with the minority shareholders of MF Holdings (Proprietary) Limited to purchase their entire shareholding for a consideration of P16 million. Immediately prior to the purchase, the carrying value of the existing 30% non-controlling interest in MF Holdings (Proprietary) Limited was P30.3 million. The Group recognised a decrease in non-controlling interest of P30.3 million and an increase in equity attributable to owners of the parent of P14.3 million net of purchase consideration. The effect on the equity attributable to the owners of the parent during the year is summarised as follows:

	2018 P'000
Carrying amount of non - controlling interest acquired	30 276
Consideration paid to non - controlling interest	(16 000)
Excess of carrying amount of non - controlling interest recognised in the Statement of Changes in Equity	14 276

** On 7 March 2018, Sefalana Holding Company Limited entered into a Share Purchase Agreement with Natural Value Foods (South Africa) (Proprietary) Limited to buy their 40% shareholding in Natural Value Foods (Botswana) (Proprietary) Limited's for a net cash consideration of P733 000, with effect from 1 October 2017, after which Natural Value Foods Botswana (Proprietary) Limited was renamed to Sefalana Fresh Produce (Proprietary) Limited and became a 90% subsidiary of Sefalana Holding Company Limited.

Carrying value of assets prior to change of control	1 686
Non - controlling interests	(169)
Net investment in subsidiary company	1 517

*** On 1 November 2018, Sefalana Holding Company Limited entered into a Share Purchase Agreement with Sefalana Cash and Carry Limited to acquire its 100% shareholding in Sefalana Cash and Carry (Namibia) (Proprietary) Limited for a consideration of P48.8 million. On the basis of this being a Group restructuring exercise under common ownership, no gain or loss was made. As part of this restructuring, Sefalana Cash and Carry Limited redeemed P45.3 million of the issued share capital held by Sefalana Holding Company Limited.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	2019 P'000	2018 P'000
23 INVENTORIES		
Group		
Purchased for resale	613 311	569 353
Finished goods	3 917	12 186
Raw materials	36 344	69 936
Work in progress	1 584	1 928
Less: provision for obsolescence	(47 516)	(37 612)
	607 640	**615 791**

Inventory stated at net realisable value amount to P nil (2018: P2.5 million). Inventory written off during the year amounted to P nil (2018: P nil).

24 TRADE AND OTHER RECEIVABLES

Group		
Trade receivables	176 314	183 746
Impairment provision	(13 007)	(12 364)
	163 307	171 382
Prepaid expenses	10 419	10 359
Advances	11 571	1 129
Dividends on preference shares	37 339	32 625
Related party receivable (note 17)	4 760	5 652
Other receivables	27 486	33 317
	254 882	**254 464**

The average credit period on sale of goods is 40 days (2018: 40 days).

Included in trade and other receivables are amounts due in foreign currencies being South African Rand, ZAR50.0 million (2018: ZAR42.0 million), Namibian Dollar, N$35.5 million (2018: N$28.5 million), United States Dollar, US$0.2million (2018: US$1.3 million), Zambian Kwacha, K0.1 million (2018: K0.1 million) and Lesotho Loti, LSL61.8 million (2018: LSL24.1 million) all of which equates to P112.7million (2018: P75.3 million).

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due. In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Trade receivables comprise of retail customers, Government entities or parastatals, wholesale customers and tenants from retail and commercial properties. The trade receivables are spread across different revenue streams with no specific significant concentration of credit risk to a group of trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9; Financial Instruments, and is monitored at the end of each reporting period. The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented on the next page.

The expected loss rate per provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date. The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

24 TRADE AND OTHER RECEIVABLES

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Loss allowance provision for the year ended 30 April 2019

	Current	30 days	60 days	90 days	120 days plus	Total
Expected loss rate	2.2%	5.0%	15.0%	25.0%	50.0%	
Gross carrying amount (P'000)	110 077	39 797	7 513	8 030	10 897	176 314
Loss allowance (P'000)	**2 433**	**1 990**	**1 127**	**2 008**	**5 449**	**13 007**

Loss allowance provision for the year ended 30 April 2018

	Current	30 days	60 days	90 days	120 days plus	Total
Expected loss rate	2.5%	5.0%	15.0%	25.0%	40.0%	
Gross carrying amount (P'000)	113 094	35 836	21 556	5 097	8 163	183 746
Loss allowance (P'000)	**2 795**	**1 793**	**3 234**	**1 275**	**3 267**	**12 364**

The application of IFRS 9 impairment principles has not resulted in material changes to the prior year impairment provision. As a result, no adjustment has been made against the opening retained earnings as at 1 May 2018.

Other receivables mainly consist of prepayments which have a low risk of credit losses. Therefore no additional impairment allowance has been recognised.

	2019 P'000	2018 P'000
Movement in allowances for impairment:		
Group		
Balance at beginning of year	12 364	11 045
Impairment losses recognised during the year	2 762	2 853
Amounts written off as uncollectible	(2 119)	(1 534)
Balance at end of year	**13 007**	**12 364**

The maximum exposure to credit risk at year end was P258 million (2018: P256 million).

Company		
Trade receivables	20 194	836
	20 194	**836**

Credit risk is not considered to be significant at Company level due to the nature of the items held within trade receivables and prepaid expenses and therefore no impairment provision is considered necessary.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

25 RELATED PARTY BALANCES AND TRANSACTIONS

There is no impairment provision in respect of amounts owed by related parties at the end of the reporting year. Assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates to ensure provisions are made if necessary.

The majority of related party loans arise through the Group's Treasury function and bear interest linked to the prime bank rate, which represents the Company's borrowing rate from its main banker in Botswana.

There are no fixed terms for repayment.

Refer to note 22 for a list of subsidiaries.

	2019 P'000	2018 P'000
Group		
Amount due from related party / affiliate (common directorship)		
UIH Investment Holdings (Proprietary) Limited	197 895	198 114
Company		
Amount due from local subsidiaries		
Cebay Investments (Proprietary) Limited		1 000
Foods (Botswana) (Proprietary) Limited		16 566
Refined Oil Products (Proprietary) Limited	337	386
Meybeernick Investments (Proprietary) Limited	6 741	9 179
KSI Holdings (Proprietary) Limited	1 581	1 543
Sefalana Cash and Carry Limited	39 274	196 678
Amounts due from foreign subsidiaries:		
Sefalana Mauritius (Proprietary) Limited	108	570
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	131 618	
Total amounts due from related parties	**179 659**	**225 922**
Non - current assets	131 618	129 269
Current assets	48 041	96 653
Total	**179 659**	**225 922**

All amounts due from related parties are performing according to established credit terms, and no default or loss on account of impairment is anticipated based on available forecasts and business plans. The terms of the loan agreement between Sefalana Holding Company Limited and Sefalana Cash and Carry (Namibia) (Proprietary) Limited has resulted in the entire amount related to loan receivable from Namibia being classified as non - current.

Amounts due to local subsidiaries:		
Cebay Investments (Proprietary) Limited	11	
Foods (Botswana) (Proprietary) Limited	32 155	
Sefalana sa Botswana Limited	5 056	5 056
Amounts due to foreign subsidiary:		
Sefalana Properties Limited, Zambia	3 029	2 765
Total amounts due to related parties (current liabilities)	**40 251**	**7 821**

All amounts due to related parties are in line with agreed credit terms and are repayable on demand.

Amounts paid during the year
Refer to note 12 for amounts paid to Directors during the year.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

25 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	2019 P'000	2018 P'000
Group		
Dividend on preference shares from related party / affiliate		
UIH Investment Holdings (Pty) Ltd (note 19)	37 339	32 625
Rent paid		
Sefalana Group Staff Pension Fund	5 909	5 725
Contribution to pension fund		
Sefalana Group Staff Pension Fund	7 782	7 301
Company		
Interest income from loans to subsidiaries		
Foods (Botswana) (Proprietary) Limited	13	1 398
KSI Holdings (Proprietary) Limited	92	43
Refined Oil Products (Proprietary) Limited	23	11
Meybeernick Investments (Proprietary) Limited	437	221
Sefalana Cash and Carry Limited	10 072	18 393
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	8 812	
	19 449	**20 066**
Interest paid on loans from subsidiaries		
Foods (Botswana) (Proprietary) Limited	652	
Sefalana Cash and Carry Limited	565	
	1 217	
Dividends from subsidiaries		
Foods (Botswana) (Proprietary) Limited		15 000
KSI Holdings (Proprietary) Limited		1 016
Meybeernick Investments (Proprietary) Limited		15 000
MF Holdings (Proprietary) Limited	62 275	3 500
Sefalana Cash and Carry Limited		52 500
Sefalana Mauritius (Proprietary) Limited	33 333	
	95 608	**87 016**
Management fees charged to subsidiaries		
Commercial Motors (Proprietary) Limited	2 417	
Mechanised Farming (Proprietary) Limited	173	
Foods (Botswana) (Proprietary) Limited	3 760	
Meybeernick Investments (Proprietary) Limited	1 233	
Sefalana Cash and Carry Limited	3 457	
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	8 065	
Sefalana Trading (Proprietary) Limited	187	
	19 292	
Management fee charged from subsidiary		
Meybeernick Investments (Proprietary) Limited	**1 972**	
Contribution to pension fund		
Sefalana Group Staff Pension Fund	**729**	

Notes to the financial statements

For the year ended 30 April 2019 (continued)

26 CASH AND CASH EQUIVALENTS

	2019 P'000	2018 P'000
Group		
Cash on hand	15 914	12 256
Bank balances	109 365	271 632
Short term deposits	412 287	123 947
Bank overdraft	(5 325)	(24 194)
	532 241	**383 641**
Cash and cash equivalents represented by:		
Cash on hand and bank balances	537 566	407 835
Bank overdraft	(5 325)	(24 194)
	532 241	**383 641**
Company		
Cash on hand	11	37
Bank balances	65 335	700
Short term deposits	67 822	67 822
Bank overdraft	(74)	(24 194)
	133 094	**44 365**
Cash and cash equivalents represented by:		
Cash on hand and bank balances	133 168	68 559
Bank overdraft	(74)	(24 194)
	133 094	**44 365**

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions. In addition, there has been no default in prior years. As a result, no impairment provision has been recognised.

The credit quality of cash at bank and short term deposits that are neither past due nor impaired can be assessed by reference to external credit ratings or historical information about counterparty default rates. Short term deposits earn interest rates from 1.25% to 5.26% based on the money market interest rates and are redeemable on demand.

27 STATED CAPITAL

	2019 Number of shares	2018 Number of shares	2019 P'000	2018 P'000
Group and Company				
Issued and fully paid				
At beginning of the year	250 726 709	250 726 709	686 354	686 354
At end of the year	**250 726 709**	**250 726 709**	**686 354**	**686 354**

The Company has one class of ordinary shares of no par value which carry no right to fixed income.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

28 OTHER RESERVES

Group	Land and buildings revaluation P'000	Currency translation / others P'000	Total P'000
At 30 April 2017	230 705	(14 371)	216 334
Gain on revaluation of land and buildings (net of tax)	12 171		12 171
Transactions with non - controlling interests		14 276	14 276
Currency translation differences		(718)	(718)
At 30 April 2018	**242 876**	**(813)**	**242 063**
At 30 April 2018	242 876	(813)	242 063
Gain on revaluation of land and buildings (net of tax)	9 752		9 752
Currency translation differences		(46 462)	(46 462)
At 30 April 2019	**252 628**	**(47 275)**	**205 353**

Land and buildings reserve relates to the revaluation of property, plant and equipment.

The currency translation reserve comprises differences arising from the translation of foreign denominated assets and liabilities to the reporting currency at the year end. These assets and liabilities relate to the Namibian, Lesotho and Zambian entities. The cumulative amount will be retransferred to profit or loss when the net investment is disposed.

Transactions with Non - Controlling Interests (NCI) for the year ended 30 April 2018 relate to the profit on acquisition of the minority interest in MF Holdings (Proprietary) Limited (note 22).

29 FINANCE LEASE OBLIGATIONS AND OTHER FINANCIAL LIABILITIES

Group	2019 Future minimum lease payments P'000	2019 Present value of capital payments P'000	2018 Future minimum lease payments P'000	2018 Present value of capital payments P'000
Finance lease liabilities are payable as follows:				
Within one year	862	775	1 046	633
Between two and five years	1 575	1 360	2 833	2 244
	2 437	2 135	3 879	2 877
Unearned finance charges	(302)		(1 002)	
	2 135	2 135	2 877	2 877

	2019 P'000	2018 P'000
Long term portion	1 360	2 244
Current portion	775	633
	2 135	**2 877**

The amount is in respect of a floor - plan facility utilised for P nil (2018: P0.25 million) against the available facility of P4.8 million from Wesbank, a division of First National Bank of Botswana Limited and a facility for the lease of forklifts for P 3.7 million.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	2019 P'000	2018 P'000

30 DEFERRED LEASE OBLIGATIONS

Group		
Balance at beginning of year	19 399	15 607
Movement during the year	(1 746)	3 792
Balance at end of year	**17 653**	**19 399**

Lease costs are recognised over the lease term on a straight - line basis. Deferred lease obligations relate to the difference in actual lease payments made and lease costs recognised in the Statement of Comprehensive Income on a straight - line basis.

31 LOANS AND BORROWINGS

Group		
Long term portion	110 831	112 103
Current portion	1 429	5 280
	112 260	**117 383**

Company		
Current portion		3 763
		3 763

Loans and borrowings include the following:

Group and Company

The term loan from First National Bank of Botswana Limited for an original sum of US$2.14 million, was bearing interest at the 3 month LIBOR rate plus 1.75% and was repayable over 120 months commencing from 31 May 2010. This loan was secured by a first Covering Mortgage Bond of P25 million over Plot 22026/27 Gaborone, Botswana and by an unlimited letter of suretyship from a subsidiary company, Meybeernick Investments (Proprietary) Limited. This loan was fully settled in May 2018 and related security was released.

Group

The Group entered into a P100 million facility arrangement with Botswana Insurance Fund Management Limited, with a draw-down period from March 2014 to May 2016. This facility will be fully repaid by 2029. Interest is charged at 8.1% per annum. This arrangement is being utilised to fund the Group's capital projects. At 30 April 2019, the full facility had been drawn down.

The Group has complied with the financial covenants of its borrowing facilities during the current and previous year.

A second term loan from First National Bank of Botswana Limited for P15 million bears interest at prime lending rate plus 0.85%, and is repayable over 120 months commencing October 2016. This loan is secured by a first Covering Mortgage Bond of P18 million over Plot 10247/50, Broadhurst Industrial, Gaborone, Botswana and by letter of suretyships from Sefalana Holding Company Limited and the minority shareholders of KSI Holdings (Proprietary) Limited.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	2019 P'000	2018 P'000

32 TRADE AND OTHER PAYABLES

Group		
Trade payables	523 578	441 348
Accrued expenses	38 002	31 287
Advances from customers	2 517	2 543
Other payables	41 322	39 504
Unclaimed dividends	1 917	711
	607 336	**515 393**

Included above are liabilities denominated in foreign currencies being ZAR59.3 million (2018: ZAR141.0 million) which equates to P44.3 million (2018: P111.7 million), Namibian Dollar, N$258 million (2018: N$203.6 million) which equates to P192.7million (2018: P161.4 million), US$ 0.3 million (2018: US$ nil) which equates to P 3.1 million (2018: P nil), and Lesotho Loti, LSL 51.7 million (2018: LSL28.6 million) which equates to P38.6million (2018: P22.6 million).

The average credit period for certain service cost liabilities is 30 days (2018: 30 days). Other payables are settled as and when they fall due. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Company		
Trade payables	82	15
Accrued expenses	2 266	305
Other payables	496	738
Unclaimed dividends	1 615	1 615
	4 459	**2 673**

33 FINANCIAL ASSETS BY CATEGORY

The accounting policies for financial instruments have been applied to financial assets and financial liabilities as applicable. Financial assets of the Group and Company are classified as follows:

Category - financial assets at fair value through profit and loss

Group		
Preference shares	197 895	198 114
Category - financial assets at amortised cost		
Trade and other receivables (excluding prepaid expenses)	244 463	244 105
Cash and cash equivalents	537 566	407 835
	782 029	651 940

Company		
Amounts due from related parties	179 659	225 922
Trade and other receivables (excluding prepaid expenses)	20 194	836
Cash and cash equivalents	133 168	68 559
	333 021	295 317

Notes to the financial statements

For the year ended 30 April 2019 (continued)

	2019 P'000	2018 P'000

34 FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for financial instruments have been applied to financial assets and financial liabilities as applicable. Financial liabilities of the Group and Company are classified as follows:

Category - financial liabilities at amortised cost

Group		
Trade and other payables (excluding unclaimed dividends)	605 419	514 682
Loans and borrowings	112 260	117 383
Finance lease obligations	2 135	2 877
Bank overdrafts	5 325	24 194
	725 139	**659 136**

Company		
Amounts due to related parties	40 251	7 821
Trade and other payables	4 459	2 673
Loans and borrowings		3 763
Bank overdrafts	74	24 194
	44 784	**38 451**

35 SHORT TERM BANKING FACILITIES

The short term banking facilities of the Group are presented below. The term loan facilities available to the Group are detailed in note 31.

Group				
Banker	**Facility**	**Currency**	**Limit in foreign currency**	**Limit in equivalent reporting currency (P)**
Standard Chartered Bank Botswana Limited	Overdraft	P	N/A	152.0 million
	Overdraft	US$	1.0 million	10.7 million
	Letters of credits	ZAR	3.0 million	2.2 million
	Letters of credits	USD	1.2 million	12.3 million
	Guarantee	P	N/A	37.7 million
Standard Bank Namibia Limited	Overdraft	N$	30.0 million	22.4 million
Standard Bank Lesotho Limited	Overdraft	LSL	20.0 million	14.9 million
Wesbank (a division of First National Bank of Botswana Limited)	Vehicles and equipment floor plan	P	N/A	4.8 million
First National Bank of Botswana Limited	Guarantee	P	0.1 million	0.1 million

The average interest rate on overdraft facilities utilised by the Group is at the commercial banks' prime rate less 2%. The Wesbank floor plan facility is secured over vehicles and equipment under the floor plan, details of this facility is provided under note 29.

There are cross suretyships between companies within the same Group proportionate to shareholdings.

The Group's unutilised facilities at the end of the year is equivalent to approximately P 237.4 million (2018: P196.6 million).

Notes to the financial statements

For the year ended 30 April 2019 (continued)

36 CONTRACT LIABILITIES

	Maintenance service plan P'000	Customer loyalties P'000	Total P'000
Group			
At 30 April 2018			
Reclassification from provisions	7 514		7 514
Reclassification from other payables		3 213	3 213
Net movement during the year	(2 155)	(3 055)	(5 210)
Payments received in advance against performance obligations / liabilities accrued	4 439	4 163	8 602
At 30 April 2019	**9 798**	**4 321**	**14 119**

In line with IFRS 15, certain obligations have been reclassified from provisions and other payables to contract liabilities in the current year. Had this reclassification been adopted in the previous year, the contract liabilities would have included amounts in respect of maintenance service plans of P7.5 million and customer loyalty obligations of P3.2 million.

Maintenance Service Plan
Revenue relating to maintenance services is recognised over time. The customer pays up front in full for these services resulting in a contract liability being recognised for revenue relating to the maintenance services at the time of the initial sales transaction. The liability is recognised as revenue over the service period.

Customer Loyalties
The Sefalana Cash and Carry Limited loyalty program, Sefalana Rewards enables customers to purchase goods in future at a discounted price through use of loyalty cards. The cardholder cannot redeem points without future purchases. The above contract liability relates to un-redeemed points at any given time. Loyalty points have an expiry term of one year after which the liability is eliminated.

37 PROVISIONS AND ACCRUALS

	Accruals for employee benefits P'000	Other payables P'000	Total P'000
Group			
At 30 April 2017	38 984	12 489	51 473
Business combination	337		337
Currency translation	156	71	227
Arising during the year	16 498	3 147	19 645
Utilised during the year	(11 052)	(1 005)	(12 057)
At 30 April 2018	**44 923**	**14 702**	**59 625**

Group			
At 30 April 2018	44 923	14 702	59 625
Reclassified to contract liabilities (note 36)		(7 514)	(7 514)
Reclassification to other payables (note 32)		(7 188)	(7 188)
Currency translation	(746)		(746)
Arising during the year	24 467		24 467
Utilised during the year	(20 170)		(20 170)
At 30 April 2019	**48 474**		**48 474**

Company			
Transfer during the year	13 424		13 424
Arising during the year	9 722		9 722
Utilised during the year	(8 712)		(8 712)
At 30 April 2019	**14 434**		**14 434**

Accruals for employee benefits represents annual leave and severance benefit entitlements as applicable. Other payables include provisions for warranties and service plans and accounts payable to suppliers which were reclassified to contract liabilities (note 36) and trade and other payables (note 32), respectively.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

38 OPERATING LEASES

Group as lessor

Operating leases relate to property owned by the Group with lease terms of between 12 months to 10 years, with an option to extend for a further negotiated period. All operating lease agreements contain market review clauses in the event that the lessee exercises its option to renew.

No lessee has an option to purchase the property at the expiry of the lease period.

	2019 P'000	2018 P'000
Lease payments due		
Within one year	16 564	18 072
Within two to five years	60 725	61 069
Over five years	23 427	32 288
	100 716	**111 429**
Group as lessee		
Within one year	44 508	42 284
Within two to five years	110 951	120 895
Over five years	19 238	29 909
	174 697	**193 088**

39 RETIREMENT BENEFIT ASSETS

Up until 30 September 2010, the Group operated two defined contribution retirement benefit plans, namely:

a) the Sefalana Pension Fund: Members of this Fund were the qualifying employees of Sefalana Holding Company Limited and Foods Botswana; and

b) the Sefcash Retirement Fund: Members of this Fund were the qualifying employees of Sefalana Cash and Carry Limited.

Effective from 1 October 2010 the Sefalana Pension Fund and the Sefcash Retirement Fund were amalgamated to form the Sefalana Group Staff Pension Fund.

The assets of these pension funds are held separately from those of the Group's businesses, in funds under the control of respective Board of Trustees represented equally by representatives of employers and members, and have operated as one Fund since 1 October 2010.

The administration of the Fund was managed by an independent professional body, AON Botswana (Proprietary) Limited until 31 May 2018 and is currently administered by Fiducia Services (Proprietary) Limited.

The Sefalana Pension Fund converted from a defined benefit plan to a defined contribution plan during 2004. Upon this conversion a portion of the surplus of Fund assets over the Fund's liability to members was distributed into an Employer Reserve. This was available to be utilised solely for employer contributions into the members' pension credits in lieu of cash contributions, for the approximately 60 members in the Fund at that time.

This Employer Reserve, which shares in the returns of underlying Fund assets, will continue to exist in the amalgamated Fund, and under rules for this amalgamated Fund, and was utilised to fund employer contributions to the pension Fund, and to meet certain other expenses of the amalgamated Fund.

Details of the Fund, although not coterminous with the Group's financial year have been included in this annual report for information purposes only. The Fund's year end is 31 January. The Directors and Trustees are comfortable that there has been no significant movement in the valuation of the Fund and its assets between 31 January and 30 April of respective financial years.

The amalgamated Fund had fully utilised the Employer Reserve available to the participating employers at both 30 April 2018 and 2019. This reserve may at a later date receive a distribution from other Reserves under certain circumstances. This surplus would then be utilised once again to fund employer contributions to the Pension Fund as was previously the case.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

39 RETIREMENT BENEFIT ASSETS (continued)

	2019 P'000	2018 P'000
Plan assets consist of the following at fair value		
Property occupied by the Group	56 300	56 000
Equity securities	32 686	41 965
Managed funds	170 457	160 830
Cash	9 533	6 167
Other assets	65	381
	269 041	265 343
Plan liabilities consist of the following:		
Payables	(6 472)	(6 087)
Net surplus	**262 569**	**259 256**
Represented by:		
Members Funds	233 095	222 657
Pensioners' Reserves	29 474	36 599
	262 569	**259 256**

40 FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the relative debt and equity balance. The Group's overall strategy remains unchanged from prior years. The capital structure of the Group consists of long term borrowings, bank overdrafts and equity attributable to equity holders of the parent.

Gearing ratio

The Board of Directors reviews the capital structure on an on - going basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. The Group aims to minimise net borrowings on a Group basis but will incur debt for expansion of operations where necessary. The Group has a target maximum gearing ratio of 20% determined as the proportion of net debt to equity. At the year end, the Group's cash and cash equivalents exceeded the borrowings from banks.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 3 to the financial statements.

Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's financial risk management policies are approved by the Board of Directors, which provide principles on foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade in financial instruments, including derivative financial instruments, for speculative purposes. The Corporate Treasury function reports quarterly to the Company's Board of Directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into forward foreign exchange contracts to hedge the exchange rate risk arising on the import of supplies throughout the Group. There were no outstanding forward exchange contracts at the year end. Market risk exposures in the prices of grain used by Foods (Botswana) (Proprietary) Limited are managed by securing contracts for bulk purchases of grain.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

40 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies resulting in exposures to exchange rate fluctuations. The most significant foreign exchange exposure arise from South African Rand denominated purchases of goods for the Trading - Consumer Goods and Manufacturing operating segments. These obligations are generally settled within 30 days of delivery of goods, thus limiting the Group's exposure. Furthermore, anticipated changes in foreign exchange rates are considered in the sales pricing of such goods.

The Trading - Other operating segment attracts exposure to foreign currency exchange risk to the Euro and United States Dollar through importation of vehicles and equipment from foreign suppliers. The Group manages these risks through securing appropriate deposits in the underlying currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets 2019	Assets 2018	Liabilities 2019	Liabilities 2018
	P'000	P'000	P'000	P'000
South African Rand (ZAR)	233 656	389 894	145 380	140 988
Namibian Dollar (N$)	237 378	152 932	258 052	203 627
Lesotho Loti (LSL)	64 337	45 324	51 649	28 632
United States Dollars (US$)	2 421	2 390	290	384
Zambian Kwacha (K)	703	12	1 172	
Euro (EUR)	1 894	2 605		
Pula equivalent	465 964	518 518	357 106	299 545

Foreign currency sensitivity analysis

The Group is exposed to the South African Rand, Namibian Dollar and Lesotho Loti through its regional buying and selling operations; the Euro, as a result of holding deposits in that currency and United States Dollar through a long term borrowing facility and regional and international buying operations. The table on the next page details the Group's sensitivity to a 10% increase and decrease in the Pula against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number indicates an increase in profit before tax and other equity where the Pula strengthens 10% against the relevant currency. For a 10% weakening of the Pula against the relevant currency, there would be an equal and opposite impact on the profit before tax and other equity.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

40 FINANCIAL INSTRUMENTS (continued)

	2019					2018				
	ZAR impact	N$ impact	LSL impact	USD impact	EUR impact	ZAR impact	N$ impact	LSL impact	USD impact	EUR impact
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
On liabilities:										
Profit if Pula strengthens by 10%	10 857	19 271	3 857	312		11 173	16 137	2 269	376	
Loss if Pula weakens by 10%	(10 857)	(19 271)	(3 857)	(312)		(11 173)	(16 137)	(2 269)	(376)	
On assets:										
Profit if Pula weakens by 10%	17 449	17 727	4 804	2 598	2 271	30 897	12 119	3 592	2 341	3 094
Loss if Pula strengthens by 10%	(17 449)	(17 727)	(4 804)	(2 598)	(2 271)	(30 897)	(12 119)	(3 592)	(2 341)	(3 094)

Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The Group's exposure to interest rates on financial assets and financial liabilities is detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure of financial instruments to interest rates at the reporting date. For floating rate liabilities denominated in the reporting currency, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's profit after tax for the year ended 30 April 2019 would decrease / increase by P480 000 (2018: decrease / increase by P481 000).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On - going credit evaluation is performed on the financial condition of accounts receivable.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks with high credit - ratings assigned by international credit - rating agencies.

The carrying amount of financial assets recorded in the financial statements is net of impairment losses and represents the Group's maximum exposure to credit risk.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

40 FINANCIAL INSTRUMENTS (continued)

Financial assets exposed to credit risk at end of year	2019 P'000	2018 P'000
Group		
Trade and other receivables (excluding prepaid expenses)	257 470	256 469
Bank balances with:		
African Alliance Botswana Management Company (Proprietary) Limited		
African Banking Corporation Limited	1 933	23 501
Bank Gaborone	44	45
Barclays Bank of Botswana Limited	38 744	4 236
BIFM Unit Trusts (Proprietary) Limited	73 672	75 289
Capital Bank Limited		2 789
First National Bank of Botswana Limited	22 863	31 107
First National Bank of Namibia Limited	3 424	4 679
First National Bank of South Africa Limited	13 339	15 019
Nedbank Lesotho	70	77
Standard Lesotho Bank		14 818
Stanbic Bank Botswana Limited	6 661	5 020
Standard Chartered Bank Botswana Limited	219 746	121 957
Standard Bank of South Africa Limited		
Standard Bank Namibia Limited	134 262	89 261
Standard Bank Mauritius	185	4 007
Stanbic Bank Botswana Limited		
Stanlib Investment Management Services	1 480	1 427
Zambia National Commercial Bank, Lusaka, Zambia	5 229	2 348
	779 122	**652 049**
Company		
Trade and other receivables	20 194	836
Amount due from related parties	179 659	225 922
Bank balances with:		
Barclays Bank of Botswana Limited	35 008	
BIFM Unit Trusts (Proprietary) Limited	54 839	63 673
First National Bank of Botswana Limited	162	181
Standard Chartered Bank of Botswana Limited	42 947	4 658
Stanbic Bank Botswana Limited	201	10
	333 010	**295 280**

Notes to the financial statements

For the year ended 30 April 2019 (continued)

40 FINANCIAL INSTRUMENTS (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long - term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non - derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay the liability. The table includes both interest and principal cash flows.

Group	Less than 1 year P'000	Between 2 - 5 years P'000	Above 5 years P'000
At 30 April 2019:			
Trade and other payables	607 336		
Loans and borrowings	9 529	34 673	122 742
Finance lease obligations	775	1 360	
Bank overdraft	5 325		
Total	**622 965**	**36 033**	**122 742**
At 30 April 2018:			
Trade and other payables	515 398		
Loans and borrowings	13 380	40 357	123 751
Finance lease obligations	633	2 244	
Bank overdraft	24 194		
Total	**553 605**	**42 601**	**123 751**

	2019 P'000	2018 P'000
The Group has unused banking facilities available at the reporting date as follows:		
Overdraft	183 830	185 019
Wesbank floor plan	4 750	4 728
Letters of credit and guarantee	48 818	6 253

The Group will finance cash flows to settle the above obligations through utilisation of unused banking facilities and future operating cash flows.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

41 CONTINGENT LIABILITIES

a) Pending litigations against the companies within the Group are summarised below:

	Number of cases pending	Approximate claim value
		P'000
Commercial Motors (Proprietary) Limited	1	588
Foods Botswana (Proprietary) Limited	2	2 461
Sefalana Cash and Carry Limited	1	3 184

b) Bank guarantees issued in the ordinary course of business are as stated below and are in place to facilitate supply of products and services to the respective entities within the Group.

	Currency	Amount
		P'000
Foods Botswana (Proprietary) Limited	P	8 914
Mechanised Farming (Proprietary) Limited	P	80
Mechanised Farming (Proprietary) Limited	US$	5
Sefalana Cash and Carry Limited	P	147
Commercial Motors (Proprietary) Limited	ZAR	3 000

c) Assets mortgaged by the Group companies for various banking facilities are as stated in notes 29 and 31.

d) Sefalana Holding Company Limited and its subsidiaries have issued letters of suretyships to support various banking facilities enjoyed by the companies within the Group.

42 CAPITAL COMMITMENTS

	2019	2018
	P'000	P'000
Capital expenditures approved by the Directors:		
Contracted for	19 777	42 000
Not contracted for	44 537	17 151
	64 314	59 151

The Group will procure third party financing for the major capital commitments before they are incepted.

43 SUBSEQUENT EVENTS

There are no significant reportable events occurring after the reporting date that has an impact on the results or disclosures as at 30 April 2019.

Notes to the financial statements

For the year ended 30 April 2019 (continued)

44 IMPACT OF NEW STANDARD - IFRS 16 LEASES

General impact of application of IFRS 16 Leases

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

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

Impact of the new definition of a lease

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

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

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

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

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

Impact on Lessee Accounting

Operating leases

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

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

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

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

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

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

As at 30 April 2019, the Group has operating lease commitments of P139.5 million for leases other than short-term leases and leases of low-value assets.

Hence the Group will recognise a right-of-use asset of P139.5 million and a corresponding lease liability of P139.5 million in respect of all these leases. The impact on profit or loss is to decrease expenses by P34.7 million, to increase depreciation by P32.0 million and to increase interest expenses by P2.7 million.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by P37.5m and to increase net cash used in financing activities by the same amount.

Notes

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Sefalana Holding Company Limited will be held at the Head Office of the company, Plot 10038, Corner of Nelson Mandela Drive and Kubu Road, Broadhurst Industrial Site, Gaborone, on Tuesday 22 October 2019 at 15H00 for the purpose of transacting the following business:

Ordinary business

1. **Ordinary Resolution:**

   To receive, consider and adopt the Group's audited consolidated and separate financial statements for the year ended 30 April 2019 together with the Directors' and Auditors' reports thereon.

2. **Ordinary Resolution:**

   To ratify the dividends declared and paid during the period being a gross interim dividend of 10 thebe per ordinary share paid to shareholders on 27 February 2019 and a gross final dividend of 27.5 thebe per ordinary share paid to shareholders on 28 August 2019.

3. **Ordinary Resolution:**

   To re-elect Mr Chandrakant Chauhan who retires in accordance with the Articles of Association and being eligible, offers himself for re-election.

4. **Ordinary Resolution:**

   To re-elect Mr Elias M Dewah who retires in accordance with the Articles of Association and being eligible, offers himself for re-election.

5. **Ordinary Resolution:**

   To re-elect Mr Reginald M Motswaiso who retires in accordance with the Articles of Association and being eligible, offers himself for re-election.

6. **Ordinary Resolution:**

   To approve the remuneration of the Executive Directors for the year ended 30 April 2019 as required by the Articles of Association and as detailed in note 12 of the financial statements and in the Corporate Governance Report (page 93).

7. **Ordinary Resolution:**

   To approve the remuneration of the Non-Executive Directors for the year ended 30 April 2019 as required by the Articles of Association and as detailed in note 12 of the financial statements and in the Corporate Governance Report (page 93).

8. **Ordinary Resolution:**

   To approve the remuneration of the Auditors for the year ended 30 April 2019 as disclosed in note 11 to the financial statements.

9. **Ordinary Resolution:**

   To approve the appointment of Deloitte & Touche as Auditors for the ensuing financial year.

Any Other Business

To transact such other business as may be transacted at an Annual General Meeting.

Voting and Proxies

A member entitled to attend and vote at the above mentioned meeting is entitled to appoint a proxy to attend and speak and, on a poll, to vote in his / her / its stead. A proxy need not be a member of the Company.

Proxy forms must be deposited or received at Sefalana Head Office, Plot 10038, Corner of Nelson Mandela Drive and Kubu Road, Broadhurst Industrial Site, Private Bag 0080, Gaborone, not less than 48 hours before the meeting.

By order of the board

Mohamed Osman
Company Secretary

27 September 2019

Notes

Form of Proxy

For completion by holders of ordinary shares

PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS FORM.

For use at the Annual General Meeting of ordinary shareholders of Sefalana Holding Company Limited to be held at Sefalana Holding Company Limited, Plot 10038, Corner of Nelson Mandela Drive and Kubu Road, Broadhurst Industrial Site, Gaborone on Tuesday 22 October 2019 at 15H00.

I / We

(name/s in block letters)

of

(address)

Appoint (see note 1):

1. _____ or failing him / her, _____

2. _____ or failing him / her, _____

3. the Chairman of the Meeting, _____

as my / our proxy to act for me / us at the General Meeting which will be held for the purpose of considering and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against the resolutions and / or abstain from voting in respect of the ordinary shares registered in my / our name in accordance with the following instructions (see note 2):

		Number of ordinary shares		
		For	Against	Abstain
1.	Ordinary resolution number 1			
2.	Ordinary resolution number 2			
3.	Ordinary resolution number 3			
4.	Ordinary resolution number 4			
5.	Ordinary resolution number 5			
6.	Ordinary resolution number 6			
7.	Ordinary resolution number 7			
8.	Ordinary resolution number 8			
9.	Ordinary resolution number 9			

Signed at on 2019

Signature _____

Assisted by (where applicable) _____

Each shareholder is entitled to appoint one or more proxies (who need not be member/s of the company) to attend, speak and vote in place of that shareholder at the General Meeting.

Please read the accompanying notes.

Notes

Notes to Form of Proxy

1. A Shareholder may insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the General Meeting." The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.

2. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorise the proxy to vote at the General Meeting as he / she deems fit in respect of the Shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorise the proxy to vote in favour of the resolution. A Shareholder or his / her / its proxy is obliged to use all the votes exercisable by the Shareholder or by his / her / its proxy.

3. The completion and lodging of this form will not preclude the relevant Shareholder from attending the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such Shareholder wish to do so.

4. The Chairman of the General Meeting may reject or accept any form of proxy not completed and / or received other than in accordance with these notes provided that he is satisfied as to the manner in which the Shareholder concerned wishes to vote.

5. An instrument of proxy shall be valid for the General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.

6. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the Shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the Ordinary Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the General Meeting or adjourned General Meeting at which the proxy is to be used.

7. The authority of a person signing the form of proxy under a power of attorney or on behalf of a Company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.

8. Where Ordinary Shares are held jointly, all joint Shareholders must sign.

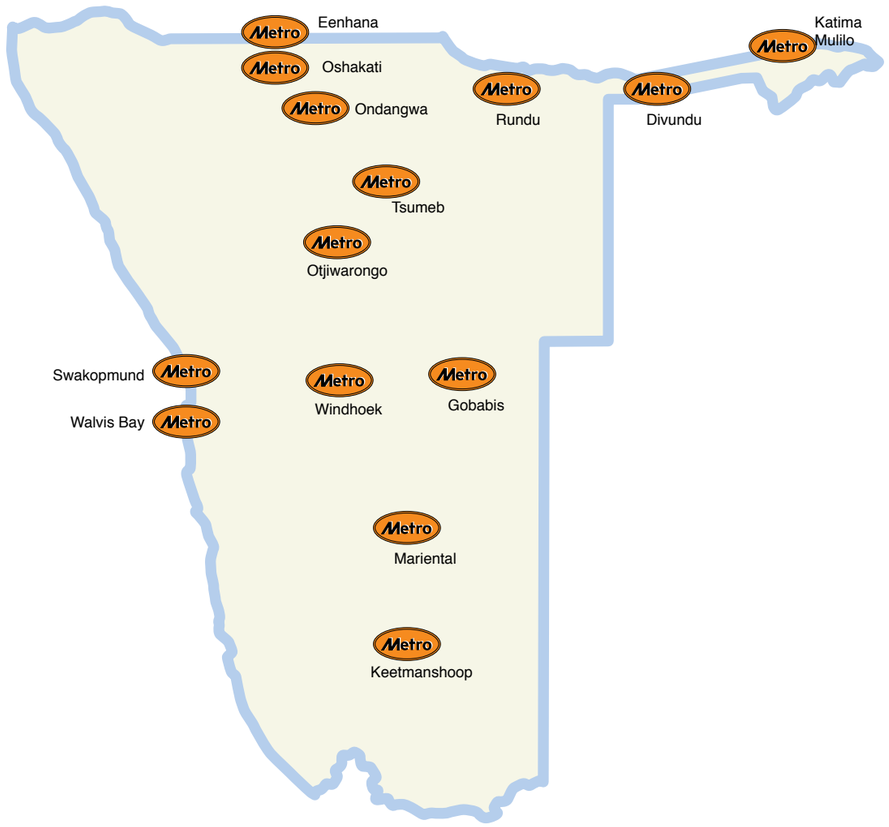
9. A minor must be assisted by his / her guardian, unless the relevant documents establishing his / her legal capacity are produced or have been registered by the Company.

10. Proxy forms must be received either at the Registered office at Plot 10038, corner of Nelson Mandela Drive and Kubu Road, Broadhurst Industrial Site, Private Bag 0080, Gaborone or at the Transfer Secretaries Office at Unit 206, Building 1, Showgrounds Close, Plot 64516, P. O. Box 1583 AAD, Poso House, Gaborone, Botswana.

Notes

METRO NAMIBIA STORE CONTACT DETAILS

LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE
Head Office - Namibia	Box 1417, Windhoek	11 van der Bijl street, Northern Industrial, Windhoek	084 - 000-2000
Metro Hyper Windhoek	Box 80783 Olympia Windhoek	Cnr Frankie Fredricks & Chasie Str, Klein Kuppe	084-000-2003
Metro Hyper Liquor Store Windhoek	Box 80783 Olympia Windhoek	Cnr Frankie Fredricks & Chasie Str, Klein Kuppe	084-000-2003
Metro Windhoek	Box 5067, Windhoek	Erf 5461 Northern Industrial Windhoek	084-000-2001
Metro Windhoek Liquor	Box 368, Windhoek	Erf 5461 Northern Industrial Windhoek	084-000-2002
Metro Ondangwa	Box 2349 Ondangwa	Main Road, Ondangwa	084-000-2012
Metro Oshakati	Box 15116, Oshakati	Endola Road, Plot 1344, Oshakati	084-000-2013
Metro Rundu	Box 1744, Rundu	Main Road, Rundu	084-000-2014
Metro Tsumeb	Box 470, Tsumeb	Hage Geingob Drive, Tsumeb	084-000-2011
Metro Otjiwarongo	Box 185, Otjiwarongo	1st Av, Otjiwarongo	084-000-2010
Metro Keetmanshoop	Box 715, Keetmanshoop	Erf 86 Stamprieter Rd, Keetmanshoop	084-000-2004
Metro Liquor Keetmanshoop	Box 715, Keetmanshoop	Erf 160, Mittel Street, Keetmanshoop	084-000-2005
Metro Mariental	Box 215, Mariental	C/o Mark & Park Street, Mariental	084-000-2006
Metro Gobabis	Box 400, Gobabis	Kalahari Highway, Gobabis	084-000-2007
Metro Swakopmund	Box 993, Swakopmund	McHugh Street, Industrial Area Swakopmund	084-000-2020
Metro Mega Store Swakopmund	Box 993, Swakopmund	Erf 3935, c/o Hidipo Hamutenya & Watt Street	084-000-2009
Metro Walvis Bay	Box 511, Walvis Bay	Circumferential, Walvis Bay	084-000-2008
Sefalana Cash and Carry Katima Mulilo	Box 1952, Ngweze, Katima Mulilo	Lifasi Street, Katima Mulilo	084-000-2016
Metro Divundu	Box 1417, Windhoek	Erf 298, Divundu	084-000-2015
Metro Eenhana	Box 1417, Windhoek	Unit 25, Greenwell Complex, Eenhana	084-000-2017



SEFALANA GROUP CONTACT DETAILS

LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE	FAX
SEFALANA GROUP COMPANY HEAD OFFICES				
Sefalana Holding Company Limited	Private Bag 0080, Gaborone	Plot 10038, Broadhurst, Gaborone	3913661	3907614
Sefalana Cash and Carry Limited	Private Bag 00422, Gaborone	Plot 10038, Broadhurst, Gaborone	3681700	3907614
Meybeernick Investments (Pty) Limited	Private Bag 0080, Gaborone	Plot 10038, Broadhurst, Gaborone	3913661	3907614
Foods Botswana (Pty) Limited - Milling	P O Box 1131, Serowe	Plot 98, Newtown, Serowe	4630268	4630965
Foods Botswana (Pty) Limited - Beverages	Private Bag 1403 AAD, Gaborone	Plot 25433, Block 3 Industrial, Gaborone	3913056	3913057
Commercial Motors (Pty) Limited	P O Box: 2276, Gaborone	Plot 10232, Broadhurst, Gaborone	3952652	3952643
Mechanised Farming (Pty) Limited	P O Box: 2276, Gaborone	Plot 10243, Broadhurst, Gaborone	3974336	3959086
Kgalagadi Soap Industries (Pty) Limited	Private Bag BR 33, Gaborone	Plot 10247/50, Broadhurst, Gaborone	3912791	3973590
Sefalana Properties Limited, Zambia	Private Bag 0080, Gaborone	Stand no: 5032, Lusaka, Zambia	3913661	3907614
Sefalana Fresh Produce (Pty) Limited	P O Box 47296, Gaborone	Plot 313557 / 8 Gaborone North, Gaborone	3186935 / 318 6946	3186987
Sefalana Catering	Private Bag 0080, Gaborone	Plot 1712 Nkurumah Road, Gaborone West	3610140	3907614
SEFALANA HYPER STORES				
Francistown	P O Box 61, Francistown	Plot 22053, Donga, Francistown	2402222 / 2402235	2402250
Gaborone	Private Bag 0075, Gaborone	Plot 20608/9, Ext. 34, Western ByPass, Gaborone	3973866 / 3182406	3932487
Mogoditshane	Private Bag 00422, Gaborone	Plot 5512, Mogoditshane	3186300	3186316
Mahalapye	P O Box 122, Mahalapye	Botalaote Ward, Mahalapye	4710452 / 4710356	4710591
SEFALANA CASH & CARRY STORES				
Bobonong	P O Box 1240, Bobonong	Sebaila Ward, Bobonong	2629555	2629542
Broadhurst	P O Box 1066, Gaborone	Plot 10038, Ext. 16, Kubu Road, Broadhurst, Gaborone	3912361 / 3975760	3973093
Charleshill	P O Box 197, Charleshill	Plots 6/7/8, Main Street, Charleshill	6592225 / 6592223	6592224
Francistown	P O Box 10444, Tatitown	Plot 6146, Sam Nujoma Road. Light Indus Area, Francistown	2412161 / 2414404	2412151
Gaborone West	P O Box 269, Gaborone	Plot 14398, Gaborone West	3953241 / 3914964	3952058
Hukuntsi	P O Box 405, Hukuntsi	Plot 71, Mogobelelo Ward, Main Road, Hukuntsi	6510206	6510049
Jwaneng	P O Box 792, Jwaneng	Plot 2303, Industrial Sites, Jwaneng	5880327 / 5880953	5880878
Kang	Private Bag 9, Kang	Plot 35, Gamonyemana Ward, Kang	6517400 / 651 8114	6517044
Kanye	Private Bag MH4, Kanye	Plot 771, Mafhikana Ward, Kanye	5440160 / 5440912	5440484
Kasane	Private Bag K11, Kasane	Plot 732/733/734, Kazungula Main Road, Kasane	6250248 / 6250311	6250195
Letlhakane	Private Bag F43, Letlhakane	Nkosho Ward, Letlhakane	2978770 / 2978832	2976221
Lobatse	P O Box 11189, Lobatse	Plot 336, Mokgosi Avenue, Lobatse	5332588 / 5330815	5306781
Maun	P O Box 426, Maun	Plot 15, Nthayagodimo Ward, Maun	6860936 / 6862530	6860566
Molepolole	P O Box 1436, Molepolole	Thamaga Road, Industrial Site, Molepolole	5920404 / 5921070	5921600
Palapye # 1	P O Box 173, Palapye	Plots 6/7/29, Old Industrial Site, Palapye	4920273 / 4921617	4920402
Palapye # 2	Private Bag 87, Palapye	Plots 343/344, New Industrial Site, Palapye	4920013 / 4921180	4920019
Pilane	Private Bag 20, Mochudi	Plot 200, Industrial Site, Pilane	5729500 / 5729132	5729772
Ramotswa	Private Bag 00422, Gaborone	Plot 106, Ramotswa Station. Taung, Ramotswa	5391955 / 5391923	5391964
Serowe	P O Box 139, Serowe	Rasebolai Drive, Mere Ward, Swaneng, Serowe	4630315 / 4633679	4630848
Selebi-Phikwe	P O Box 21, Selebi-Phikwe	Plot 12385, Industrial Site, Selebi-Phikwe	2610711 / 2611381	2611052
Thamaga	Private Bag 00422, Gaborone	Plot 130, Marang Ward, Thamaga	5999117 / 5999398	5999397
Tonota	P O Box 182, Shashe	Plot 23, Semotswane Ward, Shashe, Tonota	2480193	2480192
Tsabong	Private Bag 0027, Tsabong	Plot 538, Ikageng Ward, Tsabong	6540077	6540850
Tutume	P O Box 340, Tutume	Magapatona Ward, Tutume	2987826 / 2987828	2987825
Capital Tobacco	Private Bag 00422, Gaborone	Plot 1217, Ext. 6, Nkrumah Road, Gaborone	3911800 / 3937188	3937189
SEFALANA SUPERMARKETS				
Quick Broadhurst	Private Bag 00422, Gaborone	Plot 10032, Ext. 20, Broadhurst	3937043 / 3191912	3937041
Quick Mogoditshane	Private Bag 00422, Gaborone	Shop # 3, Plot 13779, Block 5	3182757	3182748
Quick Tlokweng	Private Bag 00422, Gaborone	Plot 158/159 Tlokweng	3971599	3971598
Quick Setlhoa	Private Bag 00422, Gaborone	Plot 77806, Setlhoa Village, Gaborone	3960237	3960234
Shopper Setlhoa	Private Bag 00422, Gaborone	Plot 77806, Setlhoa Village, Gaborone	3960237	3960234
Shopper Mogoditshane	Private Bag 00422, Gaborone	Plot # 6672, Mogoditshane	3917454	3917456
Shopper Gaborone West	Private Bag 00422, Gaborone	Plot 17872, Phase 1, G-West	3187607 / 3187606	3187606
Shopper Ghanzi	Private Bag 00422, Gaborone	Shop # 1, Plot 32, Ghanzi	6597192 / 6597189	6597170
Shopper Hukuntsi	Private Bag 00422, Gaborone	Macheng Mall, Unit G04a	6510414	6510412
Shopper Kanye 1	Private Bag 00422, Gaborone	Plot 751, Main Road	5480632	5480631
Shopper Kanye 2	Private Bag 00422, Gaborone	Mahube Mall, Tloung Ward	5443715	5443712
Shopper Letlhakane	Private Bag 45, Letlhakane	Plot 1602, Tawana Ward	2976277	2976702
Shopper Letlhakane 2	Private Bag 00422, Gaborone	Plot 10408, Letlhakane	2910313	2910312
Shopper Mahalapye 1	Private Bag 00422, Gaborone	Plot 3848, Botalaote Ward	4720508	4720505
Shopper Mahalapye 2	Private Bag 00422, Gaborone	Plot 1278, Main Mall	4720485	4711774
Shopper Maun 1	Private Bag 00422, Gaborone	Plot 1299, Old Mall, Riverside Ward	6863305	6863309
Shopper Maun 2	Private Bag 00422, Gaborone	Plot 11137, Boseja Ward	6864784 / 6864941	6864926
Shopper Mochudi	Private Bag 00422, Gaborone	Plot 979, Rammopyama Ward,	5777510	5777517
Shopper Molepolole 1	Private Bag 00422, Gaborone	Plot 1728, Borakalalao Ward	5910550	5910552
Shopper Nkoyaphiri	Private Bag 00422, Gaborone	Shop # 4, Plot 12011, Nkoyaphiri	3947957 / 3947961	3947937
Shopper Orapa	P.O. Box 1217, Orapa	Unit 1, Sable Avenue, Orapa	2971414 / 2970268	2970210
Shopper Palapye	Private Bag 00422, Gaborone	Lot 1077, Old Mall	4924608 / 4924609	4922303
Shopper Selebi-Phikwe	Private Bag 00422, Gaborone	Plot 7062, Main Mall	2610088 / 2610000	2610095
Shopper Tlokweng	Private Bag 00422, Gaborone	Plot 8KO, Tlokweng; Shop Porion #2	3104961 / 3104960	3104962
Shopper Tonota	Private Bag 00422, Gaborone	Plot 4594, Molebatsi Ward	2484869 / 2484870	2484850
Shopper Tsabong	Private Bag 00422, Gaborone	Plot 316, Mothupi Ward, TM Complex	6540643	6540637
Shopper UB Campus	Private Bag 00422, Gaborone	Plot 4775, Ext.15, Student Centre [Unit 34]	3951174	3907095
Shopper Charleshill	Private Bag 00422, Gaborone	Plot 56, Charleshill Shopping Mall, Charleshill	6597357	6597285
Shopper Kazungula	Private Bag 00422, Gaborone	Plot 1461, Duncan Plaza, Kazungula	6521186/87	6252790
Distribution Centre				
Shoppers Distribution Centre	Private Bag 00422, Gaborone	Plot 1217, Ext. 6, Nkrumah Road	3911800 / 3937188	3937189
Liquor stores				
Liquor Shop Hukuntsi	Private Bag 00422, Gaborone	Macheng Mall, 4a&4b, Tribal Lot 158	6510416	6510412
Liquor Shop Maun	Private Bag 00422, Gaborone	Plot 11137, Boseja Ward	6864017 / 6864090	6864082
Liquor Shop Nkoyaphiri	Private Bag 00422, Gaborone	Plot 12011, Nkoyaphiri, Mogoditshane	3947957 / 61	3972835
Liquor Shop Mogoditshane	Private Bag 00422, Gaborone	Shop # 4, Plot 13779, Block 5	3182747	3182748
Welcome Bottle Store	P.O. Box 139, Serowe	Tribal Lot 223 - Main Mall, Serowe	4631530	4631530

Notes

SEFALANA LESOTHO STORE CONTACT DETAILS

LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE
Sefalana Trading (Pty) Limited	P.O. Box 0436, Maseru West, Maseru 100, Lesotho	2 Lioli Road, Maseru West, Station Area, Lesotho	(00266) 2232 6223
Sefalana Liquor	P.O. Box 0436, Maseru West, Maseru 100, Lesotho	Plot 12774 - 011, Corner of Makoanyane & Motsoene Roads, Industrial Area, Maseru, Lesotho	(00266) 2231 6714
Sefalana Cash & Carry Maputsoe	P.O. Box 772, Maputsoe, Lesotho	A1 Road, Site #23134 - 017 Ha Nyenye Maputsoe Urban	(00266) 2232 6223
Sefalana Liquor Maputsoe	P.O. Box 772, Maputsoe, Lesotho	A1 Road, Site #23134 - 017 Ha Nyenye Maputsoe Urban	(00266) 2232 6223

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South Africa

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