

It should be noted that the opinion relates to the audited consolidated and separate financial statements and not the abridged financial statements/press release. The opinion should be read in conjunction with the audited consolidated and separate financial statements which are available for inspection at the Company's registered office.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEFALANA HOLDING COMPANY LIMITED

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 9 to 75, 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 (CONTINUED)
TO THE SHAREHOLDERS OF SEFALANA HOLDING COMPANY LIMITED**

Key Audit Matter	How the matter was addressed in the audit
Investment in preference shares	
<p>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.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • 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.
<p>The disclosures relating to the fair value assessments are set out in the following notes to the consolidated financial statements:</p> <ul style="list-style-type: none"> • Note 4 – Critical accounting judgements and key sources of estimation uncertainty; and • Note 19 - Investment in preference shares. 	<p>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.</p>

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.

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 (CONTINUED)
TO THE SHAREHOLDERS OF SEFALANA HOLDING COMPANY LIMITED**

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 the Statement of Directors' Responsibility and Approval, which we obtained prior to the date of this report. 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.

The Directors are responsible for overseeing the Group's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF SEFALANA HOLDING COMPANY LIMITED**

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 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.



**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE SHAREHOLDERS OF SEFALANA HOLDING COMPANY LIMITED**

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

Gaborone
30 July 2019