Sefalana GROUP

Your basket of opportunities

Unaudited Group Financial Results

for the six months ended 31 October 2019 & dividend announcement

Revenue	Gross Profit	PBT	Interim dividend per share (thebe)
11% ↑	20% ↑	17% ↑	10t

Sefalana GROUP

Your basket of opportunities

Sefalana · Sefalana Hyper · Sefalana Cash & Carry · Sefalana Shopper · Sefalana Quick · Sefalana Liquor · Sefalana Catering · Metro Supermarket Hyper · Metro Supermarket Family · Metro Supermarket Express · Sefalana Cash & Carry Lesotho

Fb Foods Botswana · Cm Commercial Motors · Sz Sefalana Zambia · Mf Mechanised Farming · Mi Meybeernick Investments · Sfp Sefalana Fresh Produce

Half Year RESULTS '19/20

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 31 October 2019 P'000	Unaudited 6 months ended 31 October 2018 P'000	Audited year ended 30 April 2019 P'000
Revenue	**2 846 725**	**2 556 312**	**5 305 981**
Cost of sales	(2 663 446)	(2 403 852)	(4 965 856)
Gross profit	**183 279**	**152 460**	**340 125**
Other income and gains	12 127	10 394	48 897
Administrative expenses	(90 016)	(77 336)	(168 082)
Earnings before interest, tax and amortisation (EBITA)	**105 390**	**85 518**	**220 940**
Amortisation	(2 790)	(2 915)	(5 819)
Investment income	28 204	27 057	55 409
Finance costs	(8 435)	(5 035)	(9 866)
Profit before share of results of associate	122 369	104 625	260 664
Share of results of associate	(1 295)	(1 067)	(1 994)
Profit before tax	**121 074**	**103 558**	**258 670**
Income tax expense	(34 402)	(27 210)	(60 026)
PROFIT FOR THE PERIOD	**86 672**	**76 348**	**198 644**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Net gain on revaluation of land and buildings			9 752
Gross gain on revaluation of land and buildings			12 398
Income tax on gain on revaluation of land and buildings			(2 646)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	(17 172)	(45 208)	(46 462)
Other comprehensive loss for the period (net of tax)	(17 172)	(45 208)	(36 710)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**69 500**	**31 140**	**161 934**
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the parent	86 603	76 404	198 860
Non - controlling interests	69	(56)	(216)
TOTAL PROFIT FOR THE PERIOD	**86 672**	**76 348**	**198 644**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	69 431	31 196	162 150
Non - controlling interests	69	(56)	(216)
TOTAL COMPREHENSIVE INCOME	**69 500**	**31 140**	**161 934**
Number of shares in issue at beginning and end of period	**250 726 709**	**250 726 709**	**250 726 709**
Dividends per share (thebe) - ordinary - interim	**10.00**	**10.00**	**10.00**
Dividends per share (thebe) - ordinary - final			**27.50**
Basic and diluted earnings per share (thebe)	**34.54**	**30.47**	**79.31**
Total comprehensive income per share (thebe)	**27.69**	**12.44**	**64.67**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months ended 31 October 2019 P'000	Unaudited 6 months ended 31 October 2018 P'000	Audited Year ended 30 April 2019 P'000
Net cash generated from operating activities	87 372	245 246	288 919
Net cash flows utilised in investment activities	(40 323)	(11 384)	(43 330)
Dividends paid	(68 949)	(57 667)	(82 741)
Net cash flows from other financing activities	(284)	(4 508)	(5 123)
Net movement in cash and cash equivalents	(22 184)	171 687	157 725
Cash and cash equivalents at beginning of period	532 241	383 641	383 641
Effect of exchange rate on cash and cash equivalents	(4 075)	(11 013)	(9 125)
Cash and cash equivalents at end of period	**505 982**	**544 315**	**532 241**
Represented by:			
Cash and cash equivalents	506 309	546 052	537 566
Bank overdrafts	(327)	(1 737)	(5 325)
Cash and cash equivalents at end of period	**505 982**	**544 315**	**532 241**

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 31 October 2019 P'000	Unaudited 31 October 2018 P'000	Audited 30 April 2019 P'000
ASSETS			
NON - CURRENT ASSETS			
Property, plant and equipment	639 898	629 593	641 720
Right of use asset	146 957		
Investment property	286 528	253 643	287 166
Intangible assets	131 174	135 211	134 546
Investment in preference shares	193 191	184 857	197 895
Investment in associate		1 549	
Deferred lease assets	3 294	1 898	2 656
Deferred tax assets	18 294	18 599	17 254
Total non - current assets	1 419 336	1 225 350	1 281 237
CURRENT ASSETS			
Inventories	689 837	567 661	607 640
Trade and other receivables	284 626	200 551	254 882
Current tax assets	7 576	10 516	1 669
Cash and cash equivalents	506 309	546 052	537 566
Total current assets	1 488 348	1 324 780	1 401 757
Assets classified as held for sale	27 000		
TOTAL ASSETS	**2 934 684**	**2 550 130**	**2 682 994**
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	686 354	686 354	686 354
Other reserves	188 181	196 855	205 353
Retained earnings	884 972	769 936	867 318
Equity attributable to owners of the parent	1 759 507	1 653 145	1 759 025
Non - controlling interests	15 326	16 224	16 064
Total equity	1 774 833	1 669 369	1 775 089
NON - CURRENT LIABILITIES			
Finance lease obligations	1 043	2 068	1 360
Deferred lease obligations	156 068	21 496	17 653
Loans and borrowings	110 111	111 421	110 831
Deferred tax liabilities	88 573	86 247	88 948
Total non - current liabilities	355 795	221 232	218 792
CURRENT LIABILITIES			
Trade and other payables	726 055	586 104	607 336
Finance lease obligations	757	570	775
Loans and borrowings	1 447	1 517	1 429
Contract liabilities	16 584		14 119
Current tax liabilities	18 363	13 418	11 655
Bank overdrafts	327	1 737	5 325
Provisions and accruals	40 523	56 183	48 474
Total current liabilities	804 056	659 529	689 113
Total liabilities	1 159 851	880 761	907 905
TOTAL EQUITY AND LIABILITIES	**2 934 684**	**2 550 130**	**2 682 994**

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent					
	Stated capital P'000	Reserves P'000	Retained earnings P'000	Total P'000	Non-controlling interests P'000	Total equity P'000
Balance at 30 April 2019	686 354	205 353	867 318	1 759 025	16 064	1 775 089
Profit for the period			86 603	86 603	69	86 672
Other comprehensive income for the period:						
Currency translation differences		(17 172)		(17 172)		(17 172)
Transaction with non - controlling interest					(807)	(807)
Dividends paid - 2019 final			(68 949)	(68 949)		(68 949)
Balance at 31 October 2019	**686 354**	**188 181**	**884 972**	**1 759 507**	**15 326**	**1 774 833**

SEGMENT RESULTS

For the six months ended 31 October 2019 (unaudited)	BOTSWANA				ZAMBIA	LESOTHO	NAMIBIA	SOUTH AFRICA	GROUP	
	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	**1 617 244**	**75 163**	**98 671**	**25 768**	**2 377**	**225 811**	**850 185**		**(48 494)**	**2 846 725**
Cost of sales	(1 546 965)	(60 020)	(78 154)			(222 182)	(801 581)		45 456	(2 663 446)
Gross profit	**70 279**	**15 143**	**20 517**	**25 768**	**2 377**	**3 629**	**48 604**		**(3 038)**	**183 279**
Other income and gains / (losses)	3 593	2 236	767	126	370		6 763		(1 728)	12 127
Administrative expenses	(38 071)	(10 605)	(13 624)	(5 093)	(747)	(2 173)	(16 816)		(2 887)	(90 016)
Earnings before interest, tax and amortisation (EBITA)	**35 801**	**6 774**	**7 660**	**20 801**	**2 000**	**1 456**	**38 551**		**(7 653)**	**105 390**
Amortisation	(107)					(772)	(1 911)			(2 790)
Investment income	1 064	604	503	80	19	738	2 693	19 288	3 215	28 204
Finance costs	(1 092)	(3)	(33)	(4 636)		(4 497)	(10 990)		12 816	(8 435)
Profit before share of results of associate	35 666	7 375	8 130	16 245	2 019	(3 075)	28 343	19 288	8 378	122 369
Share of results of associate									(1 295)	(1 295)
Profit / (loss) before tax (PBT)	**35 666**	**7 375**	**8 130**	**16 245**	**2 019**	**(3 075)**	**28 343**	**19 288**	**7 083**	**121 074**

For the six months ended 31 October 2018 (unaudited)	BOTSWANA				ZAMBIA	LESOTHO	NAMIBIA	SOUTH AFRICA	GROUP	
	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	**1 417 907**	**68 021**	**131 531**	**24 609**	**1 829**	**191 352**	**796 836**		**(75 773)**	**2 556 312**
Cost of sales	(1 365 814)	(54 521)	(110 243)			(189 204)	(757 904)		73 834	(2 403 852)
Gross profit	**52 093**	**13 500**	**21 288**	**24 609**	**1 829**	**2 148**	**38 932**		**(1 939)**	**152 460**
Other income and gains / (losses)	(56)	4 459	139	(450)	1 188		4 968		146	10 394
Administrative expenses	(28 365)	(11 130)	(14 026)	(4 461)	(584)	(1 807)	(11 308)		(5 655)	(77 336)
Earnings before interest, tax and amortisation (EBITA)	**23 672**	**6 829**	**7 401**	**19 698**	**2 433**	**341**	**32 592**		**(7 448)**	**85 518**
Amortisation	(158)					(794)	(1 963)			(2 915)
Investment income	983	643	397	179		38	3 456	18 637	2 724	27 057
Finance costs	(399)	(7)	(39)	(4 971)		(3 520)	(8 935)		12 836	(5 035)
Profit before share of results of associate	24 098	7 465	7 759	14 906	2 433	(3 935)	25 150	18 637	8 112	104 625
Share of results of associate									(1 067)	(1 067)
Profit / (loss) before tax (PBT)	**24 098**	**7 465**	**7 759**	**14 906**	**2 433**	**(3 935)**	**25 150**	**18 637**	**7 045**	**103 558**

For the year ended 30 April 2019 (audited)	BOTSWANA				ZAMBIA	LESOTHO	NAMIBIA	SOUTH AFRICA	GROUP	
	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 of associate	77 309	14 070	10 571	28 623	8 406	(2 672)	61 018	48 541	14 798	260 664
Share of results of associate									(1 994)	(1 994)
Profit / (loss) before tax (PBT)	**77 309**	**14 070**	**10 571**	**28 623**	**8 406**	**(2 672)**	**61 018**	**48 541**	**12 804**	**258 670**

31 October 2019 (unaudited)	BOTSWANA				ZAMBIA	LESOTHO	NAMIBIA	SOUTH AFRICA	GROUP	
	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	**906 229**	**77 822**	**224 459**	**595 725**	**62 889**	**167 166**	**515 105**	**193 191**	**192 098**	**2 934 684**
Liabilities	**(566 487)**	**(35 730)**	**(41 064)**	**(209 000)**	**(920)**	**(106 180)**	**(267 252)**		**66 782**	**(1 159 851)**
31 October 2018 (unaudited)										
Assets	702 573	84 707	183 595	571 227	62 982	133 728	473 266	184 857	153 195	2 550 130
Liabilities	(423 613)	(29 706)	(22 958)	(194 779)	(673)	(46 237)	(178 230)		15 435	(880 761)
30 April 2019 (audited)										
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)	(239 750)		236 002	(907 905)

COMMENTARY

Basis of preparation and accounting policies

The unaudited abridged consolidated financial results of Sefalana Holding Company Limited and its subsidiaries ("Sefalana" / the "Group") are extracted from the interim Group financial information that has been prepared in accordance with International Financial Reporting Standards ("IFRS"), under the historical cost convention except for the revaluation of certain non – current assets being land and buildings and investment properties which are carried at fair value.

The accounting policies applied in the preparation of the unaudited financial information for the six month period ended 31 October 2019 (the "period"), are consistent with those applied in the preparation of the audited financial statements for the year ended 30 April 2019 with the exception of the adoption of IFRS 16 (Leases) which now requires the recording of a right of use asset and corresponding liability in the consolidated statement of financial position, and a split of the cash payment in respect of these leases into their financing and operating components in the consolidated statement of comprehensive income.

Financial results of the Group – overview

The six month period ended 31 October 2019 has been a busy and exciting time at Sefalana. The greatest focus has been on the Botswana Fast Moving Consumer Goods (FMCG) business where we have placed considerable efforts to revive and improve margins and relative contribution to Group results.

At the April 2019 year end, we reported to our Shareholders, our best ever results to date. We had focused on cost saving initiatives and identified ways to extract additional value from our existing businesses. Once again we are pleased to report a sterling performance.

We have also benefited from the second tranche of returns from our South African investment which is performing broadly in line with plan. Our Namibian business continues to perform well as we expand our presence in that country.

Our Lesotho business has remained strained as a result of the persistent pressure on margins. We look to the second half of the financial year for a recovery similar to what was experienced in the comparative period ("the prior period").

Each of our foreign investments are discussed below in more detail.

Overall the Group exceeded the P2.8 billion turnover threshold, and generated a profit before tax of P121 million for the 6 months ended 31 October 2019 representing a 17% increase compared to the prior period. 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.

Financial highlights

For the 6 months to 31 October 2019, the Group's:

- Revenue was P2.8 billion – up 11% on prior period;
- Gross profit was P183.3 million – up 20% on prior period;
- Earnings before interest, tax and amortisation ("EBITA") was P105.4 million, up 23% on prior period;
- Profit before tax was P121.1 million – up 17% on the prior period; and
- Interim dividend of 10 thebe per share to be paid to our Shareholders

Segmental Reporting

The Group's business and geographical segments are reported separately. Inter - segment transactions are eliminated, and costs of shared services are accounted for in a separate ("Inter-segment or Unallocated") segment.

Review of operations

Trading – consumer goods

i) Botswana operations

The Botswana environment – optimism setting in

During the period, we have noted 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. We are also noting a greater level of sophistication with our customer base, as they now look for a greater range and a one-stop-shopping experience. We are pleased to have identified this and been able to provide our valued customers with what they want.

Sefalana Cash & Carry Limited contributed 57% and 29% of the Group's revenue and profit before tax for the reporting period, respectively. Turnover amounted to just over P1.6 billion, which was 14% up on the prior period. Despite increased pressure on margins in both our wholesale and retail operations we were able to improve our margin mix and increase market share.

Overall profitability for this division was up an impressive 48% compared to the prior period. We continue our efforts to find ways in which to improve overall margins. We look towards further improved results in the remaining six months of the financial year.

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 period, we expanded our national footprint through the opening of an additional Sefalana Shopper retail store in Kazungula and a Sefalana Quick at Setlhoa. At the Setlhoa site we also opened our first Petrol station under the Puma franchise. These stores are performing well and are proving popular with the customer base in the area.

We recently opened our Sefalana Catering division in the Gaborone Old Industrial area. This division focuses on serving an end-to-end solution to the large hospitality industry with ambient and frozen foods in wholesale size units. This business offers over 2,000 additional different product lines not previously sold within the Sefalana Group and is expected to make a sizable contribution to the Botswana FMCG business in the next three years as this division grows.

At all our stores, we have focused on enhancing the shopping experience and offering better deals and a wider product range. We have developed our service lines, in particular with hot foods and butchery, and improved our fruit and vegetable offering.

This year, as part of our annual birthday promotion, our Cash & Carry business gave away 29 mobile kiosks empowering Batswana to start their own businesses. This was our second year of running this format. We felt that, rather than giving away cars, it would be more beneficial to our customers to give them a means of livelihood. Total cost of these kiosks amounted to just under P2 million.

Our Retail birthday promotion focused on giving away P1.8 million in the form of cash. 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.

We continue to strive to work towards offering our customers a one-stop-shop experience and pride ourselves on being first to market with a number of initiatives. Our latest innovation is the introduction of a pharmacy in our Sefalana Shopper Setlhoa store. More information has been provided under the prospects section of this report as this took place in the second half of the financial year.

ii) Regional operations

Our diversification into neighbouring countries over the last five years has helped us maintain the Group's overall performance. Each economy has presented its own opportunities and put forward its unique challenges. Our model of business has been tailored to each economy accordingly.

Diversification into other regions brings with it foreign exchange exposure. For the period, we have recorded a retranslation loss of P17.2 million largely relating to the Namibian, South African and Lesotho businesses which are all ZAR denominated. This compares to a loss of P45.2 million in the comparative period. The ZAR constantly fluctuates and therefore these retranslation gains and losses are largely temporary, and are recorded in other comprehensive income and losses in line with IFRS.

Metro (Sefalana) Namibia

Metro Namibia contributed 30% and 23% of revenue and profit before tax for the period, respectively. Turnover amounted to P850 million, a growth of 7% on the prior period. Profit before tax amounted to P28 million, up 13% from the prior period. Our operations in Namibia continue to grow despite indications of stress in the economy. This business continues to make a significant contribution to overall Group results each year.

At the start of the period, we had 17 stores across the country. During the period two new stores have been opened (Eenhana and Grootfontein). Our Keetmanshoop and Rundu stores were relocated to new premises and the store in Swakopmund was re-opened following the fire which occurred in 2018.

We continue to look for additional suitable locations for store openings as we have now met our medium-term target of 20 stores. Growth will however be cautious given the economic environment. We believe the current store compliment is adequate to generate a respectable level of return for the coming year.

Sefalana Lesotho

We are now completing our fourth year of operation in Lesotho and have been focusing on increasing our presence in the country through the opening of two new stores in Maputsoe. We are the leader in Cash & Carry in Lesotho and look to continue our slow and steady expansion plan.

Profitability in this segment improves in the second half of the financial year and we therefore look towards closing the year with a respectable profit. Turnover of P226 million has been achieved for the period, contributing 8% of total Group revenue. We currently do not have any immediate plans to increase this footprint at this stage until we are able to increase margins and underlying profitability.

Our investment in South Africa

As reported previously, 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 compliment 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 three years into its operations, the future prospects still remain very positive. The reported results therefore include P19.3 million of income pertaining to this investment. This has been recorded under "investment income".

The Consortium currently owns 16 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.

Trading – others

This segment which consists of Commercial Motors (Pty) Limited ("CML") and Mechanised Farming (Pty) Limited ("MFL") contributed 3% and 6% to Group turnover and profit before tax, respectively. This is therefore still a relatively small Group segment in line with our focus on the core business of FMCG.

CML historically relied on Government tender business, and over recent years has been focusing on growing its private sales as a result of a general decline in tenders. During the current period, the business secured the sale of a number of vehicles to the private sector to mitigate against the reduced tender activity.

MFL continued to focus on the supply of spares to Botswana Railways and the supply of wholesale farming and electrical equipment rather than on walk-in retail trade.

Manufacturing

Foods Botswana (Pty) Limited ("FB") contributed 3% and 7% to Group turnover and profit before tax for the period respectively. A similar level of profitability was achieved as compared to the prior period, mainly due to timing of orders placed by Government in respect of the various feeding schemes.

Milling Division

During the year FB manufactured and supplied Tsabana and Malutu to Government for only 2 of the 6 months. Production and supply to the most recent tender ended in July 2019. We have in the meantime focused on the manufacture and supply of branded products to utilise factory capacity. Growth in this area is positive and showing an upward trend.

We await the outcome of the Government award for the 24 month tender which is still under consideration. We are confident 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 to be able to deliver a substantial proportion of the tender quantities should this be awarded to us. During the period, P57 million worth of grain was contracted for with BAMB in support of local farmers. In addition, a further P17 million of grain was sourced directly from the farmers.

Beverages Division

This division is heavily dependent on the manufacture and supply of milk to Government for the children's feeding scheme. In March 2019 we were pleased to be awarded the 24 month supply tender which we are currently fulfilling. In the early part of the year, there were restrictions in place on the importation of raw milk following the outbreak of Foot and Mouth disease in South Africa. This slowed down our production but now that these restrictions have been removed, we have caught up on the backlog. This division has therefore performed very well during the period.

Our focus also continues on building the Delta Fresh brand and ensuring our distribution is maximised. Delta Fresh is now available throughout Botswana in most retailers and we look forward to continued success of this product.

Properties

Botswana property portfolio

Our property portfolio held in Botswana performed well, contributing 1% and 13% to Group revenue and profit before tax respectively. Almost all properties are tenanted, and leases are in place for between 3 and 7 years.

The KSI property development of 5,000 sqm of warehouse space continues to be fully let with on-going demand for the sites.

Towards the end of 2017, we commenced the development at four plots at our Setlhoa site. Progress has been in line with plan and the site is virtually complete, with just over 5,000 sqm remaining vacant for our Motor Dealership discussed below.

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. Since then we have been in search of replacement tenants and have now managed to secure an occupancy rate of around 80%. We will continue to look for suitable tenants for the remaining space. Performance by this segment has therefore been below that of the previous period as a result of rental reductions we have had to accept to avoid other tenants moving out.

Namibia property portfolio

Since our entry into Namibia in 2013, 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 originally anticipated further development of a warehouse. We have since decided not to proceed with the works as we are able to operate from the existing premises at a lower occupancy cost.

We did however invest in additional property in Keetmanshoop where we built a purpose built warehouse for our new cash and carry. This building cost N$27 million and was financed using internal cash resources.

Prospects

In November 2019, we opened our 3,200 sqm flagship Sefalana Shopper store ("The Big One") at Setlhoa. This store offers a wide range of up-market products, a significant Hot Foods counter, one of the largest Butcheries, an impressive Bakery, and even a Pharmacy. Feedback to date has been very positive and we are making record level sales already. We are very proud of this new offering and look to replicate this in selected locations across the country.

We intend to open the recently refurbished Sefalana Shopper in Molepolole. This store is now much larger and will offer a wider product range. We have also planned the opening of a new Sefalana Shopper store in Shakawe along with two Sefalana Liquor outlets in Maun and Tsabong.

Our bottled water and fruit juice plant is to be established by September 2020. We require a warehouse space of around 3,000 sqm to accommodate this which we will commence developing in February 2020. This expansion is expected to enhance the Foods Botswana Beverages business.

For sometime now we have been conscious that the current location of the Motor division does not lend itself well to passing customers, and have made a decision to relocate to the A1 alongside our other investments at Setlhoa. This we believe, will give the three brands (Honda, Tata and MAN) a much greater level of visibility. The cost of this investment will be part funded by the proceeds from the sale of the existing dealership property which has been sold to a third party.

Directors

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

Dividends

On 22 January 2020, the Board of Directors of Sefalana Holding Company Limited declared an interim gross dividend of 10 (ten) thebe per ordinary share.

The interim dividend will be paid net of applicable withholding taxes as required under the Income Tax Act of Botswana, on or about Wednesday 26 February 2020 to all Shareholders registered in the books of the Company at the last date to register, being close of business on Friday 14 February 2020, with an Ex-dividend date of Wednesday 12 February 2020.

By order of the Board

PHK Kedikilwe
(Chairman)

CD Chauhan
(Group Managing Director)

22 January 2020
Gaborone, Botswana

Directors: PHK Kedikilwe (Chairman), CD Chauhan (Group Managing), B Davis, EM Dewah, KR Jefferis, RM Motswaiso, KP Mere, MS Osman (Group Finance)

Registered office: Plot 10038, Corner of Nelson Mandela Drive and Kubu Road, Broadhurst Industrial, Gaborone

Transfer Secretaries: Transaction Management Services (Pty) Limited, trading as Corpserve Botswana Transfer Secretaries, PO Box 1583 AAD, Gaborone

Auditors: Deloitte & Touche, Plot 64518, Fairground Office Park, PO Box 778, Gaborone