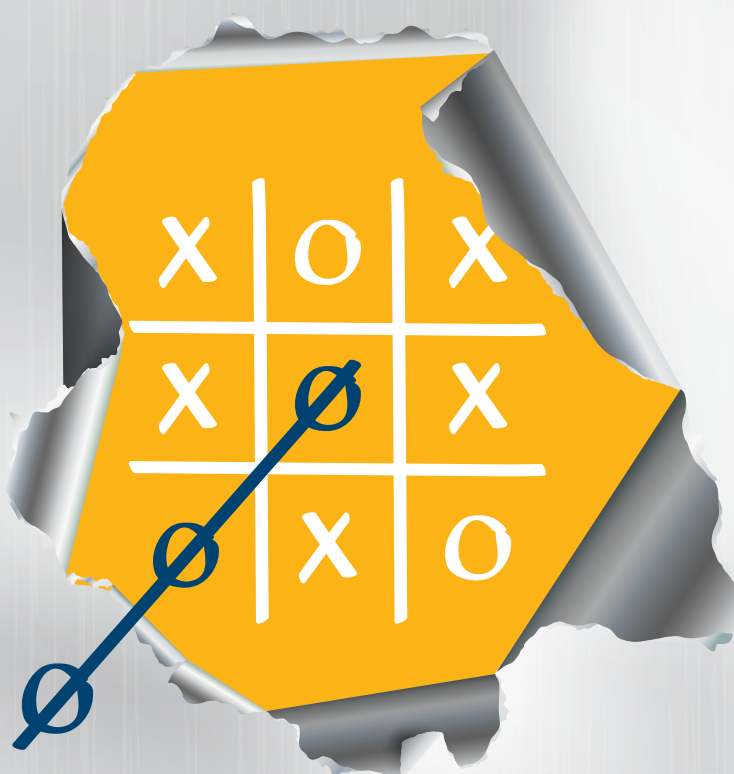




Your basket of opportunities

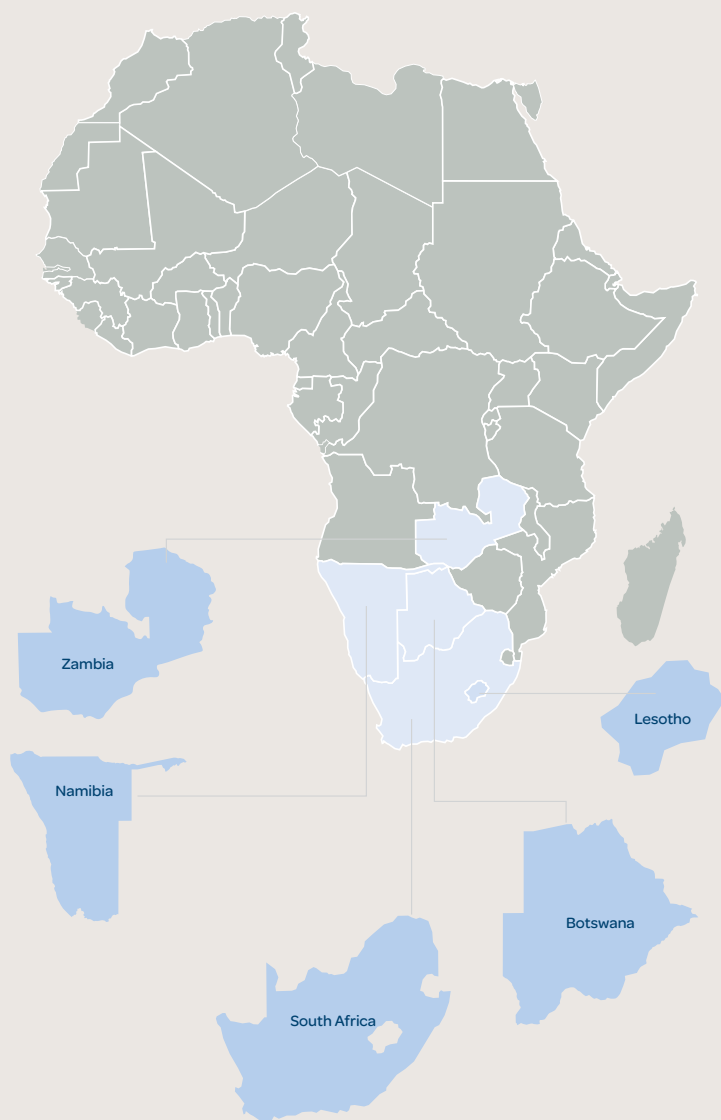
## INTEGRATED ANNUAL REPORT 2018



**THINK**  
OUTSIDE  
THE **BOX**

A young girl with dark skin and long braids, wearing a pink shirt, is smiling and holding a large slice of watermelon. She is outdoors in a grassy area with trees in the background. The image is used as a background for a report cover.

# WELCOME TO OUR INTEGRATED ANNUAL REPORT

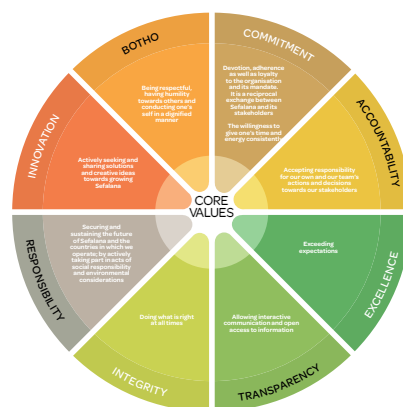


## Our Integrated Report

Each year we enhance the level of reporting in our Annual Report through additional disclosure notes and with cognisance to latest trends in worldwide Corporate Governance. Currently King III and IV are the benchmark against which we measure ourselves as detailed in the Corporate Governance Report.

## 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.



## 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



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# 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.



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 organizations 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.

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.



Gaborone Skyline - Central Business District

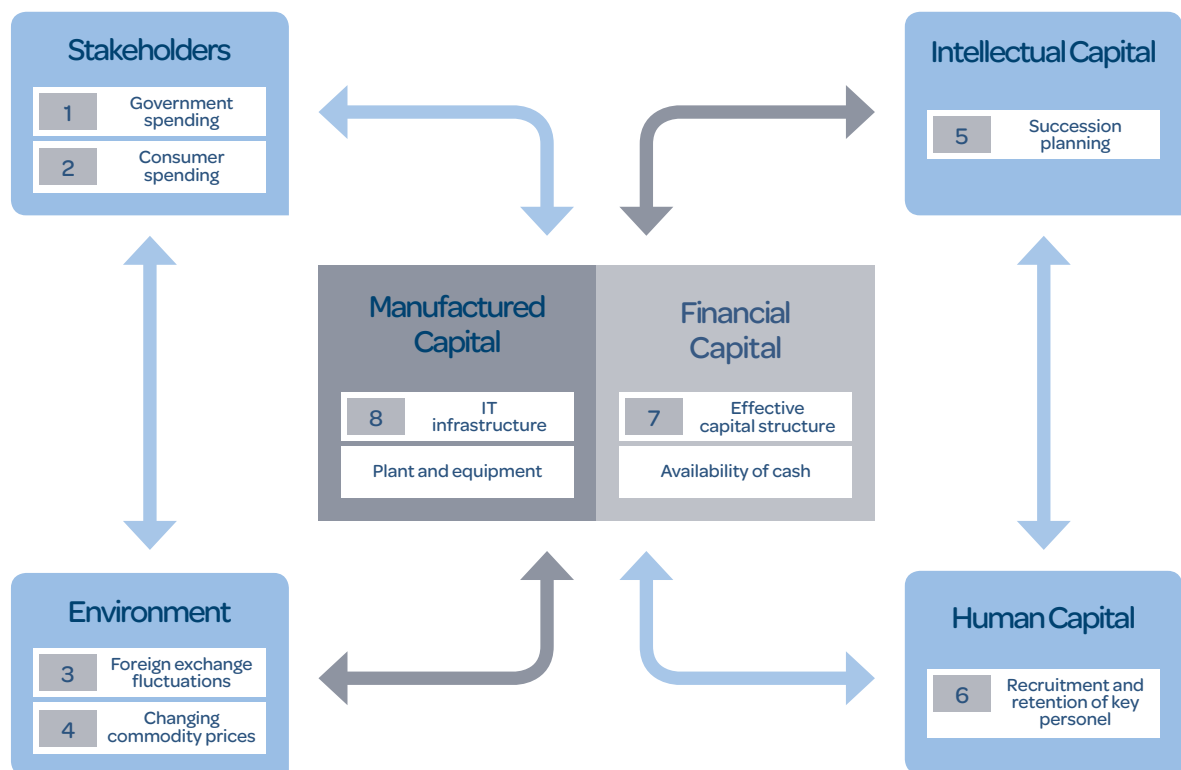
The IIRC's Framework's objectives can be summarised as follows:

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. Currently King III and IV are the benchmark 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 9. Interdependencies of the various forms of capital are illustrated on page 8.
To support integrated thinking, decision – making and actions that focus on the creating 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 five 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 discusses 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



Items 1 - 8 are considered Material Matters and are discussed in more detail on page 10.

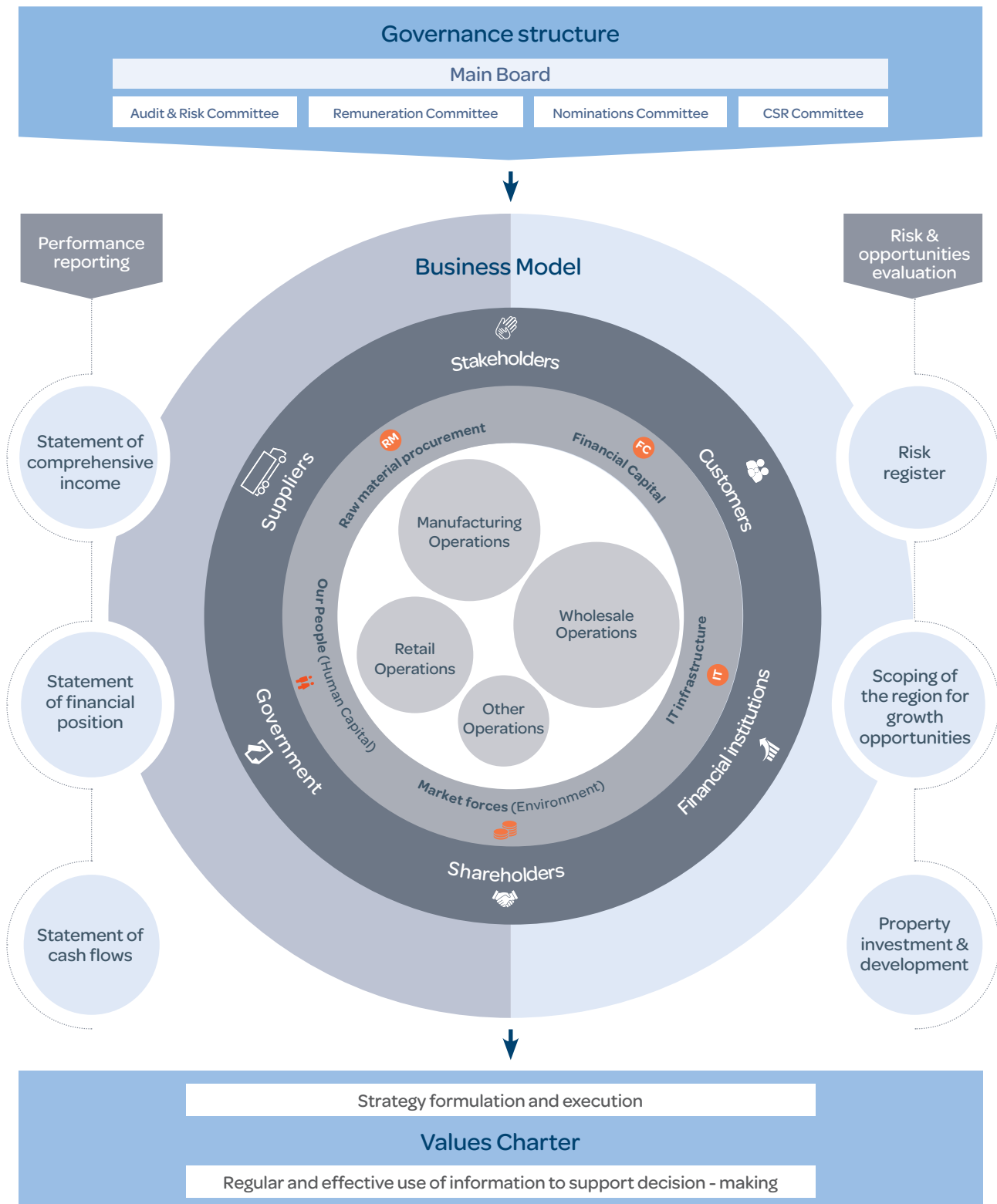
The inter dependencies and relationship between each form of capital are complex and constantly evolving.

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 (page 10) and also recognising the interdependencies of the various forms of capital (page 8).



# 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	<div data-bbox="400 521 580 551">Material Matter</div> <div data-bbox="400 568 663 600">Government spending</div> <div data-bbox="692 629 766 654">Impact</div> <div data-bbox="400 674 794 965"> <p>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.</p> <p>These contracts usually run for no more than a 12-month period and therefore the sustainability of these manufacturing entities in our Group are largely dependent on successfully winning these orders each year.</p> </div> <div data-bbox="852 674 1372 994"> <p>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.</p> <p>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.</p> <p>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.</p> </div> <div data-bbox="1410 748 1434 898">Risk mitigation</div>
2	<div data-bbox="400 1010 580 1039">Material Matter</div> <div data-bbox="400 1057 823 1088">Consumer spending and confidence</div> <div data-bbox="692 1117 766 1142">Impact</div> <div data-bbox="400 1162 794 1384"> <p>Customer spending and confidence is directly impacted upon by the level of employment and general economic sentiment.</p> <p>During difficult times, this then results in increased pressure on margins as customers look for the best prices in the market.</p> </div> <div data-bbox="852 1162 1372 1411"> <p>The market is increasingly becoming price sensitive and therefore we need to ensure we are competitive wherever possible.</p> <p>Efficient and effective procurement from suppliers helps us pass on discounts to customers.</p> <p>Increasing basket size and offering a one - stop - shop helps retain market share in difficult economic conditions.</p> </div> <div data-bbox="1410 1196 1434 1346">Risk mitigation</div>
3	<div data-bbox="400 1424 580 1453">Material Matter</div> <div data-bbox="400 1471 751 1503">Foreign exchange fluctuations</div> <div data-bbox="692 1532 766 1556">Impact</div> <div data-bbox="400 1576 794 1778"> <p>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 in the USD. Our rental stream in Zambia is also based on an underlying USD value.</p> </div> <div data-bbox="852 1576 1372 1682"> <p>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.</p> </div> <div data-bbox="1410 1599 1434 1749">Risk mitigation</div>
4	<div data-bbox="400 1805 580 1834">Material Matter</div> <div data-bbox="400 1852 727 1883">Changing commodity prices</div> <div data-bbox="692 1912 766 1937">Impact</div> <div data-bbox="400 1957 794 2112"> <p>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.</p> </div> <div data-bbox="852 1957 1372 2074"> <p>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.</p> </div> <div data-bbox="1410 1935 1434 2085">Risk mitigation</div>

5

## Material Matter

## Succession planning

## Impact

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.

## Risk mitigation

6

## Material Matter

## Recruitment and retention of key personnel

## Impact

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.

## Risk mitigation

7

## Material Matter

## Effective capital structure

## Impact

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.

## Risk mitigation

8

## Material Matter

## IT infrastructure

## Impact

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.

We have rolled out our internet shopping site and during the year extended this to other parts of the country.

We also launched our new Mobile Shopping Phone App during the year.

## Risk mitigation

9

## Material Matter

## Brand health and development (not a form of capital)

## Impact

We have built up our brand over more than 44 years and it is critical that we leverage off this brand value to maximise returns.

Our rebranding program commenced 2 years ago 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.

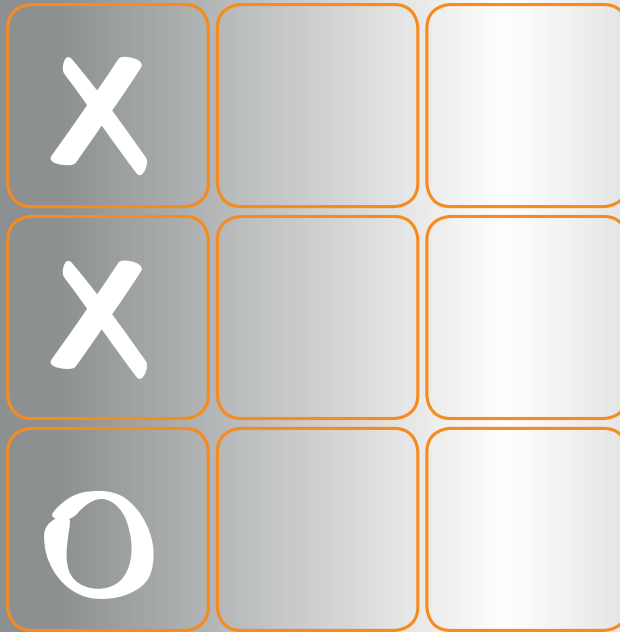
## Risk mitigation



# OVER










Since 2013 we have focused on growing our business regionally and by being first to market with a number of initiatives. It is through thinking out of the box, that we have been able to sustain rapid growth and continue to be the leader in our industry.





VIEW

# Sefalana Timeline

1974	Sefalana sa Botswana was formed to purchase the Botswana operations of Bechmalt Holdings, comprising 6 wholesale stores and a maize mill.	 Sefalana <small>Sefalana Holding Company Limited</small>			
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)	 <small>SEFALANA CASH &amp; CARRY LTD</small>			
1974	1975	1989	1994	2006	2009
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	 <small>COMMERCIAL MOTORS (PTY) LTD YOUR MAN, HONDA &amp; TATA DEALER</small>			
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 &amp; Carry in Maseru, Lesotho



2016

Launched Botswana's first FMCG online shopping site



2010

2013

2014

2015

2016

2017

2016

Launched "Sefalana rewards" loyalty programme



2017

Launched Sefalana Mobile Shopping App



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



# Our Sefalana

Sefalana is proud to be able to claim that it is one of Botswana's leading businesses in the Fast-Moving Consumer Goods (FMCG) sector. Its headquarters is located in Gaborone, Botswana's capital city.

Since its inception in 1974, our Group has grown its operations across Botswana with regional expansion into Zambia, Namibia, Lesotho and most recently South Africa.

Our primary focus is on the core FMCG business, but the Group remains well diversified, with a solid 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 helped us deliver significant growth over our 44 years of trading. This year has been a very exciting year for us and we have great pleasure in articulating this to our valued Shareholders, potential investors and other stakeholders, in this annual report.

Sefalana was created in 1974 and a year later was the first company to list on the Botswana Stock Exchange. After 44 years of operation and an ever-changing business environment, our Group remains the only listed company in Botswana without a controlling shareholder. This has enabled

us to hold strong to our status as a truly Botswana company, made for the people of Botswana, by the people of Botswana.

Our operations commenced through purchasing the local activities of Bechmalt Holdings Limited, a South African company consisting of 6 wholesale units, 1 maize mill and a staff complement of only 233 individuals. Over the years, we have nurtured our business, allowing it to flourish into a prominent player in the market. We now own 73 stores across 3 countries and provide employment to over 3 200 employees.

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

Our shareholding is still significantly held by Botswana citizens or citizen based institutions. We are proud of this as this is where our journey began. The majority of our shareholders have remained shareholders for many years and have supported us in each major phase of our growth strategy. We would like to acknowledge that and show our appreciation for the confidence you have placed in us. In return, we are pleased to report our best ever set of results.

Sefalana sa Rona – Your basket of opportunities.

## 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](mailto:companysecretary@sefalana.com)

### BUSINESS ADDRESS

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

### AUDITORS

PricewaterhouseCoopers  
P O Box 294  
Gaborone, Botswana



## 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 future prospects.

Sefalana sa Rona – Your basket of opportunities.



# Sefalana sa rona

Rele ba kompone ya Sefalana re motlotlo go itse fa re santse re tshwere maemo a ntlha mo lekaleneng la tsa dijo mo Botswana. Dikantoro kgolo di mo toropo kgolo ya Botswana, ebong Gaborone.

Go tswa ko motheong wa Sefalana e leng ngwaga wa 1974, kompone e atolositse madirelo a yone lefatshe la Botswana ka bophara le go anamela mo mafatsheng a mabapi a Zambia, Namibia, Lesotho, le ko Afrika Borwa

Le fa re remeletse thata mo go tsa thekiso ya dijo, kompone e tsweletse ka go kabakanya madirelo, ka go bonala thata mo madirelo a dijo tsa dikotla, mashi, melora ka go farologana.

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

Kabakanyo ya kgwebo e tsisetse kgolo mo dingwageng tse di masome a mane le bone (44) entse e dira. Mono ngwaga ke ngwaga o itumedisang, re motlotlo go anamisa se go ba beelets, le bao banang le kgatlhego ya go beeletsa, mo mokwalong wa ngwaga le ngwaga wa dikitsiso.

Sefalana o simolodisitse ka ngwaga wa 1974, mo ngwageng oo latelang ya nna yone kompone ya ntlha mo Botswana go beeletsa diabe tsa yone mo Botswana Stock Exchange. Morago ga ngwaga tse di masome a mane le bone (44) e tsweletse le mo diemong tsa papadi tse di farologanyeng, kompone ya rona e sala entse ele yone kompone ya ntlha mo Botswana e diabe tsa yone di anameng le batho ba le bantsi. Sena sa re letla go nna le seriti sa kompone e leng ya Botswana, e diretsweng Botswana e le ya Botswana.

Kgwebo ya rona e simologile ka theko ya madirelo a mo gae a kompone ya Bechmalt Holdings, ee eneng e tlholega kwa Afrika Borwa, ena le makalana a kgwebo ale maratara (6), madirelo a tshilo ya mmidi, bodiredi bo le makgolo a mabedi le masome a mararo le boraro (233). Mo kgolong ya rona, re tlhabolotse madirelo, re letlelela kgwebo go nna ya tlhwalhwa mo mmarakeng.

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

Peeletso ya diabe tsa kompone ya rona e santse e tshegeditswe ko pele ke Botswana le mekgatlho ya Botswana. Re ipela ka se, ka e nnile yone tshimologo wa mosepele wa rona. Mo tsamaong ya dingwaga, bontsi jwa babeeletsi ba rona, ba ile ba tshegets a peeletso mme se sa tsisa kgolo ya kompone. Re rata go akgola le go tsisa malebo mo go nneng le tshepho mo go se le se beleditseng mo go rona. Ka jalo, re motlotlo go lo itsise ka maduo a rona a ngwaga a mantle go gaisa maduo a fetileng.

Sefalana sa Rona – Mophuthelwana wa ditshono

## 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 tshegets a maitlamo a itshetletseng, le megopolo ya kgolo go ya pele.

### SHARE TRANSFER SECRETARIES

Transaction Management Services (Pty) Limited  
trading as 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

*The leader*  
in Cash & Carry

in Botswana,  
Namibia and Lesotho

# Financial highlights

Headline Performance		
for the year ended 30 April	2018	2017
	P'000	P'000
Revenue	4 785 500	4 273 011
Profit for the year attributable to equity holders of the parent	175 871	125 371
Total comprehensive income attributable to equity holders of the parent	187 324	153 527
Shares in issue at beginning of the year (number)	250 726 709	222 868 186
Shares issued during the year (number)		27 858 523
Shares in issue at end of the year (number)	250 726 709	250 726 709
Weighted average shares in issue during the year (number)	250 726 709	235 014 280
Basic earnings per share (thebe)	70.14	53.35
Total comprehensive income per share (thebe)	74.71	65.33
Dividends per share (thebe) - ordinary - paid	10.00	5.00
Dividends per share (thebe) - ordinary - proposed	23.00	25.00
Dividend cover (times)	2.13	1.78
Net asset value per share (thebe)	676	643
Market price per share at year end (thebe)	896	1 078
Value added statement		
	2018	2017
	P'000	P'000
<b>Wealth created</b>		
Revenue	4 785 500	4 273 011
Payments to suppliers and providers of services	(4 337 960)	(3 855 168)
Value addition	447 540	417 843
Share of results from associate and joint venture	(743)	636
Interest income from bank deposits	17 492	14 994
Dividends on preference shares	32 625	
Total wealth created	496 914	433 473
<b>Wealth distribution</b>		
To employees	211 410	206 891
To providers of capital	100 168	70 775
Government for taxes	54 035	44 845
Total wealth distributed	365 613	322 511
<b>Wealth retained in the business</b>		
To maintain and develop operations of the Group	131 301	110 962
<b>Number of employees of the Group</b>	3 287	3 126

# Shareholder information

## Analysis of shareholders

	30 April 2018		30 April 2017	
Shareholders with an individually significant interest in Sefalana Holding Company Limited				
Botswana Public Officers’ Fund	112 195 933	44.75%	114 950 728	45.85%
Motor Vehicle Accident Fund	25 083 138	10.00%	25 083 138	10.00%
Debswana Pension Fund	14 851 705	5.92%	14 827 067	5.91%
Chandra Chauhan	12 871 200	5.13%	12 871 200	5.13%
	165 001 976	65.81%	167 732 133	66.90%
Summary by class of shareholders:				
Insurance companies, pension funds and nominee companies	229 133 510	91.39%	228 342 113	91.07%
Individuals and others	21 593 199	8.61%	22 384 596	8.93%
Total	250 726 709	100.00%	250 726 709	100.00%
Shares held by citizens (individuals and institutions)	232 312 803	92.66%	231 904 695	92.49%

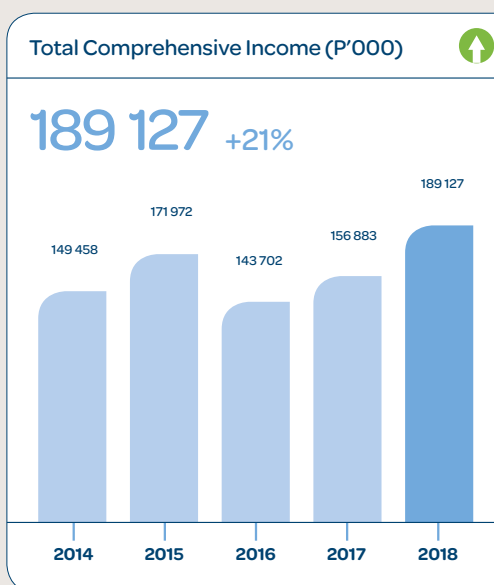
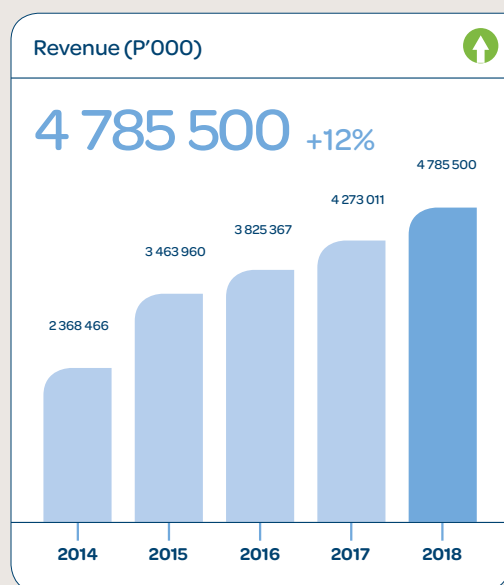
## Stock Market Information

Number of shares traded (000)	7 245	11 877
Value of shares traded (P'000)	79 048	152 942
<b>Share price for the period (thebe):</b>		
Lowest	880	1 070
Highest	1 116	1 400
Closing	896	1 078
Market Capitalisation at year end (P'000)	2 246 511	2 692 791

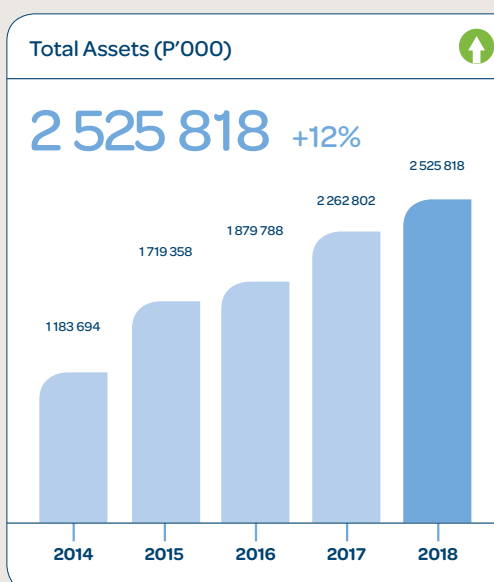
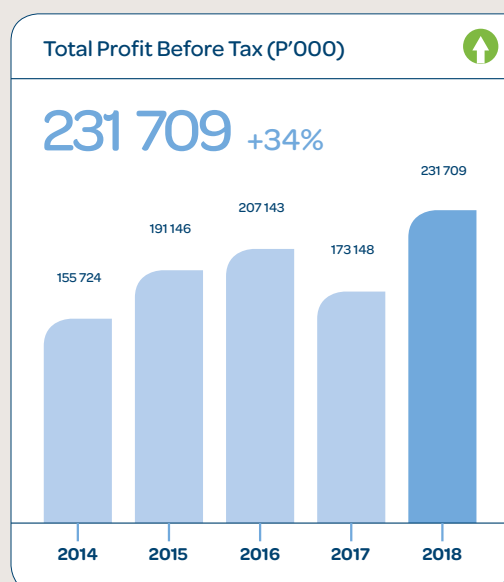
## Shareholders' calendar

Financial year end	30 April
Announcement of audited results	30 July 2018
Annual General Meeting	26 October 2018
Announcement of half year results	end of January 2019

# Five year trending



This year we generated our best ever profit since inception. We are proud of our growth over the last 44 years





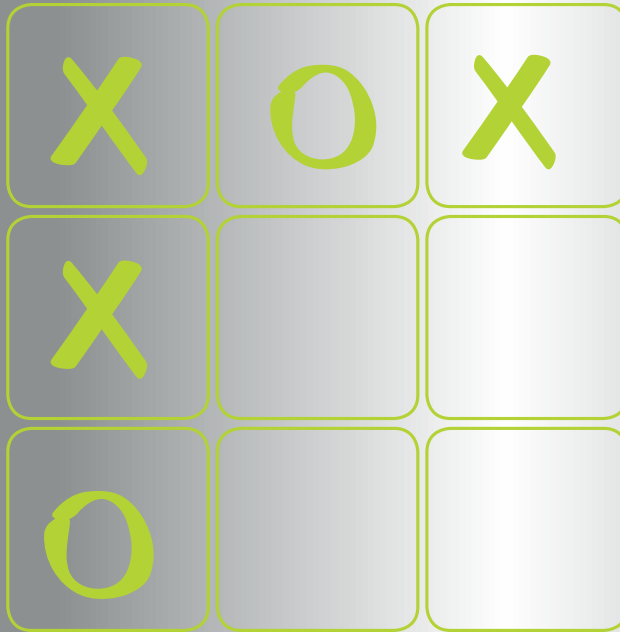
# Record of financial performance

	30 April 2018	30 April 2017	30 April 2016	30 April 2015	30 April 2014
	P'000	P'000	P'000	P'000	P'000
<b>Comprehensive Income</b>					
Revenue	4 785 500	4 273 011	3 825 367	3 463 960	2 368 466
Profit from operations	232 452	172 512	206 933	190 563	155 689
Share of results from associate and joint venture	(743)	636	210	583	35
<b>Profit before tax</b>	<b>231 709</b>	<b>173 148</b>	<b>207 143</b>	<b>191 146</b>	<b>155 724</b>
Income tax expense	(54 035)	(44 845)	(49 549)	(38 676)	(30 094)
<b>Profit for the year</b>	<b>177 674</b>	<b>128 303</b>	<b>157 594</b>	<b>152 470</b>	<b>125 630</b>
Other comprehensive income / (loss)	11 453	28 580	(13 892)	19 502	23 828
Non - controlling interests	(1 803)	(3 356)	(4 945)	(9 774)	(6 940)
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>	<b>187 324</b>	<b>153 527</b>	<b>138 757</b>	<b>162 198</b>	<b>142 518</b>
Earnings per share (thebe)	70.14	53.35	66.95	65.39	62.83
Total comprehensive income per share (thebe)	74.71	65.33	61.67	74.53	75.78
Dividends per share (thebe)	33.00	30.00	30.00	30.00	22.50
	30 April 2018	30 April 2017	30 April 2016	30 April 2015	30 April 2014
	P'000	P'000	P'000	P'000	P'000
<b>Financial position</b>					
Property, plant and equipment	617 064	543 765	486 931	427 123	356 682
Investment property	260 685	262 923	260 494	176 479	171 165
Intangible assets	145 823	150 332	133 884	144 369	31 680
Leasehold rights				741	1 482
Investment in associate	2 616	5 030	4 579	3 466	2 335
Investment in joint venture		1 314	1 979	1 631	
Investment in preference shares	198 114				
Property development loan					198
Deferred rental	1 090	2 033	2 033	2 510	2 073
Deferred tax assets	16 708	13 546	17 764	13 066	10 594
Retirement benefit assets				7 334	13 187
Current assets	1 283 718	1 275 859	964 124	935 475	594 298
Asset classified as held for sale		8 000	8 000	7 164	
Current liabilities	(609 590)	(434 218)	(530 024)	(481 453)	(374 374)
Non - current liabilities	(220 332)	(215 714)	(174 403)	(139 386)	(87 637)
Non - controlling interests	(16 280)	(47 100)	(59 766)	(54 821)	(46 507)
<b>Equity attributable to equity holders of the parent</b>	<b>1 679 616</b>	<b>1 565 770</b>	<b>1 115 595</b>	<b>1 043 698</b>	<b>675 176</b>



# EXECU

We are pleased to report that our South African investment has generated a sizable first year return. This has contributed significantly to this year's results



# UTIVE REPORTS

# Board of Directors



**Dr Ponatshego Kedikilwe (80)**  
**Chairman - Non - Executive**

Dr Kedikilwe is 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 recently appointed Vice Chancellor of the Botswana Open University in March 2018.



**Mohamed Osman (41)**  
**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 Staff Pension Fund, and is the Botswana representative for the ICAEW. He is also an Audit Committee member for the University of Botswana and was recently appointed to the Board of Barclays Bank Botswana as Non-Executive Director.



**Chandra Chauhan (56)**  
**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 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 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).



**Keneilwe P Mere (45)**  
**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 established in 2007 whose services include civil litigation, corporate and commercial law, intellectual property, conveyancing and alternative dispute resolution. She attained her Bachelor of Laws degree (LLB) with the University of Botswana in 2001. Keneilwe's specialty lies in civil litigation and commercial law with specific clientele in the finance,

insurance, mining and property industries to name a few. Her practice also includes advisory work on legislative framework, interpretation of statutes, and provision of legal due diligence services for local and international companies, which incorporates legal services regarding Botswana law and doing business in Botswana.

Keneilwe is a 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 formerly First Sun Insurance Brokers (Pty) Ltd and Botswana Couriers and Logistics. She is also the past Vice Chairperson of the Cancer Association of Botswana, a cause close to her heart. Keneilwe is passionate about female empowerment and the advancement of youth participation 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 January 2017.

## Board of Directors (continued)



**Elias Dewah (76)**  
**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 (61)**  
**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 (54)**  
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 alumnae 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 (60)**  
Sefalana Cash and Carry Namibia - Managing Director - Executive

Bryan joined the Board of Sefalana Holding Company Limited on 1 June 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



Sefalana's financial results this year prove the Group's ability to weather both economic and trading storms alike as we successfully navigated through a challenging year.



It is through our continued efforts in being innovative, that we have managed to grow our business into a sustainable enterprise.

We have grown the total number of stores to

**73**



The Group has a robust Board of Directors possessing relevant expertise ranging from sector experience to company strategy and from finance to compliance. The collective leadership and distinguished experiences provided by our Board offers focused insights, a mature structure and unwavering commitment to ethics

**1st**

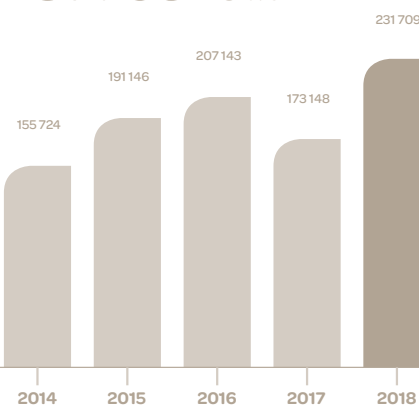


We are the first company to list on the Botswana Stock Exchange

Total Profit Before Tax (P'000)



**231 709** +34%



Shares held by Batswana

**93%**

Number of employees

**3 287**

I would like to thank all our dedicated employees, at a regional and national level for their hard work and commitment to our Group.



## Chairman's Report (continued)



House Brand Range

We completed our annual Board evaluation during the year and are confident that our Board is appropriately constituted to continue to add value to our business in accordance with the principles of good corporate governance

Sefalana's financial results this year prove the Group's ability to weather both economic and trading storms alike as we successfully navigated through a challenging year.

We achieved this through our diversification strategy, strong relationships with our supplier and distribution networks, increased buying power and enhanced efficiencies gained in many aspects of our business.

The Group's profit before tax increased year on year by 34%, indicating a tremendous achievement. As a result, we have been able to give back a little more to our Shareholders who have received a 10% higher dividend return on their investment this year. We pledge to maintain sustainable value creation for our Shareholders and have over the last 5 years distributed 47% of earnings in the form of dividends.

As the local Botswana economy continues to recuperate from lower levels of spending and higher levels of unemployment, we are encouraged by the strong performance of our Namibia and Lesotho businesses which have both provided an augmented contribution towards overall Group results. In addition, we are pleased to report that our South African investment has generated a sizable first year return. This has contributed significantly to this year's results. Further analysis of our financial performance is contained in the reports by the Group Managing Director and Group Finance Director.

We maintain our promise to deliver our best at all times to all our stakeholders. Our priority is to ensure sustainability, and delivery of the highest levels of corporate governance and reporting. In the current year, we enhanced our online shopping website and have extended this service to our customers in Francistown and Maun. In November, we launched our free mobile shopping App that now gives access to our online shopping site to all smart phone users. We are pioneers in the local market in this respect and are proud to lead the market in a number of initiatives.

We have grown the total number of stores to 73 and invested in a South African consortium which owns a further 14 stores. We are pleased with these developments and will be working on additional store openings in the coming year as we focus on further strengthening our brand as a modern, profitable business rooted in fulfilling the needs of our customers.

The Group has a robust Board of Directors possessing relevant expertise ranging from sector experience to company strategy and from finance to compliance. The collective leadership and distinguished experiences provided by our Board offers focused insights, a mature structure and unwavering commitment to ethics. All our Board members actively participate in leading the Group and form an essential foundation to our Management team.





Mr. Hans Kampmann, holding up a farewell gift from his team

Our commitment to Board independence and corporate governance is illustrated through

5 of our 8

Directors being independent.



We underwent some changes to our Board composition this year. Mr. Hans Kampmann resigned as the Managing Director of Sefalana Cash and Carry Limited on 28 February 2018 after serving Sefalana for almost 20 years. Hans was admitted to the Board in 2012 and contributed considerably to the growth of this business. We bid Hans farewell and wish him success in all his future endeavours.

We welcomed a new Executive Director to the Board on 1 June 2018. Mr. Bryan Davis, Managing Director of our Namibia and Lesotho businesses. Bryan brings with him over 40 years of experience in the FMCG sector having worked in wholesale and retail in Botswana, Namibia, Lesotho, South Africa and India. We are confident that Bryan will bring additional insights to the Board as we continue our expansion in Namibia and Lesotho.

We completed our annual Board evaluation during the year and are confident that our Board is appropriately constituted to continue to add value to our business in accordance with the principles of good corporate governance. Our commitment to Board independence and corporate governance is illustrated through 5 of our 8 Directors being independent.

I would like to thank all our dedicated employees, at a regional and national level for their hard work and commitment to our Group. I also acknowledge the diligence and perseverance of my fellow Board members and the executive management team. A sincere thank you for striving towards and obtaining

an improved financial performance and providing an extensive range of offerings for our customers. Lastly, I thank our customers, investors and stakeholders for their continued support and dedication to our Group.

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 Friday, 26 October 2018.

Dr. PHK Kedikilwe, PH, NYB  
Chairman







## FARM FRESH fruit & vegetables

For a balanced,  
healthy lifestyle

✓ healthy ✓ fresh ✓ well priced

Sefalana Fresh Produce (Pty) Ltd delivers farm fresh fruit & vegetables to our stores on a daily basis.

This year we made strides in improving our fresh produce in store, procuring from local farmers wherever possible.

**4**  
Years **4**  
of being  
*Awesome*

# Group Managing Director's Report



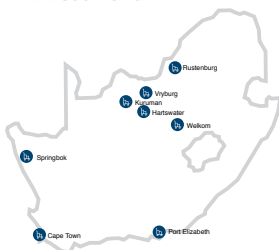
Our diversification into neighbouring countries over the last four years has helped us maintain the Group's overall performance. Our most recent entry into the South African market has resulted in a sizable contribution to the bottom line results for the current year.



### Our entry into the South African market

**P33m** return on investment

Sefalana invested R250 million and will earn a fixed annual return of R50 million for five years, at which point we will have the option to convert this investment into a 30% equity stake in the consortium.



One lucky Sefalana customer won an all expense paid Budweiser trip to Russia to watch the FIFA world cup.



We are now into our second year of operation in Lesotho and are making good progress. We generated a respectable level of profit and during the year opened our second store in Maseru.

**15**  
STORES

We broadened our relationship with Botswana Post, offering Post Office kiosks within our stores.

Botswana Post kiosks in select Sefalana stores offers our customers the ultimate one-stop-shop service.



Profit before tax was P232 million, up 34% on the prior year

**34%** ↑

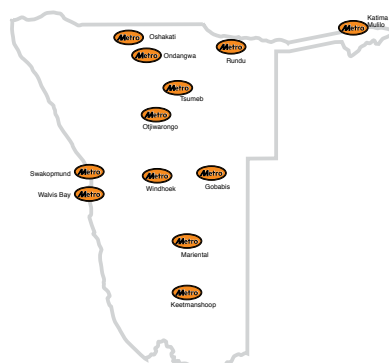


**1st**  
TO MARKET



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.

Despite strained macro-economic indicators, we continue to grow in Namibia by providing our customers with on-going enhanced product offering.





## Group Managing Director's Report (continued)



Our stores - Metro Namibia



House Brand Range



We now have 16 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.

### Financial results of the Group – overview

This time last year we reported that we had experienced one of the most difficult years of trading for some time. This was largely driven by a depressed level of spending in the local economy, however we were hopeful there would be signs of recovery. We undertook to focus on cost saving initiatives and to continue to extract value from our well diversified group of businesses across the Region.

We are pleased to report that through this approach, we have been able to close this year on a very positive note. We are confident that our shareholders and potential investors will be pleased with our performance and will be enthused with the forward-looking prospects of our business.

Overall the Group generated a profit before tax of P231.7 million for the year ended 30 April 2018 representing a 34% increase compared to the comparative year to 30 April 2017 ("the prior year") and a total comprehensive income of P189.1 million representing a 21% increase on the prior year.

### Our focus on the Region

With the economic challenges experienced in the local market, our diversification into neighbouring countries over the last four years has helped us maintain the Group's overall performance. Namibia continues to grow and generate enhanced profitability. Lesotho, despite its political climate, is also already showing positive growth. Our most recent entry into the South African market has resulted in a sizable contribution to the bottom line results for the current year.

We outline our experience of the general trading environment in each country below. Additional detail is provided under the respective segments later in this report.

### Our entry into the South African market

At the half year, we reported that we had concluded our investment into a South African consortium with an effective date of 1 July 2017. Under this transaction, Sefalana invested R250 million and will earn a fixed annual return of R50 million for five years, at 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.



Our Cash and Carry store in Maseru, Lesotho

We operate in a very low margin environment in Lesotho and therefore look to improve the profitability of this business through top line growth and by offering our customers an excellent service.

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 had been working on this transaction for over 18 months and had to ensure it was structured in a manner suitable for us. This structure allows us a five year period to determine our appetite for the South African market and during that time provides us with a solid guaranteed return. We are pleased to report that this consortium is performing well and that almost one year into its operations, the future prospects remain very positive. The reported results therefore include P33 million of income pertaining to this investment representing ten months return since 1 July 2017. This has been recorded under “investment income” within the inter-segment category.

#### Namibia

There appears to be some strain in the Namibian economy, and indeed we have noted less 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 16 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. In late 2017 one of our stores in Swakopmund burned down. We are fully insured and protected against this event.

#### Lesotho

We are now into our second year of operation in Lesotho and are making good progress. We generate a respectable level of profit and during the year opened our second store in Maseru. The political climate has been somewhat volatile at times but this has not had a significant adverse impact on our business.

#### The Botswana environment

The difficult trading conditions experienced in the previous financial year unfortunately extended into the current year. Government spending remained significantly lower than in previous years and consumer spending continued to be cautious. This economic environment has put pressure on a number of industries in Botswana, some of which have responded with a reduction in employees in an attempt to reduce fixed overheads. We are proud to report that we have still not had to carry out large retrenchment programs as we are optimistic that the economy will show signs of recovery over the next 12 months.

## → Financial Highlights

Revenue was **P4.8 billion** – up 12% on prior year

**12%** ▲

Earnings before interest, tax and amortization ("EBITA") was **P199 million**, up 14% on prior year

**14%** ▲

Profit before tax was **P232 million** – up 34% on the prior year

**34%** ▲

We continue to focus on our core segments, primarily the FMCG business and are happy to report the opening of four new stores during the year. Further details have been provided under the Trading - consumer goods section of this report.

In the meantime, we have embarked on an overhead cost reduction program, streamlined processes where possible and re-negotiated input prices with service providers. We continue to focus on our core segments, primarily the FMCG business and are happy to report the opening of four new stores during the year. Further details have been provided under the Trading - consumer goods section of this report.

Our manufacturing businesses are heavily dependent on Government tenders, and to the extent that there have been delays in the awards of the annual tenders, this has adversely impacted us. We have however, managed to maintain a good level of profitability at both our Foods Botswana Milling and Beverages operations through focusing on growing our house brand product range.

### 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

#### Botswana operations

Sefalana Cash & Carry Limited contributed 54% and 23% of the Group's revenue and profit before tax for the year, respectively. Turnover amounted to P2.6 billion, which was

3% up on the prior year. We experienced increased pressure on margins in both our wholesale and retail operations as we strive to remain competitive. Overall profitability for this division fell significantly. Efforts are being made to limit the impact of these pressures as we anticipate restored market conditions and improved results in the ensuing year.

At the beginning of the financial year, Sefalana operated 3 Hyper Stores ("Sefalana Hyper"), 25 Cash & Carry stores ("Sefalana Cash & Carry") and 23 supermarket retail stores ("Sefalana Shopper") across the country, giving the Group a total of 51 stores in Botswana. During the year, we expanded our national footprint through the opening of additional Sefalana Shopper retail stores in Mogoditshane and Tlokweneng and a new Sefalana Liquor store in Nkoyaphiri. We also opened our first new Hyper store in almost 20 years, in Mogoditshane. Subsequent to the year end we opened an additional Sefalana Shopper in Letlhakane.

We have taken a cautious approach to new store openings over the last three years as we recognise the saturation levels in the market, and have tried to avoid increasing our overhead costs in any particular area where the market size remains unchanged. Where we are present, we 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. An update on some of these initiatives is as follows:

#### Botswana Post Kiosks in-store

In the previous year we broadened our relationship with Botswana Post, offering Post Office kiosks within our stores.



Total comprehensive income for the year was  
**P189 million**, up 21% on the prior year

**21%** ▲

A final dividend of 23 thebe is to be paid  
to our shareholders

**23t**



Mr. Chauhan handing over a 5-year long service award to Mr. Osman

This allows our customers the benefit of collecting pensions, transferring money, vehicle licence renewals and payment of bills, all at the convenience of shopping in our stores. At the start of the current financial year, four of our main stores in Gaborone provided this service. During the year, we extended this service 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. We look to increase this offering to 20 stores within the next 12 months.

[www.sefalanaonline.com](http://www.sefalanaonline.com)

We launched Botswana's first FMCG online shopping site just over two years ago and were delighted to be front-runners in the market with this offering. Initially, the online service was only offered to our customers in and around Gaborone. In November 2017, we extended this service to Francistown and Maun where our customers in the area requested that we also offer this service to them.

#### Sefalana Mobile App

We noted that the online shopping site was accessible to those with computers but that there were a number of customers who preferred to use their phones to transact. This has been an emerging trend in other parts of the world too. We therefore were very pleased to once again be first to market with our very own phone app that is available to both Apple and Android users. The App can be downloaded for free. Over 32 000 products are available on this application and all in-store specials are accessible too. The App is easy to navigate

and provides customers with another convenient way to shop with us. Botswana Post continues to be our partner in both these services ensuring delivery within 24 hours of placing an order. FNB provides the safe and secure platform so our customers can transact resting assured that their personal details are protected.

#### RCS credit facilities


During the year we introduced a credit facility platform to our customers in partnership with RCS (Retail Credit Solutions). We have launched this in our three Hyper stores and Shopper Orapa to enable the purchase of high value items such as appliances and electronics. This offering has proved to be very popular in the market and we look to extend this to other stores in the ensuing year.

#### Sefalana Rewards

We launched our customer loyalty scheme, Sefalana Rewards, in November 2016 which has been well received by our customers. This loyalty program allows customers to earn "Sefbacks" on all purchases through giving back a percentage of the purchase value to our customer in the form of points that can be redeemed for cash discounts at any time.

With over a year of transactions captured using this tool, we can now better understand customer buying behaviour, which allows us to tailor our offerings and promotions to suit individual tastes and preferences. The number of active users has significantly increased and we look to secure even further participation in the coming year.

## Group Managing Director's Report (continued)



Our Facebook page "Sefalana Trading" continues to gain popularity with over

**54 000**  
followers

from a mere 2 000 followers at the start of 2016.



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.

### "Sefalana Trading" - our Facebook page

Our Facebook page "Sefalana Trading" continues to gain popularity with over 54 000 followers, from a mere 2 000 followers at the start of 2016. Through this platform, we are able to provide real-time customer engagement, enabling us to communicate and resolve issues faster, keeping our customers content.

We appreciate our followers and continue to keep them up to date with the latest news, trends and promotions at Sefalana. All videos posted on our Facebook page are linked to our Sefalana Trading YouTube channel for direct viewing and download.

In our efforts to be further accessible to our customers, we are present on both Twitter and Instagram as Sefalana Trading. This allows our customers to "follow" us and stay up to date with the latest activities at Sefalana.

### Metro (Sefalana) Namibia

Metro Namibia contributed 32% and 23% of revenue and profit before tax for the year, respectively. Turnover amounted to P1.5 billion, a growth of 15% on the prior year. Profit before tax amounted to P54 million, up 19% 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. No new stores have been opened as our focus has been the refurbishment and expansion of several existing stores, together with the relocation of our Windhoek head office and cash & carry.

As previously reported, our lease for our head office which also included a Cash & Carry outlet came to an end in June 2018. A suitable property was purchased and the head office successfully relocated in June 2018. The Cash & Carry was moved to a rented property adjacent to the new head office. This move will result in substantial rental savings going forward.

The Swakopmund store that burned down during the year is being restored in the coming year. 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 4 years and look back at this investment as a very successful one.

### Sefalana Lesotho

We have now been operating in Lesotho for a year and a half. We are delighted to have built a strong presence in the market in a very short space of time. Turnover of P388 million has been achieved for the year, contributing 8% of total Group revenue.



## Sefalana Group Structure

### Operating Divisions



## Group Managing Director's Report (continued)



We are currently developing plans to house the MAN, Tata and Honda dealerships at one location in Broadhurst where we will be giving the building a refreshed look and feel.

The segment achieved an EBITA of P9.5 million for the year, and a profit before tax of P2.1 million after taking into account finance charges. This is a significant improvement on the loss of P5.6 million experienced in the first six months of trading since acquisition. We operate in a very low margin environment in Lesotho and therefore look to improve the profitability of this business through top line growth and by offering our customers an excellent service. We opened our first liquor store in Lesotho in early 2018 and will continue to identify and evaluate suitable locations for further store openings.

### Trading – others

This segment which consists of Commercial Motors (Pty) Limited ("CML") and Mechanised Farming (Pty) Limited ("MFL") contributed 3% and 9% to Group turnover and profit before tax, respectively. This is therefore a relatively small Group segment.

CML historically relied on tender business, and over recent years has been focusing on growing its private sales as a result of a general decline in tender activity. During the year, the business secured the sale of a number of vehicles to the private sector thereby improving its performance compared to the prior year.

We are currently developing plans to house the MAN, Tata and Honda dealerships at one location in Broadhurst where we will be giving the building a refreshed look and feel. The building will also be extended to provide the dealership with better visibility and access. This will provide us with additional efficiencies and provide a better customer offering.

MFL continued to bear the strain of limited rainfall and reduced Government subsidies to farmers. This has negatively impacted the entity's performance resulting in a decision by the Board to rationalise some of the retail activities of the business.

The focus is now on the supply of equipment to Botswana Railways 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.

An agreement was entered into in 2016 with Botswana Railways to supply eight locomotives. We are pleased to report that these were supplied during the year and the margin generated on this transaction has contributed to the improved performance of this segment. We continue to support the operations of Botswana Railways through the management of tools and spares required for the locomotives. During the year, the Group acquired the minority shareholding of the MF Group which is now a wholly owned subsidiary.



A happy team - Sefalana Hot Deli staff



House Brand Range



A greater level of profitability was achieved as compared to the prior year, mainly due to short term orders placed by Government and growth of our house brands within the Beverages division.

### Manufacturing

This segment consists of Foods Botswana (Pty) Limited ("FB") and contributed 5% and 9% to Group turnover and profit before tax for the year respectively. A greater level of profitability was achieved as compared to the prior year, mainly due to short term orders placed by Government and growth of our house brands within the Beverages division.

### Milling Division

During the year FB completed the supply of the previous year's Government tender 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.

After the year-end, a four month supply contract was awarded to FB as we await the invitation to tender for the 2018/19 contract. 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 to be able to deliver the full tender quantities should this be awarded to us.

### Beverages Division

FB was awarded the Government milk tender during the year and manufactured and supplied for 10 of the 12 month period. Supply continued to the end of April 2018. An additional two month contract was awarded to us in May 2018. During the year we experienced some shortages in the supply of raw milk from South Africa but we were able to manage this through focusing on delivering to the Government tender requirements at the expense of private brand production. This supply constraint has now fallen away and we are able to once again focus on the Delta Fresh and A Star range of milk in both the full fat and reduced fat variety. We now await the outcome of the evaluation of the 2018/19 annual milk supply tender. We are hopeful that having successfully supplied to the previous tender, we will be seen to be the best suited, reliable supplier for the forthcoming contract.

We also expect to commence the manufacture of juice in late 2018. This will require some modification of the manufacturing site to ensure the processes for milk and juice remain independent where necessary.



## Group Managing Director's Report (continued)



A farewell tribute to Mr. Hans Kampman from our Group MD - Mr Chandra Chauhan



House Brand Range

On 28 February 2018 Hans Kampmann resigned from the Group as Managing Director of the Sefalana Cash and Carry business. We would like to thank Hans for his significant contribution towards the growth of the business over the 19 years with the Group and wish him all the best for the future.

### 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 three and seven years.

The KSI property development of 5,000 sqm of warehouse space continues to be virtually fully let with on-going demand for the site. Towards the end of 2017, we commenced the development at four plots at our Setlhoa site. This includes a flagship Sefalana Shopper store together with a service station and other amenities for our valued customers. We anticipate this new store to open in late 2018. The store will offer a wide range of products and service lines.

#### Zambia property

Following the significant increase in supply of warehouse and office space in Lusaka over the last 18 months, two of our largest tenants found alternative premises in April 2017. It has since proved challenging to secure replacement tenants. Nonetheless, we are actively searching for tenants and are hopeful that a suitable solution will be identified in coming months. Performance by this segment is therefore below that of the previous year.

#### Namibia property portfolio

During the year, a new head office property was purchased in Windhoek for N\$42 million. No significant development has taken place on the site for a Cash & Carry as an alternative rented property was identified adjacent to the head office. This now allows us to spend the anticipated N\$50 million on warehouse space that can be let out to third parties. We are pursuing this option and identifying suitable long term tenants before a decision is made on the nature of the development. We are therefore growing our property portfolio in the country to diversify the income stream where property has been seen to significantly hold its value.

### Prospects

Our focus will continue to be on our core segments that generate strong returns for the Group. We identified the need to expand into the Region and have successfully done this through a careful and cautious expansion plan into three countries over the last four years, taking into account the impact of the various macro-economic environments and also considering the foreign exchange risk of retranslation of returns.





Delivery of locomotives for Botswana Railways



Metro Namibia Managing Director - Mr. Bryan Davis



House Brand Range



On 1 June 2018, Bryan Davis, our Managing Director of the Namibia and Lesotho business joined the Board.

We have made a success of our entry into Namibia and Lesotho. Our expansion into South Africa is already elevating the Group's profitability. We are optimistic about this new territory and look to continued success in our Regional expansion strategy. We are proud to be leaders in Cash & Carry in Botswana, Namibia and Lesotho and will continue to ensure we provide the market with the best possible offering. We are also growing our Retail business and establishing a strong presence in the local market as Sefalana Shopper now increasingly becomes a store of choice for the Botswana market.

#### Directors

On 28 February 2018 Hans Kampmann resigned from the Group as Managing Director of the Sefalana Cash and Carry business. We would like to thank Hans for his significant contribution towards the growth of the business over the 19 years with the Group and wish him all the best for the future.

On 1 June 2018, Bryan Davis, our Managing Director of the Namibia and Lesotho business joined the Board.

#### Dividends

On 26 July 2018, the Board of Directors of Sefalana Holding Company Limited declared a final gross dividend of 23 (twenty three) thebe per ordinary share. The final dividend will be paid net of applicable withholding taxes as required under the Income Tax Act of Botswana, on or about Friday 31 August 2018 to all Shareholders registered in the books of the Company at the last date to register, being close of business on Friday 17 August 2018.

CD Chauhan  
Group Managing Director





Delta Fresh has been well received by the market and is increasing in popularity. We recently introduced the 2% low fat and skim milk range and look forward to a flavoured milk range next year.





# Group Finance Director's Report



This year was a year of truly thinking outside the box!

Sefalana invested R250 million in a South African consortium as a preference shareholder entitled to a 20% annual return with an option to convert this investment into an equity stake after five years. This gave Sefalana a guaranteed return from inception.



Our Lesotho business has generated a profit in its first 18 months of trading



We launched RCS (Retail Credit Solutions) in our 3 Hyper stores and Shopper Orapa to enable the purchase of high value items such as appliances and electronics on credit



**We received our first R50 million preference dividend from our South African investment. For the year under review, ten month's worth of return has been accrued. This P33 million contribution has significantly boosted our Group profit for the year beyond our previous target of P200 million.**

Our UHT milk plant is now fully operational. We have had to carry out a full service and maintenance on the plant since we took over. This has cost us around P3 million which is in line with what we had estimated at the time we purchased the plant.



We are pleased to report our best ever set of results this year with a profit before tax of P232 million, 34% up on the prior year!



**1st**  
TO MARKET



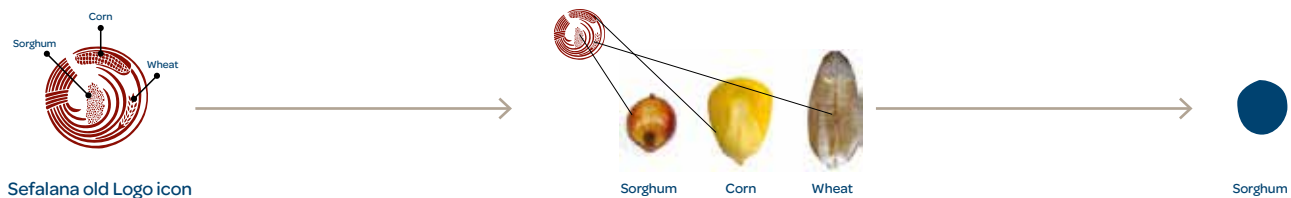
Sefalana Mobile Shopping App allows customers to shop using their smart phones from anywhere, anytime. Sefalana is the first local retailer to offer this service.

During the year, a decision was made to take full control of Sefalana Fresh Produce (Pty) Limited and enable it to operate as a 90% subsidiary of Sefalana Holding Company Limited. This independence has not only allowed the company to become a profitable business but has improved both quality and cost of fresh produce being supplied to our stores.





As previously reported, we undertook a brand refresh exercise in 2016 with the primary objective of consolidating and enhancing the already strong Sefalana brand that has been built up over 44 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.



Our lucky winners in our Sefalana Cash & Carry Birthday Promotion where 10 tractors were given away



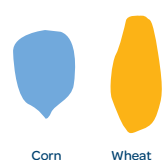
The light blue (of the Botswana flag) recognises our roots as a true Botswana company, with the majority shareholding in the hands of our people.



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.



Logo Transition



## Group Finance Director's Report (continued)



One of the retail chains owned by the South African consortium



House Brand Range



Competition continued to be strong in the Botswana economy and we were forced to respond by reducing margins accordingly. Every 1% reduction in gross margins reduces profitability by between P25 million and P30 million.

### This year was a year of truly thinking outside the box!

We started off the year behind plan as a result of the on-going difficult trading conditions experienced over the preceding 18 months. Competition continued to be strong in the Botswana economy and we were forced to respond by reducing margins accordingly. Every 1% reduction in gross margins reduces profitability by between P25 million and P30 million. In the Botswana FMCG sector this is specifically what resulted in performance being well below what we had hoped for.

We focused on maximizing the return from our manufacturing segments. These businesses have been well established and over the years we have built up a very strong offering that the market enjoys. We ensured we had minimal down time and that we carried out smart procurement of commodities. This enabled us to deliver Government orders on time, and also allowed us to grow our branded product range.

Our UHT milk plant is now fully operational. Since we took over the plant three year ago, we have had to carry out a full service and maintenance on the plant. This has cost us more than P3 million which is in line with what we had estimated at the time we purchased the plant. We are now fully equipped to deliver very easily on any Government order whilst at the same time develop our branded products. The Delta Fresh brand has been well received in the market and demand continues to grow.

Our Namibian business continues to show significant growth and despite signs of strain in that economy we are holding our position strong and still experiencing significant growth and profitability. This was a very successful investment that we financed through a Rights Issue which was significantly oversubscribed. We are pleased to have tripled the profitability of this business in just four years.

Our Lesotho business has generated a profit in its first 18 months of trading and promises to continue to generate additional profits for the Group. We strategically increased our presence in Maseru with an additional store during the year.

We also embarked on an overhead cost reduction exercise to ensure we were operating as efficiently and effectively as possible. This is expected to yield an annual saving of around P10 million going forward.

### Finding the best way to enter into the South African market

Whilst focusing on extracting as much value as possible from the most significant parts of our Group, we had always wanted to have a presence in South Africa. The country has the benefit of a population of around 56 million compared to the territories that we are operating in, each with only around 2 million people. Consumer spending is still very strong despite the poverty levels and the relatively unstable political arena. With the global retailers having a dominant presence in South Africa, the model for entering into this country needed to be well thought out and robust.





The day we met with our consortium partners in Johannesburg to sign the preference share agreement



House Brand Range



The South African Consortium is operating well and now already owns 14 stores across the country. There are a number of additional stores we anticipate acquiring in the forthcoming year with a long term objective of 100 stores over a ten year period.

We therefore embarked on discussions with our Buying Group in Johannesburg from whom we have been procuring products for many years. This Buying Group also had ambitions of vertically integrating their business and operating retail and wholesale stores across the country. Discussions progressed well and both parties soon identified and articulated common objectives. During the course of 18 months, we met frequently and continued to strategize on the best way to obtain a significant presence in South Africa and to be sufficiently competitive to be able to compete with the giants in the Industry.

For us to execute this strategy a Consortium of players would need to come together. We brainstormed and shortlisted the best contenders each to bring to the table a different and unique proposition. Sefalana would contribute the large part of the funding at R250 million and would offer its 40 years of sector experience; others would bring additional funding, ready made businesses and relationships with target chains.

With the model clear and the participants finalized we then needed to arrive at a structure that would satisfy every party involved. Through constant negotiations and at times frustration that would have broken the deal, we finally arrived at a winning solution.

Sefalana would invest the R250 million as a preference shareholder entitled to a 20% annual return with an option to convert this investment into an equity stake after five years. This would give Sefalana a guaranteed return from inception without bearing the direct risk associated with entering the market on our own. It would also allow us to test the market for five years and to determine if this was indeed a territory in which we wanted to continue to have a presence.

To fund this exciting investment, we once again went to the market through a Rights Issue. This was also significantly oversubscribed illustrating the confidence shown by our Shareholders in what we do.

The Consortium is operating well and now already owns 14 stores across the country. There are a number of additional stores we anticipate acquiring in the forthcoming year with a long term objective of 100 stores over a ten year period.

On 1 July 2018, we received our first R50 million preference dividend. For the year under review, ten month's worth of return has been accrued. This P33 million contribution has significantly boosted our Group profit for the year beyond our previous target of P200 million.

We are pleased to report our best ever set of results this year with a profit before tax of P232 million, 34% up on the prior year!

## Group Finance Director's Report (continued)



It became clear that Regional expansion was critical and that we needed to select the target markets carefully.

### Executing our Group Strategy



#### So how does all this tie into our Group Strategy?

In 2013, the Board of Directors met to formulate a five year strategy given the onset of difficult trading conditions in the Botswana market. The Board recognized the saturation levels in the 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.

It became clear that Regional expansion was critical and that we needed to select the target markets carefully. The Group is keen to maintain the highest levels of corporate governance and therefore it was essential that the manner in which business is carried out in the various potential countries was fully understood before an investment decision could be made.





We launched Botswana's first FMCG online shopping site just over two years ago and were delighted to be front-runners in the market with this offering. Initially, the online service was only offered to our customers in and around Gaborone. During the year we extended this offering to Francistown and Maun.

A summary extracted from our Strategy Balanced Scorecard is shown below, with a synopsis of how we have responded to this and how this has translated into shareholder value in the current year.

Strategic objective	Strategic initiatives	Impact on the current year
<b>Optimise Profit Before Tax</b>	<ul style="list-style-type: none"> <li>➤ Improve supply chain management</li> <li>➤ Grow customer base</li> <li>➤ Improve pricing information</li> </ul>	<ul style="list-style-type: none"> <li>➤ Bought out the minority shareholders in the fruit and vegetables business thereby taking control of this supply chain in-house</li> <li>➤ Extension of the Delta Fresh brand to the 2% and low fat variants</li> <li>➤ Carried out market survey to better understand our customer base</li> <li>➤ Implementation of a Business Intelligence tool</li> </ul>
<b>Translate profit into real cash</b>	<ul style="list-style-type: none"> <li>➤ Developing and implementing a cash management plan</li> <li>➤ Monitoring optimum debt levels</li> <li>➤ Optimising stock holding levels</li> </ul>	<ul style="list-style-type: none"> <li>➤ Surplus cash is invested in money markets and other short term investments to maximize return</li> <li>➤ Debt to equity levels are maintained at less than 10%</li> <li>➤ Stock holding was evaluated at all sites and actively managed to ensure optimization at both a store and an organisation level</li> </ul>
<b>Enhance real growth in EPS</b>	<ul style="list-style-type: none"> <li>➤ Extract value from all areas of the business</li> </ul>	<ul style="list-style-type: none"> <li>➤ EPS increased 31% year on year</li> </ul>

## Group Finance Director's Report (continued)

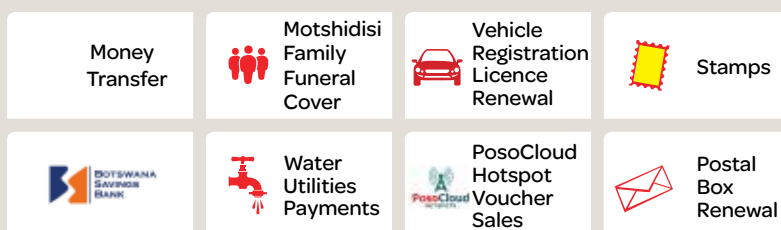


Launch of our Sefalana Shopping Mobile App



Online shopping was extended to the North of Botswana and the Phone App was launched to all smart phone users

Strategic objective	Strategic initiatives	Impact on the current year
<b>Increase revenue</b>	<ul style="list-style-type: none"> <li>➤ Organic growth</li> <li>➤ Acquisition growth</li> <li>➤ Improved customer offering</li> </ul>	<ul style="list-style-type: none"> <li>➤ Four additional stores opened</li> <li>➤ Lesotho store acquisition late in the previous year generated a full year's contribution in the current year</li> <li>➤ Loyalty card and other promotional activities</li> <li>➤ Extension of the online shopping site to Francistown and Maun</li> <li>➤ Launch of the Mobile Phone App</li> </ul>
<b>Retain and grow customer base</b>	<ul style="list-style-type: none"> <li>➤ Implementation of brand and marketing strategies</li> <li>➤ Monitor customer behavior</li> </ul>	<ul style="list-style-type: none"> <li>➤ Appointed additional resources in the Marketing team</li> <li>➤ Loyalty card promotions</li> </ul>
<b>Grow regional presence and brand</b>	<ul style="list-style-type: none"> <li>➤ Develop and execute Regional expansion plan</li> </ul>	<ul style="list-style-type: none"> <li>➤ Entry into the South African market</li> </ul>
<b>Create innovative solutions and services</b>	<ul style="list-style-type: none"> <li>➤ Loyalty program</li> <li>➤ Online shopping website</li> <li>➤ Mobile Phone App</li> <li>➤ Botswana Post counters in-store</li> </ul>	<ul style="list-style-type: none"> <li>➤ Progress and development of each of these initiatives. We now have over 105 000 active loyalty customers, online shopping was extended to the North of Botswana, the Mobile Phone App was launched to all smart phone users and additional Botswana Post kiosks were rolled out</li> </ul>



In partnership with



\*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

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.

Strategic objective	Strategic initiatives	Impact on the current year
Improve process efficiencies	<ul style="list-style-type: none"> <li>➤ Constant evaluation of processes and procedures to remove inefficiencies</li> </ul>	<ul style="list-style-type: none"> <li>➤ Further restructuring of our Botswana FMCG business into two separate Wholesale and Retail divisions, through appointing a Head for each of these segments</li> </ul>
Empower people	<ul style="list-style-type: none"> <li>➤ Encourage innovative idea generation from staff of all levels</li> <li>➤ Career development and opportunities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Appointment of Head of Wholesale and Head of Retail</li> </ul>
Develop a skilled and flexible workforce	<ul style="list-style-type: none"> <li>➤ Develop customized training programs</li> <li>➤ Develop and encourage job rotation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Significant time and money put into training our staff. Sefalana has become known for its training programs</li> <li>➤ Sponsorship of a number of BICA students</li> </ul>
Create a robust and sustainable management team	<ul style="list-style-type: none"> <li>➤ Develop a Board approved organizational structure</li> <li>➤ Develop management and leadership programs</li> </ul>	<ul style="list-style-type: none"> <li>➤ 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</li> <li>➤ Leadership programs are being carried out on an on-going basis</li> </ul>

So how has our Strategy impacted on the key areas of performance:

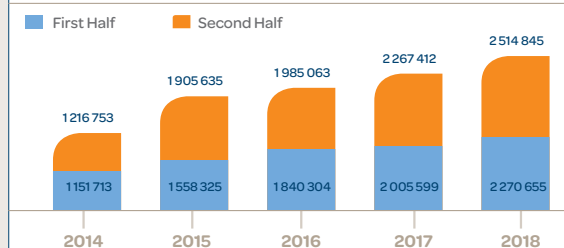
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## Revenue

has more than doubled in 4 years and was up 12% on the prior year

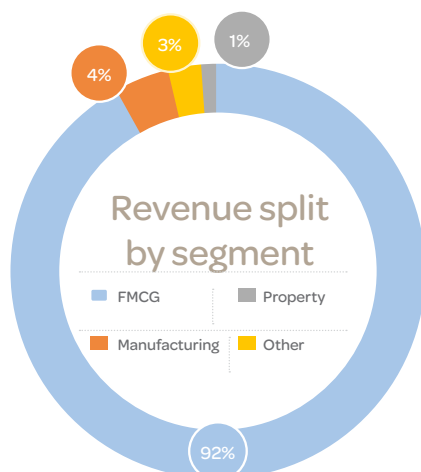
We have seen a significant growth in revenue over the last four years since we ventured into the Region. In 2014 revenue was P2.4 billion. We are pleased to report the current year turnover of P4.8 billion.

### Revenue (P'000)



Revenue was **P4.8 billion** – up 12% on prior year

**P4.8b**



The Botswana FMCG sector year on year only increased by 3%, whereas Namibia increased by 15%. The Lesotho acquisition took place part way through the previous year and therefore turnover generated in that country increased by 151%. The manufacturing business is largely dependent on Government tenders and the timing of those tenders resulted in a 6% drop year on year from that segment.

We have therefore managed to shelter the strain experienced in the Botswana market through focusing on growing the top line in the Region. We are optimistic however, that we will see some improvement in the Botswana market in the ensuing year as the economy shows signs of recovery.

## 2

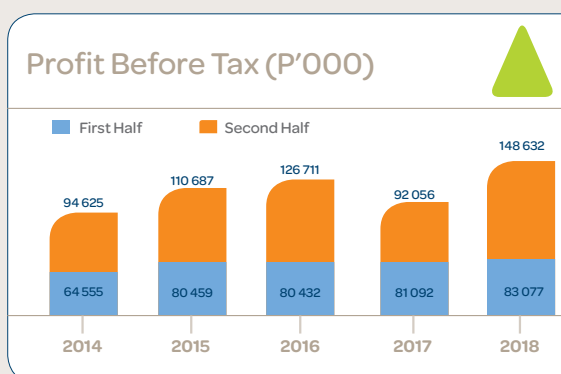
## Segmental profitability

Profit before tax up 34% and is back on track

Through our continued focus on our core businesses, we were able to get back on track with our upward trajectory in year on year earnings.

Our Sefalana Cash and Carry business took the most significant strain and generated 30% less profit at P53 million. This was as a result of the 1% reduction in the gross margin.

### Profit Before Tax (P'000)



Profit before tax was **P232 million** – up 34% on the prior year

# P232m

Our Namibian business generated a profit of **P54m** which was 19% up on the prior year



# P54m





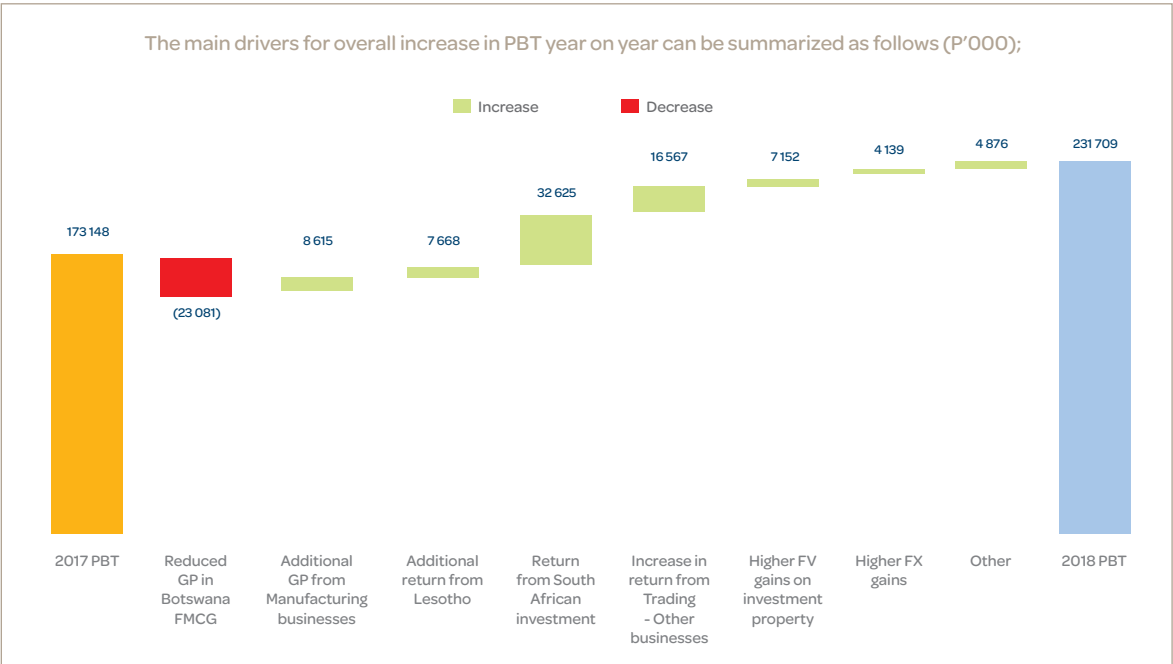
# Group Finance Director's Report (continued)



Our manufacturing business managed to secure additional orders and maximize margins and closed the year with a profit of P21 million as compared to P6 million in the previous year.

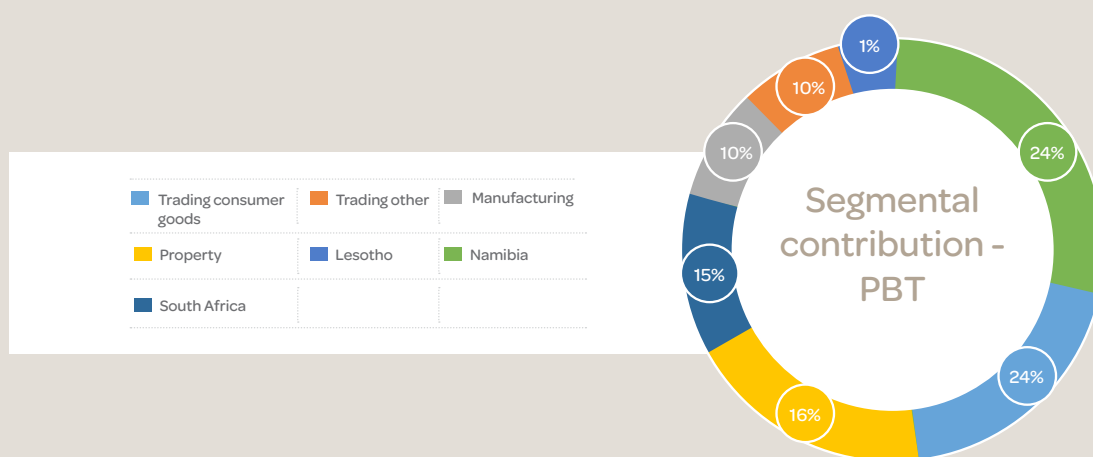
Our Namibian business generated a profit of P54m which was 19% up on the prior year. We continue to be the market leader in Namibia and anticipate opening further stores in the coming year.

Significant this year was the return on our investment in South Africa at P33 million, representing ten months return. We look forward to a full year's return next year and for the subsequent years in our initial five year investment period.





One of our retail outlets owned by the South African Consortium



#### Analysis of segmental results

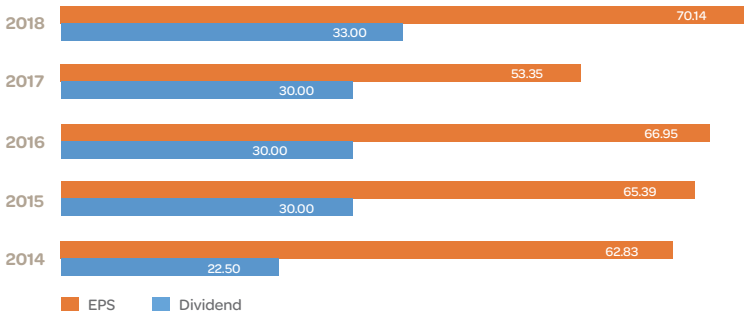
P'million	Revenue			PBT		
	2018	2017	Movement	2018	2017	Movement
Trading consumer goods	2 564.6	2 485.8	3%	52.8	75.6	(30)%
Trading – other	130.1	118.0	10%	21.6	5.1	324%
Manufacturing	215.8	228.5	(6)%	21.1	5.8	264%
Property	45.4	49.2	(8)%	36.4	39.8	(9)%
Namibia	1 549.7	1 345.8	15%	53.8	45.3	19%
Lesotho	387.8	154.6	151%	2.1	(5.6)	(138)%
South Africa				32.6		
Inter-segment	(107.9)	(108.9)		11.3	7.1	
	<b>4 785.5</b>	<b>4 273.0</b>	<b>12%</b>	<b>231.7</b>	<b>173.1</b>	<b>34%</b>

# 3

## Shareholder value and return

Our underlying objective is to maximize shareholder return and we have consistently managed to do this for a number of years. We pride ourselves in returning on average 47% of earnings in the form of dividends to our Shareholders. In years where performance has been somewhat strained, we have managed to still maintain a similar level of return.

In the current year, we are pleased to have increased the year on year dividend payment by 10% at 33 thebe per share.



A total dividend of 33 thebe was paid to our Shareholders - up 10% on prior year.

33t



# 4

## Balance sheet strength

We are pleased to report that we continue to maintain a very strong balance sheet with minimal debt. This in our view is critical where the business is significantly reliant on cash. We don't believe in placing the company under undue strain through cash flow constraints and therefore avoid excess debt where we can. We currently have debt of around P117 million which allows us sufficient headroom should we need to raise funding quickly.



Botswana Post kiosk at our Gaborone Hyper store

Our working capital ratio (defined as the relationship between current assets and current liabilities) was 2.11 illustrating our ability to be agile and 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.

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

Mohamed Osman  
Group Finance Director









## BAKERY corner

✓ fresh    ✓ well priced    ✓ variety

Sefalana Bakery corner  
offers breakfast bites and  
mouthwatering treats!

We prepare our own bread  
and other confectionery  
within our stores, providing  
customers with the best  
offering in the area.

4  
Years  
of being  
Awesome



# Our Values

We have refined our Values Charter over the years, adding on insights and activities that contribute towards the achievement of our goals which sets us apart from others in the Industry. Working with distinct cultures and communities in the different areas in which we operate has heightened our motivation to foster our values and promote the achievement of these through educating both our internal and external stakeholders on how to make a difference.



This year presented us with the opportunity to enrich and extend our Corporate Social Responsibility ("CSR") initiatives. Two years ago we established a CSR sub – committee with a primary objective of supporting those in need with sustainable income generating initiatives.

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.

# Corporate Social Responsibility Report

Working together to make a difference...

At Sefalana we pride ourselves on conducting business responsibly through working together and making a difference for our customers, our employees, the communities in which we operate and our environment. This is paramount to our success as a Group and in order to accomplish this, we take full responsibility for our actions and carefully consider the impact our business practices and the choices we make have on others; continuously ensuring our ethics and values are integrated into our business policies, practices, plans and generally, into everything we do.



## Our Strategic Intent

The Sefalana strategy is aligned with our core values as we work together to make a difference...

To be a diversified regional Group delivering superior shareholder value and return. This is to be achieved through growing from the core, expanding locally and regionally, empowering our people, driving high performance and continuously exceeding our customer expectations.





Our Board firmly believes that there is an imperceptible 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...

### Our Focus on CSR

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

#### Growing Sefalana for the Community

Key Consideration	Seizing new business opportunities to maximise Shareholder value
<p>Achieved through....</p> 	<ul style="list-style-type: none"> <li>➤ Focusing on our core businesses and providing our customers with a large range of offerings both in and out of our stores. In-store offerings include excellent customer service and transforming Sefalana into a one-stop-shop through the provision of other services such as Post Office counters and cellular data. The Sefalana Rewards loyalty scheme allows our customers to purchase more for less and benefit from loyalty promotions. Out of store offerings include an online and mobile shopping platform, continuously bringing us closer to our end consumer</li> <li>➤ focusing on obtaining strong rental streams through optimal letting of our premises and development of our Setlhoa and Windhoek sites</li> <li>➤ focusing on expanding our manufacturing businesses to include the manufacture of fruit juice and dairy blends later this year</li> <li>➤ Exceeding expectations through continuously identifying new opportunities for growth in our business</li> </ul>
Key Consideration	Expanding our store footprint for the Community
<p>Achieved through....</p> <p>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 four new stores in Botswana and one new store in both Namibia and Lesotho bringing the total number of stores across the region to 73. We also expanded into neighbouring South Africa through the investment in a consortium of stores. 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.</p>	

## 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. During the year we partook in an independent health and safety exercise that highlighted key risk areas at a store level and mitigations currently in place to prevent accidents. We are happy to report that our health and safety practices are active and well preserved. 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

## Key Consideration

## Attracting, retaining and developing the right people

## Achieved through....

our ability to identify suitable talent and provide the ideal working environment for our staff, providing opportunities for promotion and allowing them to fulfill 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.



## Key Consideration

## Maintaining the Sefalana Culture

## Achieved through....

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 its effectiveness.





## Corporate Social Responsibility Report (continued)

### Key Consideration

### Succession Planning

#### Achieved through....

the inclusion of succession planning as an integral part of our Board Charter – We believe it is crucial 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

### Key Consideration

### Advancement of strategic retail skills

#### Achieved through....

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 warrants 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.



### Key Consideration

### Feedback and Marketing

#### Achieved through....



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 and mobile 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. Continued focus has been placed on marketing this year 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.

One of our happy winners in the Sefalana Birthday promotion



House Brand Range

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.

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

1

Our People

2

Our Wealth Distribution

3

Our Community

4

Our Environment





# 1

## Our People

the backbone of our business...

Workforce distribution by country:



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 the regions in which we operate. We are proud to be regarded as an employer of choice with over 3200 employees across the Group.

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.



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 House Brand Range

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.

### 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

For the first time this year, our Metro business in Namibia offered internships to five students from the Namibia University of Science and Technology 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 Maccaulei 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 disabled 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 been offered to these students on completion of their studies with some students already employed at our Gaborone Hyper Store.

## Corporate Social Responsibility Report (continued)



Office Staff enjoying the amenities available at the Sefalana Head Office



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.

### Internal training and development programs

Management Development programs are offered to our staff with the objective of exposing apprentices 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 42 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. 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 is 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.



**Our new head-office continues to provide a more modern, roomier and fresher working environment that is enjoyed by our staff.**



Sefalana employees participated in the annual Diacore Gaborone City Marathon.



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. A performance management system is used as a means of rewarding our top performers who portray the potential for growth.

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.

During the year, over 240 Sefalana employees participated in the annual Diacore Gaborone City Marathon. Our team could be spotted from afar and surpassed all other running teams with their bright Sefalana t-shirts, caps and goodie bags. 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 where we operate in, 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.

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99%







During the year, over 240 Sefalana employees participated in the annual Diacore Gaborone City Marathon. Our team could be spotted from afar and surpassed all other running teams with their bright Sefalana t-shirts, caps and goodie bags. 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!





# 2

## Our Wealth Distribution

how we add value...

Every company within Sefalana contributes towards the overall CSR activities of the Group and giving a part of our wealth back to society. Sefalana Cash and Carry, our wholesale and retail business in Botswana and Namibia, is 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.

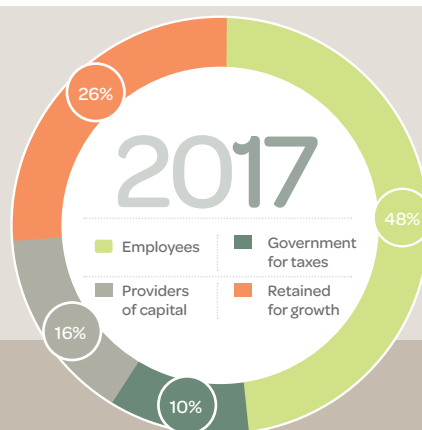
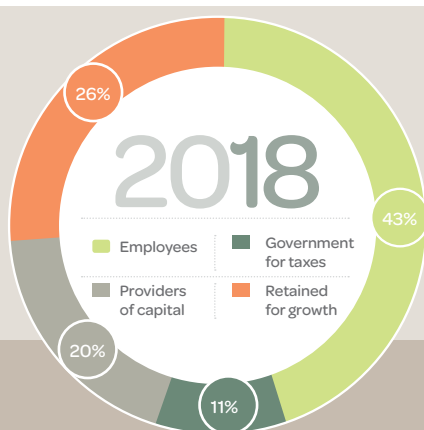
We protect our reputation, which holds our wealth, through our efforts to be a good corporate citizen. We remain steadfast in ensuring compliance with all applicable laws and regulations. Our trade is fair and transparent, giving the business community a long term partner that can be trusted and held in good faith. We are proud of the reputation we have built over the last 44 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		
	2018	2017
	P'000	P'000
<b>Wealth created</b>		
Revenue	4 785 500	4 273 011
Payments to suppliers and providers of services	(4 337 960)	(3 855 168)
Value addition	447 540	417 843
Share of results from associate and joint venture	(743)	636
Interest income from bank deposits	17 492	14 994
Dividends on preference shares	32 625	
Total wealth created	496 914	433 473
<b>Wealth distribution</b>		
To employees	211 410	206 891
To providers of capital (shareholders)	100 168	70 775
Government for taxes	54 035	44 845
Total wealth distributed	365 613	322 511
<b>Wealth retained in the business</b>		
To maintain and develop operations of the Group	131 301	110 962
Number of employees of the Group	3 287	3 126



Almost 50% 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.



# 3

## 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.

### 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. Furthermore, we work eagerly to be a one-stop-shop for our customers through providing postal services in store. 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 on our 'A Star' house brand of products, offering more than 40 different product variables to our customers and widening the range of products available to customers at competitive prices.

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.



In the last few years, we expanded on our 'A Star' house brand of products, offering more than 40 different product variables to our customers and widening the range of products available to customers at competitive prices.

Our online shopping site which was only available to customers in Gaborone was extended to include the Francistown and Maun areas, providing our growing online customer base with the ability to shop at a time convenient for them and allow for their goods to be delivered to a location of their choice within 24 hours.

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 pivotal 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.



## 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.

Sefalana was delighted to make a difference through the following initiatives...

HEALTH

### Journey of Hope



We assisted this NGO through a donation of P15 000 towards a Breast Cancer Awareness campaign.



## SPORTS

## Kau Nsala – Junior International Karate Championship



Sefalana was proud to sponsor the young Kau Nsala to take part in the International Junior Karate Championship held in Los Vegas, USA earlier this year. Kau gave an excellent performance and returned home with one gold and two bronze medals! Well done Kau – Sefalana wishes you all the best in your karate.

## EDUCATION

## Lesang Bana Care Centre



Through our joint annual Banner Group donation we selected the Lesang Bana Care Centre in Metsimotlhabe to receive P32 000. These funds went towards the upgrade of playground facilities for less privileged children.

### Leboshale Day Care Centre



P15 000 was donated to the centre in the form of goodie bags for the children.

### Oodi Primary School – Prize Giving ceremony



We contributed P15 000 towards the school's annual prize giving ceremony.



## Sepopa Primary School



Sefalana assisted with the refurbishment of the school library through a donation of P30 000.

## Gakutlo Primary School



Our Hyper Store served breakfast to the students of Gakutlo Primary School in efforts to reach out to nearby schools.

Itumeleng Primary School



Our Hyper Store served breakfast to the students of Itumeleng Primary School.

Elite Life Coaching

A contribution was made towards hosting a seminar for educating teenagers on substance abuse.

Lotsane Senior Secondary School

We contributed P15 000 towards the repair of student desks and classrooms.

Kgalagadi Primary School

IT equipment and plates to the value of P25 000 were sponsored to the school in efforts to improve their student facilities.

Hajji Gulam Mustapha Childrens Home

The Hajji Gulam Mustapha (HGM) children's home continues to be provided with a year's worth of food required for their orphanage. The Children's home was set up a number of years ago and is situated in Bontleng in Gaborone. The Home acts as an orphanage for less privileged children, offering them education, friendships and a family structure.



## Bosele Primary School



Sefalana head office staff donated sanitary pads to Bosele Primary School.

#### Filipino Association of Botswana

The Association received P10 000 towards furnishing a house for a less privileged family in Lentsweletau.

#### Botswana Society for Human Development

A Star food hampers were donated to less fortunate families in Mokoboxane Village in the Boteti District.

#### Assisting a customer

We were glad to aid a customer of ours in Kanye, Mrs Ruth Tonyane through the donation of a wheelchair.

#### Thapelo Olopeng Foundation

We supported this foundation through donating P15 000 towards Christmas Hampers for children in Tonota Village.

#### Gweta Floods

In order to assist those affected by the floods in Gweta earlier this year, we sponsored P50 000 in blankets as part of the disaster relief program.

#### Childline Botswana

Monthly food hampers from our Hyper Store are provided to Childline Botswana as a means of aiding their initiative to care for abused and under privileged children.

### ARTS

#### Botswana Blue Arts



Sefalana sponsored the local arts and craft organisation with P10 000 which went towards hosting a local culture show.

### IMPROVED LIVING

#### Mums to Mums



The Mums to Mums Group was formed by a group of mothers who have children with disabilities. Sefalana sponsored towards a graduation ceremony held for children with disabilities.

## OTHER

## Lucky Draw Competition



Our subsidiary, Commercial Motors (Pty) Limited held a draw on our Facebook page which enabled two lucky winners to ride away in their new Honda MSX125 motorbikes.

#### Tlhokomela Botswana Endangered Wildlife

P5 000 was donated towards a Global March for Elephant, Rhino and Lion conservation.

#### Lobatse Town Council

We contributed towards the celebration of 120 years of the Council. A milestone well achieved!



A number of other prominent initiatives have been approved by our CSR committee and will form part of our contributions in the 2019 financial year.





# 4

## 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.

### 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.

### Recycling

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 3 variants of Sefalana branded bags which are increasingly becoming popular with the ban on plastic bags being put in force in Botswana.





We continued the roll-out of converting our stores across Namibia to use solar power panels



House Brand Range



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.

#### Used cooking oil

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

#### E - environment

Our staff are encouraged to limit printing and use of paper wherever possible and are provided with all the necessary IT hardware and software to promote an e-environment. We strive towards a paperless environment for the future.

#### Head Office

Our new Head Office allows us to operate our management teams from fewer location thereby reducing our carbon footprint.

#### Energy saving lights

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

#### 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. Plans are currently underway to insert solar panels at our new Head Office during the coming year.

#### Sefalana branded bags



We are also actively promoting the use of reusable shopping bags through offering 3 variants of Sefalana branded bags which are increasingly becoming popular with the ban on plastic bags being put in force in Botswana.



Reginald Motswaiso

Dr Keith Jefferis

Mohamed Osman  
Group Finance Director

Chandra Chauhan  
Group Managing Director

# Corporate Governance Report

The Board endeavours to embed corporate governance principles in the corporate culture of the organisation so as to deliver sustainable development of the Group. The Group culture sets the norm for working practises and the business philosophy of the various businesses, in turn providing purpose and values to the organisation. 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 also applied the guidelines as entrenched in the revised Botswana Stock Exchange ("BSE") listing rules.

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



**Dr Ponatshego Kedikilwe**  
Chairman

**Elias Dewah**

**Keneilwe P Mere**

**Bryan Davis**  
Metro Cash and Carry  
Managing Director

### 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 Charters are carried out effectively, and that the Board and its committees are focused on relevant activities. 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 (2017: 11 233)
Mr Chandra Chauhan	12 871 200 (2017: 12 871 200)
Mr Elias Dewah	Nil (2017: Nil)
Mr Bryan Davis	Nil (2017: Nil)
Mr Keith Jefferis	34 804 (2017: 27 304)
Mrs Keneilwe Mere	Nil (2017: Nil)
Mr Mohamed Osman	179 753 (2017: 158 543)
Mr Reginald Motswaiso	322 620 (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 the Board bid farewell to Mr. Hans Kampmann, who served diligently as Managing Director of Sefalana Cash & Carry, a subsidiary company of the Sefalana group of companies, and was with the Group for over 19 years. The Board also welcomed Mr Bryan Davis, the Managing Director of Sefalana Cash & Carry Namibia who brings over 40 years of experience in the wholesale and retail sectors. Mr Davis joins the Board as an Executive Director effective 1 June 2018.

No other changes took place in the composition of the Board during the reporting period.

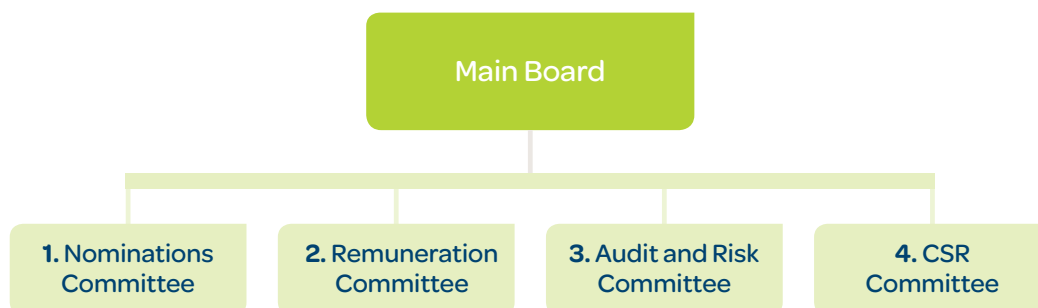
### Board diversity and balance

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 - making 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



Oodi Primary School annual prize giving ceremony.

The Board delegates certain functions to well - structured committees but 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;

# 1

## Nominations Committee

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

- Dr Ponatshego Kedikilwe (Chairman)
- Mr Reginald Motswaiso
- Dr Keith Jefferis

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.



# 2

## Remuneration Committee

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)

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.

## 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.

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 3-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 3 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:

	2018 (P)			2017 (P)		
	Salary	Incentive	Total	Salary	Incentive	Total
Total Executive remuneration	7 595 617	7 330 801	14 926 418	7 673 571	5 999 778	13 673 349

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 100 of this Report.

Out- going Non – Executive Directors are paid an additional once-off fee equivalent to one year's Main Board sitting fees (ie 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:

	2018 (P)			2017 (P)		
	Retainer	Sitting fees	Total	Retainer	Sitting fees	Total
Total Non - Executive remuneration	725 900	518 090	1 243 990	558 000	503 250	1 091 250

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

# 3

## 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:

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

➤ Mr Reginald Motswaiso  
(Chairman)

➤ Mr Elias Dewah

➤ Mrs Keneilwe Mere

➤ 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 direct internal assurance planning and programme execution, to deliver risk identification, monitoring and mitigation;

➤ To report to the Board on decisions taken, including approval of the annual financial statements;

➤ 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 reviews risk and tax management programmes and initiatives; and

➤ To provide oversight of fraud and information technology management.





# 4

## Corporate Social Responsibility (CSR) Committee

The CSR Committee comprises of the following Directors;

- Dr Ponatsego Kedikilwe (Chairman)
- Mr Elias Dewah
- Dr Keith Jefferis
- Mr Mohamed Osman

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.

## Corporate Governance Report (continued)



Valentine's day at Head Office



Gaborone Hyper team distributing breakfast to a local school



House Brand Range



The Chairman of the Audit and Risk, Remuneration 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.

### 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 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 2018:

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*	3*	3*	2*	2*
Mr Elias Dewah	4	4			1	1	3	3	2	2
Dr Keith Jefferis	4	4	2	2	1	1			2	1
Mr Hans Kampmann	4	3								
Dr Ponatshego Kedikilwe	4	4	2	2	1*	1*			2	2
Mrs Keneilwe Mere	4	4					3	3		
Mr Reginald Motsuwa	4	4	2	2	1	1	3	3		
Mr Mohamed Osman	4	4	2*	2*	1*	1*	3*	3*	2	2

\* Attendance by invitation

### 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 IV highlights the importance of outcomes and disclosures in promoting ethical culture, good performance, effective control and legitimacy. It focusses significantly on transparency.

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

A summary of this evaluation based on the King IV application register is presented below. Continued efforts and emphasis will be placed on moving towards full compliance in the next and subsequent reporting periods.

	PRINCIPLE	ASSESSMENT
1	The governing body should lead ethically and effectively	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ The Terms of Reference for the Main Board and its sub-committees are annually reviewed and updated in line with best practice.</li> <li>➤ 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.</li> </ul>
2	The governing body should govern the ethics of Sefalana in a way that supports the establishment of an ethical culture	<ul style="list-style-type: none"> <li>➤ 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 Group Code of conduct was developed in 2014.</li> <li>➤ The Committee also reviews the Group's whistleblowing arrangements, and its reporting and investigation process to ensure that arrangements are in place for proportionate and independent investigation of matters.</li> <li>➤ Sefalana's Value Charter regulates guiding principles that set out internal conduct as well as relations with various stakeholders.</li> </ul>
3	The governing body should ensure that Sefalana is and is seen to be a responsible corporate citizen	<ul style="list-style-type: none"> <li>➤ The Board is committed to ensuring that the Company is a good corporate citizen as envisaged in its Group Strategy of 2016-2019. 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.</li> <li>➤ 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.</li> </ul>

## Corporate Governance Report (continued)

	PRINCIPLE	ASSESSMENT
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	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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 Financials Statements.</li> <li>➤ 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.</li> <li>➤ Refer to page 152 on how this Integrated Report features all these critical areas.</li> </ul>
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.	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ The Sefalana Facebook page 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.</li> </ul>
6	The governing body should serve as the focal point and custodian of corporate governance in the Group.	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ 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 to the Board Charter during the year.</li> </ul>



	PRINCIPLE	ASSESSMENT
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.	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ The Board member profiles in the annual report summarises the qualifications and experience of each Board member.</li> </ul>
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	<ul style="list-style-type: none"> <li>➤ The Board has well developed committees which have been established with clear mandates and reporting procedures. The Committee Charters are reviewed annually.</li> <li>➤ The committees are satisfied that they have fulfilled their responsibilities in accordance with the Terms of Reference for the year.</li> </ul>
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	<ul style="list-style-type: none"> <li>➤ Board evaluations are done annually which interrogate the past year Board's collective and individual performance. This year's evaluation concluded that the Board is diverse, well-functioning and effective. Further that the Board is value-adding and that there is a high level of engagement and participation with good alignment between the Executive Directors and the Non-Executive Directors.</li> <li>➤ The areas for further enhancement include alignment of company deliverables and that performance should be further aligned to the strategy, and implementation of formalized shareholder's feedback to the Board.</li> <li>➤ The Board and its committees conduct an annual self-evaluation process to measure its respective performances, and the chairperson of the Board and committees, present to the Board the results of those self-assessments.</li> <li>➤ No concerns were raised with the efficiency and competence of the Directors and members during the year under review. Future assessments will include evaluations by independent third parties.</li> </ul>
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	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ The appointment of the Company Secretary is a matter of the Board.</li> </ul>

## Corporate Governance Report (continued)

	PRINCIPLE	ASSESSMENT
11	The governing body should govern risk in a way that supports Sefalana in setting and achieving its strategic objectives	<p>➤ The Audit and 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 and Risk Committee.</p> <p>➤ The Audit and Risk Committee acts in accordance with its statutory duties and the delegated authority of the Board in terms of governance of risk. The Audit and Risk Committee is an integral component of the risk management process and oversees the development of policies.</p> <p>➤ Risk assessments are conducted on a continuous basis and reported to the Board through the Audit and Risk Committee.</p> <p>➤ 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:</p> <ul style="list-style-type: none"> <li>• A documented, approved Risk Management Policy, Framework and Plan; and</li> <li>• Board and Executive management assessment of risks impacting on the Group's strategic objectives.</li> </ul> <p>➤ During the year, the Board and Executive Management held independent risk assessments to identify and consolidate all potential risks that impact its strategy. A strategic risk register with core risks is maintained and these shall be monitored on a continuous basis by the Board.</p>
12	The governing body should govern technology and information in a way that supports Sefalana in setting and achieving its strategic objectives	<p>➤ 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.</p> <p>➤ 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.</p> <p>➤ Group management is mandated by the Audit and 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.</p> <p>➤ IT is represented at Audit and 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.</p>
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	<p>➤ 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.</p>

	PRINCIPLE	ASSESSMENT
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	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ Directors' fees in aggregate are disclosed in the annual report and tabled for Shareholders' approval at Annual General Meetings.</li> <li>➤ 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 incentivize out performance and set minimum performance levels to ensure that poor performance is not rewarded.</li> </ul>
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	<ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ There is a sound collaboration between assurance providers. The Internal Audit team has been enhanced during the year and shall ensure more reliance is placed on Internal Audit work by External Audit.</li> <li>➤ 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.</li> <li>➤ 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.</li> <li>➤ The Board has assigned oversight of the Group's risk management function to a well-established Audit and 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.</li> </ul>
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	<ul style="list-style-type: none"> <li>➤ The Board, through the Sefalana Group Strategy monitors legitimate stakeholder interests and expectations, relevant to the Group's strategic objectives and long-term sustainability.</li> <li>➤ 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.</li> <li>➤ The Sefalana website provides on-going information about the Group. The Facebook page 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.</li> <li>➤ Institutional investors engage directly with the Board about their request for governance reforms and are also advanced during Annual General meetings.</li> <li>➤ Sefalana encourages strong engagement with various stakeholders including shareholders, suppliers, employees and the public through various forums.</li> </ul>

# Risk and compliance management



Sefalana Holding Company Limited and its subsidiaries are exposed to a range of risks from internal and external factors that may influence its ability to achieve its strategic objectives. Risk management is an integral part of sound corporate governance. To this end the Group applies an integrated approach to risk management, which is aligned to international best practice frameworks including COSO Enterprise Risk Management (ERM). This integrated approach is defined in the Sefalana Group ERM policy, which articulates and guides the methodology and direction on ERM. The process of risk management is applied by the Board, management and employees in setting and achieving the Group's strategic objectives in accordance with the Sefalana ERM framework.

## **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 Management 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 Board is satisfied that the risk process is effective in continuously identifying and evaluating risks and ensuring that these risks are managed in line with business strategy.

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.



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.



House Brand Range



We determined our principal risks through a review process that analyses the risks facing business units in relation to the Sefalana Group strategy and key priorities.

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

- 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 Management Committee on the effectiveness of the Group's risk management, control and governance processes.



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 Management Committee on the effectiveness of the Group's risk management, control and governance processes.

## Risk and compliance management (continued)

### Principal Risks

We are committed to delivering on our strategy through ongoing focus on our customers as well as transformation initiatives. The trading environment continues to be competitive, driven by new entrants, as well as being affected by changing customer needs and expectations. Failure to successfully respond to these factors, our competitors and the changing market may adversely impact on market share and business performance.

We determined our principal risks through a review process that analyses the risks facing business units in relation to Sefalana Group 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 the Group's reputation.



Wellness Day at our Gaborone Hyper store

Material issue 1		
Business Strategy		
Risk	Potential impact	Mitigation
<b>1.1 Non-alignment of strategic objectives to business initiatives</b>	<ul style="list-style-type: none"> <li>➤ The business operations may be successful but may not contribute towards achieving the overall Group's objectives.</li> <li>➤ Lack of goal-congruence across the business units could limit overall growth and efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Enhanced alignment in communication, stakeholder engagement and coordinated intervention in the regulatory development process</li> <li>➤ Alignment of the business strategy to all subsidiary business operations to ensure the aggregate achievement of overall Group objectives</li> <li>➤ Ensuring appropriate systems are in place to ensure compliance with applicable laws and regulations</li> </ul>
<b>1.2 Uncertainty of Public policy and regulatory developments</b>  We are subject to applicable laws, regulations and contractual arrangements and exposed to adverse regulatory or legislative changes.	<ul style="list-style-type: none"> <li>➤ Breaches or unplanned changes could result in a negative impact on the Group's reputation and profitability, significant fines or other adverse consequences</li> </ul>	<ul style="list-style-type: none"> <li>➤ Seeking to comply with all applicable laws and regulations in all markets in which we operate</li> <li>➤ Active engagement with Governments to encourage good working relationships and to help shape potential impacts of legislative change on the Group.</li> <li>➤ The Group Code of Conduct and training programs promote awareness of legal, regulatory and internal policy requirements.</li> </ul>

## Material issue 2

## Market Position

Risk	Potential impact	Mitigation
<b>2.1 Ineffective market analysis and changing competitiveness dynamics</b>  We face increased competition from a variety of new market entrants, evolving customer needs and competitor consolidation. We must be able to compete in changing markets.	Our market position and revenue could be damaged by failing to provide the correct products and services that our customers want at a competitive price.	<ul style="list-style-type: none"> <li>➤ Business enhancement objectives to ensure that the Group is able to respond more effectively, efficiently and competitively to the changing dynamics of our local and regional marketplace</li> <li>➤ We aim for a fair and competitive environment in all of our markets and adopt strategies to deliver this through the use of innovative products, services and pricing models.</li> </ul>

We face increased competition from a variety of new market entrants, evolving customer needs and competitor consolidation. We must be able to adapt quickly and compete in changing markets.

## Material issue 3

## Procurement and Strategic Sourcing

Risk	Potential impact	Mitigation
<b>3.1 Failure to deliver effective product availability and growth initiatives</b>	Inability to effectively manage inventory in our businesses may impair our competitive position	<ul style="list-style-type: none"> <li>➤ Strong sourcing capabilities with established buying operations continue to be leveraged to maintain optimal procurement costs</li> <li>➤ Pro-active management in procurement and strategic sourcing</li> <li>➤ We continuously review our product range and the introduction of new products and services</li> </ul>

## Material issue 4

## IT Technical Failures and Information Security

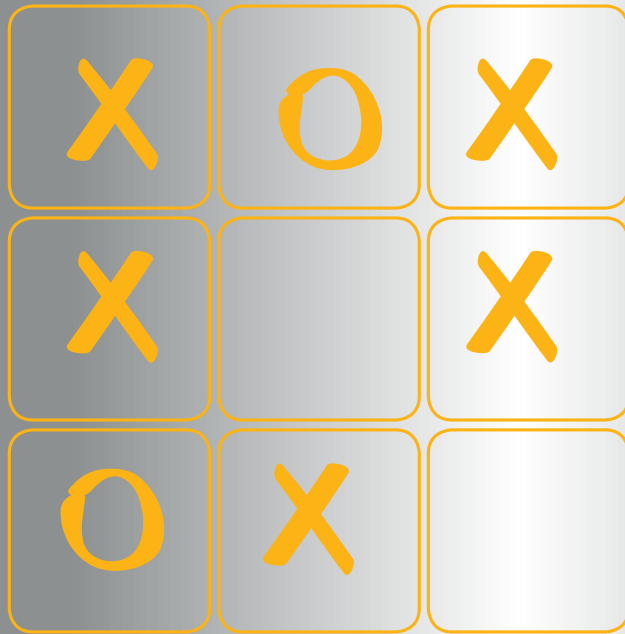
Risk	Potential impact	Mitigation
<b>4.1 As we undertake major IT change programs there is a risk that these projects disrupt services or do not provide the benefits that they should in a timely manner</b>	A significant implementation failure could result in a major impact on our customers, revenues, costs and reputation	<ul style="list-style-type: none"> <li>➤ Seeking successful IT transformation initiatives as the vehicle for delivering a great customer experience, high-quality reliable systems, improving our time to market and enabling best-in-class digital capabilities</li> <li>➤ Continuous investment in our operational capability across processes, technology and cyber security.</li> </ul>



# COMPANY PROFI

Our diversification into various business segments and regions has over the years enabled us to generate excellent returns for our Shareholders despite turbulent times.





ILES

## Our Sefalana Head Office team



- a) **Michael Simaye**  
Group IT Manager
- b) **Zeenat Mia**  
Group Data Analyst
- c) **Ali Mohamed**  
Group Marketing

- d) **Izdiyar Salim**  
Group Financial Accountant
- e) **Saju Peter**  
Group Financial Controller
- f) **Omphemetse Mokgosi**  
PA to GMD and GFD

- g) **Chandra Chauhan**  
Group Managing Director (GMD)
- h) **Yule Madikwe**  
Group Internal Auditor
- i) **Nkongi Makosha**  
Group Assistant Company Secretary



Your basket of opportunities



- j) **Bofithlile Malesela**  
Property Accountant
- k) **Otsile Chapo**  
Office Cleaner
- l) **Tapiwa Muzembe**  
Group Brand Custodian

- m) **Mohamed Osman**  
Group Finance Director (GFD)
- n) **Lorato Modise**  
Head of Internal Audit

- o) **Gaolathe Solomon**  
Receptionist
- p) **Mosetsana Disela**  
Receptionist

## Our Sefalana Cash & Carry team



- a) **Mike Makin**  
Sefalana Cash & Carry - Finance Director
- b) **Moagi Buzwani**  
Deputy Head of Wholesale

- c) **David Levin**  
Head of Corporate Services
- d) **Mmapula Pilane**  
Head of HR
- e) **Gerhard Scheepers**  
Head of Wholesale







f) **Delores Adul**  
Head of Merchandise  
g) **Godfrey Ndwapi**  
Head of Risk

h) **Anthony Lambrechts**  
General Manager - Sefalana Catering  
i) **Sunil Urath**  
Head of Retail



Our Metro Cash & Carry team



d) Milton Shiimi  
HR Executive

e) Rhyno van Rooyen  
Risk Executive

f) Sinsikus Amwiigidha  
Finance Executive



## Company Profiles (continued)



a) Devin Serfontein  
Country General Manager  
b) Naeem Wahab  
Branch General Manager

c) Sadik Patel  
Senior Buyer and Sales Manager  
d) Mary Moloi  
Branch Administration Manager

e) Rapelang Maubelle  
Finance Officer



Our Lesotho Cash & Carry team

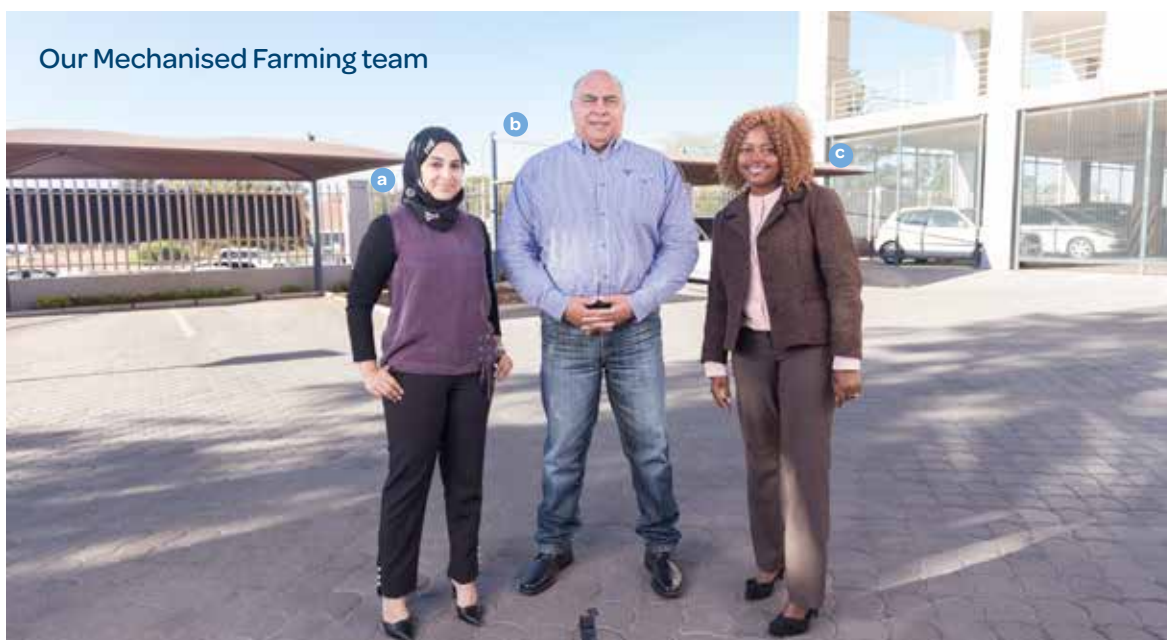


### Our Commercial Motors team



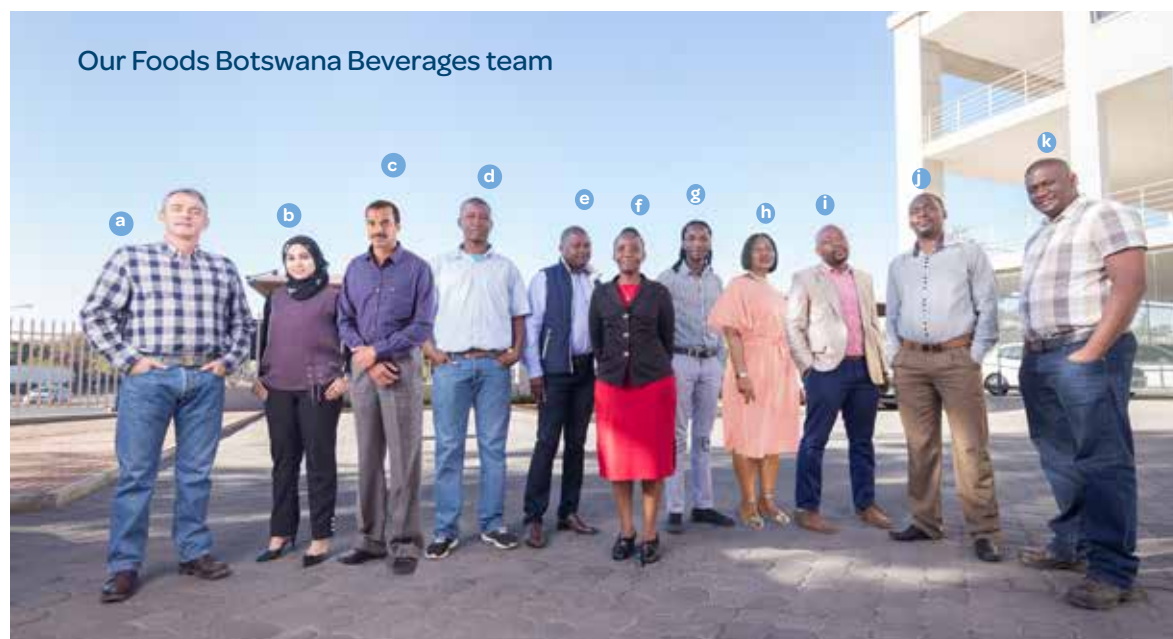
- |                                      |  |   |
|--------------------------------------|--|---|
| a) Akhtar Nanuck<br>Dealer Principal | c) Rejeesh Kumar<br>Assistant Workshop Manager<br>(Tata) | e) Upul Kalansooria<br>Workshop Manager (Honda & MAN) |
| b) Khumo Christos<br>Finance Manager | d) Maitumelo Mosweunyane<br>MF Group HR Manager          | f) Nazim Shaikh<br>Parts Manager (Honda, MAN, Tata)   |

### Our Mechanised Farming team



- |                                    |                                  |   |
|------------------------------------|----------------------------------|---|
| a) Zeenat Malek<br>Finance Manager | b) Dave Marsh<br>General Manager | c) Maitumelo Mosweunyane<br>MF Group HR Manager |
|------------------------------------|----------------------------------|---|

## Company Profiles (continued)



- |   |   |  |
|---|---|--|
| a) Scharl Varnfield<br>Operations Manager     | e) Boikaego Discharge<br>Warehouse Officer  | i) Phillip C. Motsemme<br>Quality Control Officer    |
| b) Zeenat Malek<br>Finance Manager            | f) Keitumetse Ngwako<br>HR Officer          | j) Omphemetse C. Letshwanyo<br>Production Supervisor |
| c) Bobby Joseph<br>General Manager            | g) Kgakgamatso Monare<br>Production Foreman | k) Tirelo Danga<br>Plant Technician                  |
| d) Mogotsi Selebatso<br>Production Supervisor | h) Mary Mosarwa<br>Sales Manager            |  |



- |   |   |                                       |
|---|---|---------------------------------------|
| a) Patrick Muzhingi<br>Finance Manager                  | c) Mavis Manyapelo<br>Human Resources Officer | e) Robert Mmerekhi<br>Quality Officer |
| b) Oaitse Goitsewang<br>General Manager<br>- Production | d) Randas Siziba<br>Miller                    |                                       |

### Our Sefalana Fresh Produce team



a) Sophie Montshiwa  
Finance Accountant

b) Kevin Morris  
Managing Director

c) Amande Morris  
Operations Director

### Our KSI team



a) Phemelo Hosia  
Finance Manager  
b) Tim Yannitsaros  
General Manager

c) Molome Kesupile  
HR Manager  
d) Fanie Schoeman  
Factory Manager



Sefalana Cash and Carry Limited



Our store compliment

23 retail supermarkets under the name "Sefalana Shopper"	25 cash and carry outlets under the name "Sefalana Cash & Carry"	4 Hyper stores located in Gaborone, Francistown & Mahalapye, trading as "Sefalana Hyper"
23	25	4

Sefalana Cash and Carry Limited operates in the fast - moving consumer goods ("FMCG") sector. The Company's store portfolio, which consists of more than 50 stores is spread strategically throughout Botswana.







3 convenience stores under  
the name 'Sefalana Quick'

3



5 liquor stores trading as  
'Sefalana Liquor'

5

1 cigarette distribution outlet  
trading as "Capital Tobacco"

1

Just under

400

Retail franchise members

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.

Sefalana Cash & Carry Limited has an overall objective to provide great quality products and a wide range of general merchandise to customers at the right price. We pride ourselves in delivering on this objective for over 40 years as we strive to help our customers manage their weekly shopping budgets.

## Sefalana Cash and Carry Limited (continued)



House Brand Range



During the year we opened two new Sefalana Shopper stores in Mogoditshane and Tlokweng respectively. This has broadened our presence in both localities with more than one store in each of these areas. We opened a new Hyper Store in Mogoditshane, providing Gaborone with two Hyper stores. This was significant for us as a new Hyper store had not been opened in almost 20 years. We are confident that this store will prove popular with customers and generate a profitable return. A new liquor store, Sefalana Liquor was opened in Nkoyaphiri bringing our total liquor store count to five stores. Subsequent to the year end, we expanded our presence in Letlhakane through the opening of a new Sefalana Shopper. We are constantly on the look out for new, suitable locations for additional store openings.

Sefalana Cash & Carry Limited has an overall objective to provide great quality products and a wide range of general merchandise to customers at the right price. We pride ourselves in delivering on this objective for over 40 years as we strive to help our customers manage their weekly shopping budgets. Over recent years, we have extended our offering with online and mobile shopping facilities, expanding not just our local geographical presence, but also our technological reach, allowing us to provide a local service to customers across the country.

For the last two years we have experienced significant strain in the Botswana economic climate and as a result this business has made a smaller contribution to the Group's financial results. We believe however, that this business will improve going forward through a continued focus on improving the shopping experience for our customers, driving internal cost efficiencies and being competitive wherever possible. We are leaders in the market for innovative solutions, products

and services, enhancing the layout of our stores, extending our product range, giving more variety to our consumers and ultimately strengthening our brand. Our retail stores continue to deliver higher returns and make a valuable contribution to the local community, bringing with it increased trade and footfall as well as providing additional jobs.

Our dedicated store management team is supported by 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 know and trust since 1974.

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.

We believe in continuous professional development of our staff and have always made considerable investment in our human capital, running our BQA accredited training programmes, facilitating developmental enrolment with Maccaulei Learning Academy and partnering with the University of Stellenbosch in the continual development of our training material. The company also offers support to employees in the form of sponsorships for further education. We constantly develop and evaluate our ability to bring the best out of our business and employees. These training initiatives have been very successful in attracting and retaining the best talent in the market.



House Brand Range

Our 'A Star' range of branded products continues to gain popularity with customers with over 40 different items in-store. Our A Star brand ranges from perishables such as milk and flour to household toiletries and canned products.

Over time we have developed strong business relationships with our other stakeholders, focused on training and mentorship programmes for our staff, and supporting our Community through our Corporate Social Responsibility initiatives.

Being innovative and developing channels and services that complement our existing supermarket business is a key part of our long term strategy for growth. As a result, sefalanaonline.com was developed and officially launched in 2016, providing customers with an easier and more practical means of shopping. Our customers are able to purchase items online and have the option of in-store pick - ups or having goods delivered to them within 24 hours. The online shopping platform was enhanced in the prior year, providing a refreshed look and feel for our customers with larger product displays. During the current year, we extended this service to the Francistown and Maun areas as requested by our customers.

In our aspirations to pave a better shopping experience for our customers, the Sefalana Mobile App was launched in November 2017. This App provides easier, portable access to the modern consumer. The App is available for free download on Android and Apple and lists over 32 000 products available in-store. Our Mobile App boasts many innovative features such as a store locator, the ability to share a product with friends on WhatsApp, creating a wish-list for products to purchase as well as a barcode scanner, allowing you to add your favourite products to your shopping list by simply scanning the barcode.

All specials available in-store are available on our digital platforms. Sefalana is proud to provide another first to customers and to be leaders in the market in this regard.

Our 'A Star' range of branded products continues to gain popularity with customers with over 30 different items in-store. Our A Star 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.

We further developed our relationship with Botswana Post this year who now operate post office kiosks inside 15 of our stores across the country. This facility allows our customers to benefit from a variety of services such as the renewal of their vehicle licences, transferring money, payment of bills and the collection of their pensions. Further roll-outs to additional stores are expected in the forthcoming year.

In order to allow consistent communication with our customers, inform them of our latest offerings and provide quick feedback to any queries, we have enhanced our Sefalana Trading Facebook page which has grown from approximately 2000 followers in 2016 to over 54 000 followers to date. We look to continue being at the forefront of technology and providing additional, innovative shopping experiences to our customers.

Sefalana Rewards, our customer loyalty program was launched in November 2016, with the aim of building loyalty amongst our existing customers and attracting new customers. This tool illustrates Sefalana's ability to evolve



## Sefalana Cash and Carry Limited (continued)





## Deli & hot FOODS

✓ healthy ✓ fresh ✓ tasty

Visit our prepared foods corner, and you are sure to find an appetizing variety of flavors. Come in for a healthy breakfast snack, or around lunch, choose your options. Make tonight's dinner easy by stopping in and exploring Sefalana's variety of dishes available to you.

Sefalana sa rona - Your family value store since 1974

44  
Years of being  
Awesome



## Sefalana Cash and Carry Limited (continued)



House Brand Range



with its ever-changing customer base. We have received a sensational response from our customers with more than 105 000 active customers registered to date. Our loyalty program allows customers to earn “Sefbacks” in the form of redeemable points every time they shop with us. This service is offered at all stores nation-wide and our staff is provided with on-going training to ensure they are well equipped to assist with changing customer behaviour. Whilst the focus is on building our loyalty cardholder base, we are beginning to draw insights from this by analysing the data. This allows us to understand our customers better by tracking their buying behaviour and in turn helps us put forward a better offering and shopping experience to our customers. The biggest potential of Sefalana Rewards is the ability to leverage the data and turn this into marketing opportunities that guide the customer’s shopping patterns and increase sales.

Our outlook for this division remains positive but we acknowledge that it is impacted by the limited size of the local market and the continued pressure on disposable consumer income subsequent to the closure of a number of institutions in the past few years which has led to a general economic downturn. Whilst we take note of the shift in shopping trends over the past few years, we believe the growth of our business, in particular within the retail arena, will be supported by a return of consumer confidence and spending.

### 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**



Sefalana Rewards, our customer loyalty program was launched in November 2016, with the aim of building loyalty amongst our existing customers and attracting new customers. This tool illustrates Sefalana's ability to evolve with its ever-changing customer base. We have received a sensational response from our customers with more than 105 000 active customers registered to date.



## Sefalana Cash and Carry Namibia (Proprietary) Limited ("Metro")



588 employees across the country

588

13 stores across the country

13

3 liquor stores

3

In the last four years, we have not only experienced exceptional market growth, but have now established ourselves as the market leader in the country. We are proud to have tripled the level of profit in just four years. This business segment is now our largest contributor to Group profit.



Metro Hyper - Windhoek





A look inside our Windhoek Metro Cash &amp; Carry store

Turnover amounted to P1.5 billion, a growth of 15% on the prior year

**15%** ▲

Profit before tax amounted to P54 million, up 19% from the prior year

**19%** ▲



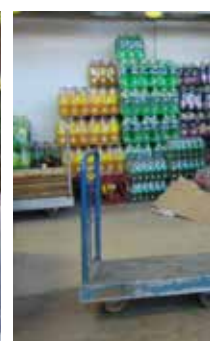
We continue to evaluate additional locations for store openings as we work towards our medium-term target of 20 stores.

We are pleased with our accomplishments in the country over the last four years and look back at this investment as a very successful one.



Metro Hyper - Windhoek

## Sefalana Cash and Carry Namibia (Proprietary) Limited ("Metro") (continued)







As previously reported, our lease for our head office which also included a Cash & Carry outlet came to an end in June 2018. A suitable property was purchased and the head office successfully relocated in June 2018. The Cash & Carry was moved to a rented property adjacent to the new head office. This move will result in substantial rental savings going forward.



## Sefalana Cash and Carry Namibia

(Proprietary) Limited ("Metro") (continued)



Winner of Metro Hyper crazy-birthday-promotion-2017 with his new Volkswagen Polo Citi.



Multichoice helpdesk now available at Metro Hyper to assist you with payments and setting up your decoder.



House Brand Range



Our extensive range of products coupled with affordable prices has helped enhance our Metro brand, allowing our customers to trust and rely on the quality offerings we provide them.

Being cognisant of the difficult trading conditions in Botswana in recent years, our Group decided to look at the neighbouring Region for opportunities.

As a result we extended our wholesale and retail operations into Namibia in 2014. In the last four years, we have not only experienced exceptional market growth, but have now established ourselves as the market leader in the country. We are proud to have tripled the level of profit in just four years. This business segment is now our largest contributor to Group profit.

Our first store was opened in Katima Mulilo in January 2014. Just six months later we purchased the Metro Group of 12 stores. A year later, in November 2015, we took over an additional Mega-Store in Swakopmund, bringing the total store compliment to 14 stores across the country. During the year however, our Swakpmund Metro store burnt down. We are currently in the process of restoring this site as we have a significant presence in that city. We also operate three liquor stores across the country.

Our extensive range of products coupled with affordable prices has helped enhance our Metro brand, allowing our customers to trust and rely on the quality offerings we provide them.

As we grow our Namibian footprint, we continue to provide employment to the local community. We started off with just 250 staff members in 2014 which has now grown to just under 600 employees across the country. We aim to support the local community through providing employment and giving back in the form of donations and food hampers from the company.

Since we invested into Namibia, we noted the booming property market and have expanded our operations through the purchase of 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.

Despite some indicators of strain experienced in the Namibian market this year, we are confident that this business segment will continue to grow and make an even larger contribution to the overall Group profit going forward.





Winner of Metro Hyper crazy-birthday-promotion-2017 with his new Nissan Mini Bus



Winner of a Clere Sports Bag at Metro Hyper.



House Brand Range



As we grow our Namibian footprint, we continue to provide employment to the local community. We started off with just 250 staff members in 2014 which has now grown to just under 600 employees across the country.

4 properties purchased

4

This segment contributed to 23% of Group revenue and profit before tax for the year

23%

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. No new stores have been opened as our focus has been the refurbishment and expansion of several existing stores, together with the relocation of our Windhoek head office and cash & carry.

## Sefalana Trading (Pty) Limited

T/A Sefalana Cash & Carry Lesotho



Profit before tax of **P2.1m**

**P2.1m**

Turnover of P388 million has been achieved for the year, contributing **8%** of total Group revenue.

**8%**

We have now been operating in Lesotho for a year and a half. We are delighted to have built a strong presence in the market in a very short space of time. Turnover of P388 million has been achieved for the year, contributing 8% of total Group revenue.



An aerial view of our Cash & Carry in Maseru, Lesotho



A look inside our Cash & Carry, Lesotho



120 staff members

120

Sefalana entered the Lesotho market on 1 November 2016, through a takeover of the country's largest distribution and logistics company, TFS Wholesalers, Distribution and Logistics in Maseru. Less than two years later we have opened our second store in Maseru. We are proud to be market leaders in the country. The acquisition provided us with the opportunity to achieve a strong presence in the market in a short space of time.

The Lesotho business is led by a strong management team, which has helped develop this business to cater for store growth, an increased range of products and a total of 120 staff members. Further sites for additional store openings are being identified as we continue to expand in the country.

Lesotho offers an emergent economy with a growing population of just under two million people, who have responded well to our presence. We are delighted with the performance of this new division which we anticipate will increase its contribution to the Group results in subsequent years.



House Brand Range





## Sefalana Trading (Pty) Limited

T/A Sefalana Cash & Carry Lesotho (continued)



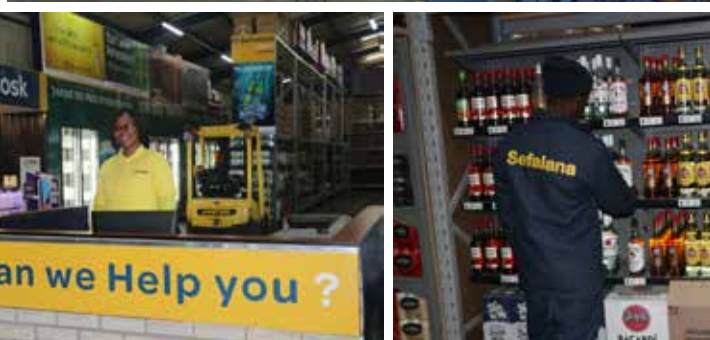




## Sefalana Cash & Carry Lesotho

We operate in a very low margin environment in Lesotho and therefore look to improve the profitability of this business through top line growth and by offering our customers an excellent service. We opened our first liquor store in Lesotho in early 2018 and will continue to identify and evaluate suitable locations for further store openings.

**4**  
Years  
of being  
*Awesome*



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



163 people employed

163

5% of Group turnover

5%

9% to Group turnover and profit  
before tax

9%

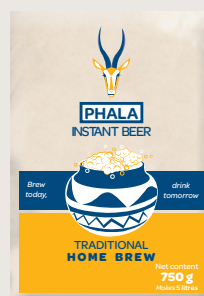
Foods Botswana Milling operates a factory in Serowe from which it mills and produces sorghum, soya and maize - based products, malt and diastolic malt. Its primary activity is the provision of enriched meals for the Government feeding schemes, however the Company also manufactures a variety of its own branded products that are available at numerous stores across the country.





Foods Botswana sales team promoting Maatla Super Maize meal

The products currently produced by this Company include:



Sarona Samp

Sechaba Mabele

Phala Beer Power (instant beer powder)

Soya Sorghum enriched Foods (Malutu) for all age groups above 3 years

Tholo Malt

Soya Sorghum Weaning Food (Tsabana) for infants up to 3 years

Tsabotlhe (soya sorghum extruded product)

Maatla (enriched maize meal product)

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)



House Brand Range



Year on year, Foods Botswana continues to support the SOS Village and numerous schools within the vicinity through sponsoring fund raisers, supporting events and football clubs

### Milling Division

We pride ourselves on the production of our well established, nationally renowned products made for Botswana, by Batswana. During the year we introduced Phala Beer Powder to the market which has received positive feedback and is gradually winning market share. Protecting the position of our local - flavour house brands is a continuous management process with our resources constantly focused on developing our products and improving quality.

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.

Effective and strategic grain procurement policies, together with ample working capital allows the Company to abate 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.

In 2015, we increased operational capacity 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. The maize plant is now used to manufacture our own house - brand maize meal (A Star) which was previously being outsourced to a third party. Our 55 FMCG stores across the country provide outlets for the sale of these products which are gaining popularity in the market.

With over 120 permanent staff employed at our milling plant, we are proud to be one of Serowe's largest employers with almost all our staff being Batswana. Year on year, Foods Botswana continues to support the SOS Village and numerous schools within the vicinity through sponsoring fund raisers, supporting events and football clubs.





House Brand Range

During the year, we continued to supply the Government with milk and introduced low fat and skim milk variants for our growing customer base. We aim to be Botswana's first choice in locally produced long-life milk.

## Beverages Division

We expanded into the Beverages Division three years ago and have been operating in full swing after the Group acquired a UHT milk processing plant from the liquidated Delta Dairies business in late 2015. There was a need to restore the plant which had remained idle for over 18 months. For a large part of 2015, the plant upgrade took place. In 2016, the Beverages Division commenced production of milk for the A Star house brand and also re-launched the Delta Fresh brand. In addition, this division commenced production of milk for the Government infant feeding scheme in late 2016. During the year, we continued to supply the Government with milk and introduced low fat and skim milk variants for our growing customer base. We aim to be Botswana's first choice in locally produced long-life milk.

The division is currently working towards a more environmentally friendly production system through the recycling of milk cartons and effective packaging techniques. We look forward to the introduction of fruit juices and dairy blend juices in the coming year.



Commercial Motors (Pty) Limited



This segment which consists of Commercial Motors (Pty) Limited (“CML”) and Mechanised Farming (Pty) Limited (“MFL”)

82 people employed

82

3% of Group turnover

3%

9% to Group profit before tax

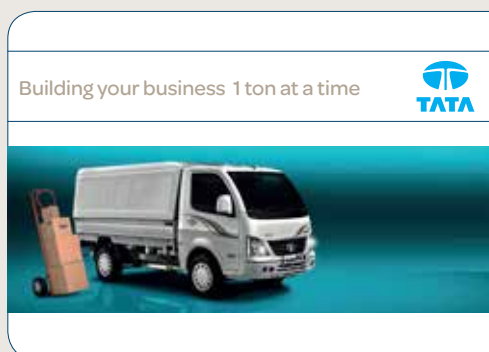
9%

We are currently developing plans to house the MAN, Tata and Honda dealerships at one location in Broadhurst where we will be giving the building a refreshed look and feel.



**HONDA**  
The Power of Dreams

**For Parts or Service**  
let us take care of your Honda  
(local or import)



Our Tata range predominantly specialises in the, 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.



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.



## Commercial Motors (Pty) Limited (continued)



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.

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. 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. The latest technologies are used in our workshops and conform to international service standards. Together with the leadership and support of our management team, working efficiencies and communication with principals, our Company continues to provide an efficient service delivery which has led to greater customer satisfaction and loyalty.

### **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. We also welcomed the arrival of the new MAN Lion's City Explorer Bus which was developed together with customers to offer economic efficiency as well as an all-round attractive package.

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. These initiatives work hand in hand with a focus on reducing fuel consumption, cutting emissions, the use of alternative drives and fuel as well as improving safety.

### **Tata (Medium 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.

The company commenced manufacturing commercial vehicles in 1954 and has since developed the Prima range of trucks as well as the Ultra range to international standards of commercial vehicles.

The Tata Ace, a light commercial vehicle that has been specially developed to cater for the LCV (Light Commercial Vehicles) segment was also introduced. Passenger vehicles like the Tata Safari, Tata Indica and the Nano have been deemed the worlds most affordable cars.

Our Tata range predominantly specialises in the 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





We welcomed the TATA Ultra 814 into our showrooms this year. 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.

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 this year. The model is powered by a turbo charged intercooled 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.

Tata vehicle models incorporate technologies acquired from Tata Group subsidiaries ranging from Daewoo Motors to Jaguar, Land Rover and strategic partners including Marco Polo, that enable Tata to produce a competitive range that is efficient in capital and running costs, as well as promoting a reduced environmental impact from its products. Tata has a remarkable collection of awards for vehicle efficiency and enviro-friendliness and in 2017 alone, TATA Motors has won the awards for Business Today 'Best Companies to Work for' and the Best Learning Organisation of Asia.

#### **Honda (passenger vehicles)**

With a history of 70 years and a global operating team of over 215 000 people, Honda continues to surpass performance expectations through delivering top-quality vehicles and engineering its passion to "bring the joy of driving to this modern era".

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.

We introduced the 2017 CRV into our showroom this year which shows off exciting new technology features, including an entertainment system and touch screen that make family drives all the more exciting.

#### **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.

During the year, Honda released the new generation CB series, the CB1000R, CB250R and CB125R. We welcome our valued customers to visit our showrooms in Broadhurst Industrial and have a look at these models.

Our focus for the new year is to further improve on our customer service through offering technically advanced support, maintenance and repairs. Our workshop staff are kept up to date through on-going training of the latest servicing techniques and technology.

## Mechanised Farming (Pty) Limited

("Mechanised Farming")



Delivery of eight locomotives to Botswana Railways



Mechanised Farming is situated in Broadhurst Industrial and for many years was primarily focused on the sale and servicing of farming equipment. The last few years have been difficult for the agricultural sector, mainly due to reduced rain fall and limitations in Government spend which has taken a toll on this business and its overall contribution to the Group.

In the current year, management took a strategic decision to downscale the operations of this business and to do away with the retail sales to customers.

Focus has now been placed on supply and delivery of parts and equipment to Botswana Railways (BR) as our primary customer. We look to foster the relationship we have created with BR over the years, and have supplied them with 8 new locomotives this year which will need continued service and maintenance.

Mechanised Farming represents the Electromotive Diesels (EMD) brand from the USA and are the sole authorised dealer for supply of imported diesel electric locomotives and spares.

Focus has now been placed on supply and delivery of parts and equipment to Botswana Railways (BR) as our primary customer. We look to foster the relationship we have created with BR over the years, and have supplied them with 8 new locomotives this year which will need continued service and maintenance.



Our site at Setlhoa Village



Our undeveloped land provides the Group with a remarkable potential for future investment and capital appreciation. We are excited about our upcoming developments in Setlhoa Village which encompass over 35 000 sqm along the A1 highway.

Sefalana holds just under 800 000 square meters of land, of which 165 000 square meters is developed property. Sefalana and its subsidiaries occupy roughly three quarters of this developed property and the Group earns a considerable rental income from its third party tenants.

Our Botswana properties are spread throughout the country and include office blocks, workshops, factories, and warehouses. Our undeveloped land provides the Group with a remarkable potential for future investment and capital appreciation. We are excited about our upcoming developments in Setlhoa Village which encompass over 35 000 sqm along the A1 highway.

In Lusaka, Zambia we have a first class well positioned property from which until recently, earned a substantial rental income. We have faced difficulty in obtaining replacement tenants during the year due to the development of many new, modern office buildings closer to the city centre.

Investments in property in both Namibia and Lesotho have been made over the last three years as management continually evaluates investment projects to maximize returns for our shareholders.

Sefalana holds just under  
800 000 square meters of land

800 000m<sup>2</sup>



## Kgalagadi Soap Industries

(Proprietary) Limited ("KSI")



Our warehouse in Broadhurst Industrial, all fully let.



**Kgalagadi Soap Industries**

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



House Brand Range



One of the oldest manufacturing companies in Botswana, KSI manufactures laundry and bath soaps, under brand names such as Marang, Olga, Fusion as well as house brands for the Zimbabwe, Namibia and most recently, Mauritius markets. Our toilet soap is a favourite with local hospitality providers and the Company has provided employment for many Batswana since its inception in 1988.

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

During the year, the soap making process was upgraded with new, more efficient machinery which has alleviated the need to run night shifts as product requirements are now met within the day.

Demand for our products have been increasing in Namibia and Mauritius with good sales growth of House Brands and KSI branded products. In Namibia, these products are for local Namibian consumption as well as onward sales to Angola. Our drive into foreign and regional markets is a strategic initiative to increase our sales coverage area to mitigate the risk of over dependence on local outlets.



## Sefalana Fresh Produce (Proprietary) Limited



A look inside our warehouse - Sefalana Fresh Produce



During the year, a decision was made to take full control of this business and enable it to operate as a 90% subsidiary of Sefalana Holding Company Limited. This independence has not only allowed the company to become a profitable business but has improved both quality and cost of fresh produce being supplied to our stores.

Natural Value Foods (NVF) was established as a joint venture between Sefalana and Natural Value Foods (Proprietary) Limited (South Africa) in 2014. The entity is a wholesaler of fresh fruit and vegetables and supplies its produce to Sefalana retail and wholesale stores throughout the country.

During the year, a decision was made to take full control of this business and enable it to operate as a 90% subsidiary of Sefalana Holding Company Limited. This independence has not only allowed the company to become a profitable business but has improved both quality and cost of fresh produce being supplied to our stores, allowing us to tender a more favourable price to our customers.

NVF was set up with the aim of improving the quality of fresh produce on offer in our stores. We are pleased to have built a good, reliable supplier base with local farmers as well as farmers in South Africa, ensuring the products we receive are fresh, competitively priced and of the best quality available.

Subsequent to the year end we changed the name of this business to Sefalana Fresh Produce (Pty) Limited.



# How our integrated report comes together

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### Governance Report



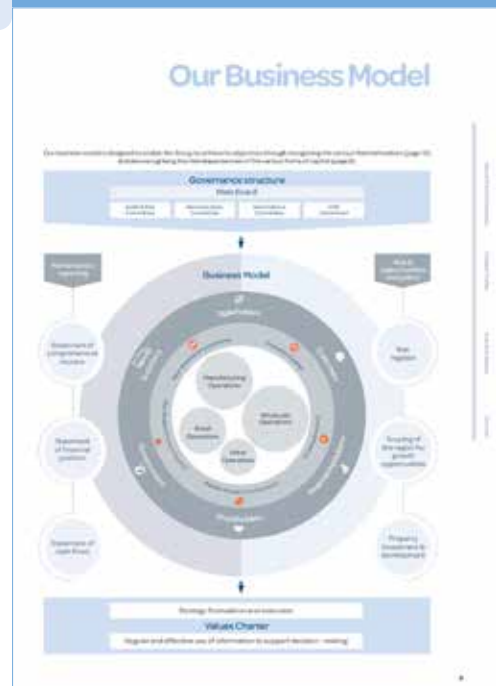
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### Statement of Cash Flow

## Integrated Annual Reports



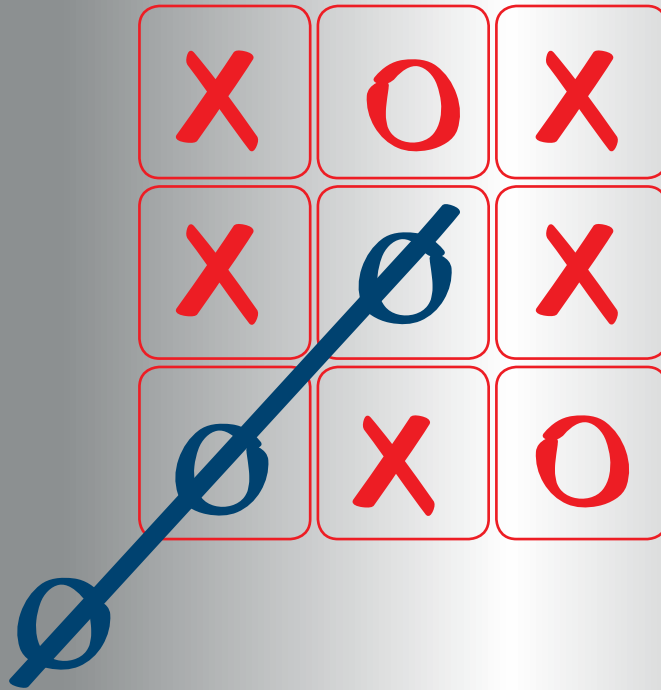
Enhanced disclosure



# ANNUAL FINANCIAL

We are pleased to report that our South African investment has generated a sizable first year return. This has contributed significantly to this year's results





# NCIAL

## STATEMENTS



## Annual Financial Statements

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# WELCOME TO OUR ANNUAL FINANCIAL STATEMENTS

## Statement of Directors' Responsibility

The Directors of Sefalana Holding Company Limited are responsible for the Company and Group annual financial statements and all other information presented therewith. Their responsibility includes the maintenance of true and fair financial records and the preparation of annual financial statements in accordance with International Financial Reporting Standards.

The Company and all companies within the Group maintain systems of internal control which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of the Company's assets. The Directors are also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Directors to indicate that any significant breakdown in the functioning of these systems has occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. The Directors have no reason to believe that the Company and Group will not be a going concern in the foreseeable future based on forecasts and available cash resources.

Our external auditors conduct an examination of the financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors.

The annual financial statements set out on pages 164 to 222 for the year ended 30 April 2018 were authorised for issue by the Board of Directors on 26 July 2018 and are signed on their behalf by:

**Dr. PHK Kedikilwe, PH, NYB**  
Chairman

**Chandra Chauhan**  
Group Managing Director

# Independent Auditor's Report to the Shareholders of Sefalana Holding Company Limited

Report on the audit of the consolidated and separate financial statements



## Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Sefalana Holding Company Limited (the "Company") and its subsidiaries (together the "Group") as at 30 April 2018, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

## What we have audited

Sefalana Holding Company Limited's consolidated and separate financial statements set out on pages 164 to 222 comprise:

- the consolidated and separate statements of financial position as at 30 April 2018;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independence

We are independent of the Group in accordance with the Botswana Institute of Chartered Accountants' Code of Ethics (the "BICA Code") and the ethical requirements that are relevant to our audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (Parts A and B)*.

## Our audit approach

### Overview

<pre>graph TD; Materiality --&gt; Audit_scope[Audit scope]; Audit_scope --&gt; Key_audit_matters[Key audit matters];</pre>	<b>Overall Group materiality</b> <ul style="list-style-type: none"><li>• P11 585 000, which represents 5% of profit before tax</li></ul>
	<b>Group audit scope</b> <ul style="list-style-type: none"><li>• Our engagement comprised of the statutory audit of Sefalana Holding Company Limited and the audit of the Group's consolidated financial statements for the year ended 30 April 2018.</li><li>• The Group consists of the Company and its operating subsidiaries in Botswana, Namibia, Zambia, Mauritius and Lesotho. Full scope audits were performed at all these companies.</li></ul>
	<b>Key audit matters</b> <ul style="list-style-type: none"><li>• Investment in preference shares</li><li>• Valuation of investment property and land and buildings</li><li>• Allowances for slow-moving and obsolete retail inventory</li></ul>

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Country Senior Partner: BD Phirie  
Partners: R Binedell, A S Edirisinghe, L Mahesen, R van Shalkwyk, S K K Wijesena



# Independent Auditor's Report to the Shareholders of Sefalana Holding Company Limited (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

## Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	P11 585 000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

## How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. In doing so, full scope audits were performed at the Company and its operating subsidiaries as - based on materiality and risk - these could individually or in aggregate have a material impact on the consolidated financial statements.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network firms or other networks operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the 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. We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

# Independent Auditor's Report to the Shareholders of Sefalana Holding Company Limited (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Investment in preference shares</b></p> <p>The Group entered into a Preference Share subscription agreement (the "Agreement") with Set to Run Trade and Invest (Proprietary) Limited ("Set to Run") with an effective date of 1 July 2017.</p> <p>Under this agreement, Set to Run is expected to make certain investments in the fast moving consumer goods sector in South Africa in accordance with an agreed business plan.</p> <p>The cash flows expected to be generated through implementation of this business plan determine the value of the Group's investment in preference shares issued by Set to Run. 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 Set to Run representing up to 35% of the issued share capital of Set to Run. Such conversion may be blocked by the majority ordinary shareholder of Set to Run through the exercise of a call option.</p> <p>Through operation of the agreement, should actual cash flows be below those forecasted, the Group remains entitled to the original capital amount invested.</p> <p>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.</p> <p>The fair value of the preference share investment was determined by the Group based on the business plans and forecasted cash flows of Set to Run as originally agreed between the parties, as - since the start of Set to Run's business operations in December 2017 - there have been no indicators that these plans or forecasts would change significantly.</p> <p>We determined the valuation of the preference shares to be a matter of most significance to our audit due to the magnitude of the amount involved and judgement exercised by the directors in determining the instrument's fair value.</p> <p>The disclosures relating to fair value assessments are set out in the financial statements in the following notes:</p> <ul style="list-style-type: none"> <li>• Note 4 Critical accounting judgements and key sources of estimation uncertainty (Page 179)</li> <li>• Note 19 Investment in preference shares (Page 203)</li> </ul>	<p>We inspected the agreement, which included the business plan, agreed cashflow forecast and fixed annual return of the investment, to understand the terms thereof and specifically the nature of the conversion option.</p> <p>We obtained written confirmation from Set to Run that it had issued preference shares to the value of R250 million to the Company by 30 April 2018. We compared the annual return agreed by the parties to rates expected in unsecured private equity transactions of this nature and found them to be comparable.</p> <p>We compared the actual cash flows for the first four months of Set to Run's operation to those forecasted in the initial valuation of the investment and found there to be no significant differences between the actual and the forecasted cash flows.</p> <p>We obtained written confirmation from the directors that there have been no changes to the initial business plans which would require adjustment to the agreed cash flow forecasts.</p>

# Independent Auditor's Report to the Shareholders of Sefalana Holding Company Limited (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of investment property and land and buildings</b></p> <p>The Group accounts for investment properties and land and buildings at fair value. The carrying value of investment properties at 30 April 2018 was P260.7 million and the fair value adjustment recorded in profit before tax in respect of investment properties amounted to P8.1 million for the financial year. The carrying value of land and buildings at 30 April 2018 was P444.9 million and the gross gain on revaluation of land and buildings recorded in other comprehensive income amounted to P15.3 million for the financial year.</p> <p>At 30 April 2018, the directors' valuation of the portfolio of Group properties was based on updated valuations carried out by independent valuers.</p> <p>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.</p> <p>The disclosures relating to fair value assessments are set out in the financial statements in the following notes:</p> <ul style="list-style-type: none"> <li>• Note 4 Critical accounting judgements and key sources of estimation uncertainty (Page 179)</li> <li>• Note 14 Property, Plant and Equipment (Page 187 - 189)</li> <li>• Note 15 Investment Property (Page 190 - 192)</li> </ul>	<p>We assessed the competence and capabilities of the Group's independent valuers through a consideration of their qualifications and past experience.</p> <p>We examined the terms of engagement in accordance with which the independent valuers performed their valuations and determined that these did not include any terms which would affect their scope of work or independence.</p> <p>We 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. The valuation methods (income approach / market comparison) were comparable to those typically used in the market for IFRS reporting.</p> <p>We tested a selection of data inputs used in the independent valuations, including rental income, against supporting documentation (such as rental agreements, business plans and historical performance) to assess the accuracy and completeness thereof.</p> <p>We 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. Capitalisation rates were found to be within a reasonable range of likely rates.</p> <p>We 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. We found that no reasonable changes in the capitalisation rates would have a material impact on the fair value of investment property and land and buildings.</p>

# Independent Auditor's Report to the Shareholders of Sefalana Holding Company Limited (continued)

## 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 ageing of 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.

This allowance was a matter of most significance to our current year audit due to the magnitude of the allowance, and because of the judgements applied in determining the allowance.

The disclosures relating to inventory allowances are set out in the financial statements in the following notes:

- Note 4 Critical accounting judgements and key sources of estimation uncertainty (Page 179)
- Note 23 Inventories (Page 206)

As part of our audit of the carrying values of retail inventory we independently recomputed the ageing of inventory based on sales records for the preceding twelve months to assess the likelihood of inventory items becoming slow moving or obsolete. Using this analysis and our understanding of likely value loss rates based on our experience in the industry, we formed an independent view of a range of appropriate allowances for slow moving and obsolete items.

Our testing did not identify material exceptions.

## Other information

The Directors are responsible for the other information. The other information comprises the Corporate Information and Statement of Directors' Responsibility, which we obtained prior to the date of this auditor's report, and other sections of the Sefalana Annual Report 2018, which are 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 and will not express an audit opinion or any form of assurance conclusion thereon.

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

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

## Responsibilities of the Directors for the consolidated and separate financial statements

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

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

## Auditor's responsibilities for the audit of the consolidated and separate financial statements

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



# Independent Auditor's Report to the Shareholders of Sefalana Holding Company Limited (continued)

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

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

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

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

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



Individual practicing member: Lalithkumar Mahesan  
Registration number: 20030046

Gaborone  
30 July 2018

# Consolidated and Separate Statements of Comprehensive Income

For the year ended 30 April 2018

	Note	Group		Company	
		2018	2017	2018	2017
		P'000	P'000	P'000	P'000
<b>REVENUE</b>	<b>5</b>	<b>4 785 500</b>	<b>4 273 011</b>		
Cost of sales		(4 490 990)	(3 976 211)		
Gross profit		294 510	296 800		
Other income and gains / (losses)	8	46 779	10 081	(437)	191
Administrative expenses		(142 676)	(133 395)	(7 265)	(1 794)
<b>Earnings / (loss) before interest, tax and amortisation (EBITA)</b>		<b>198 613</b>	<b>173 486</b>	<b>(7 702)</b>	<b>(1 603)</b>
Amortisation	16	(6 380)	(5 775)		
Investment income	7	50 117	14 994	112 437	105 541
Finance costs	9	(9 898)	(10 193)	(134)	(358)
Profit before share of results of associate and joint venture		232 452	172 512	104 601	103 580
Share of result of associate	17	(382)	1 451		
Share of result of joint venture	18	(361)	(815)		
<b>Profit before tax</b>		<b>231 709</b>	<b>173 148</b>	<b>104 601</b>	<b>103 580</b>
Income tax expense	10	(54 035)	(44 845)	(11 514)	(8 556)
<b>PROFIT FOR THE YEAR</b>	<b>11</b>	<b>177 674</b>	<b>128 303</b>	<b>93 087</b>	<b>95 024</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Gain on revaluation of land and buildings		12 171	15 942		
Gross gain on revaluation of land and buildings		15 275	20 413		
Income tax on gain on revaluation of land and buildings		(3 104)	(4 471)		
<b>Items that may be subsequently reclassified to profit or loss</b>					
Currency translation differences		(718)	12 638		
<b>Other comprehensive income for the year (net of tax)</b>		<b>11 453</b>	<b>28 580</b>		
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>189 127</b>	<b>156 883</b>	<b>93 087</b>	<b>95 024</b>
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO:</b>					
Owners of the parent		175 871	125 371	93 087	95 024
Non - controlling interests		1 803	2 932		
<b>TOTAL PROFIT FOR THE YEAR</b>		<b>177 674</b>	<b>128 303</b>	<b>93 087</b>	<b>95 024</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>					
Owners of the parent		187 324	153 527	93 087	95 024
Non - controlling interests		1 803	3 356		
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>189 127</b>	<b>156 883</b>	<b>93 087</b>	<b>95 024</b>
Earnings per share from continuing and discontinued operations attributable to the equity holders of the Company during the year:					
<b>BASIC EARNINGS PER SHARE (THEBE)</b>	<b>13</b>	<b>70.14</b>	<b>53.35</b>		
<b>TOTAL COMPREHENSIVE INCOME PER SHARE (THEBE)</b>	<b>13</b>	<b>74.71</b>	<b>65.33</b>		

# Consolidated and Separate Statements of Financial Position

As at 30 April 2018

	Note	Group		Company	
		2018	2017	2018	2017
		P'000	P'000	P'000	P'000
<b>ASSETS</b>					
<b>NON - CURRENT ASSETS</b>					
Property, plant and equipment	14	617 064	543 765		
Investment property	15	260 685	262 923		
Intangible assets	16	145 823	150 332		
Investment in associate	17	2 616	5 030		
Investment in joint venture	18		1 314		3 580
Investment in preference shares	19	198 114			
Deferred lease assets	20	1 090	2 033		
Deferred tax assets	21	16 708	13 546		
Investment in subsidiaries	22			520 206	242 520
Amounts due from related parties	25			129 269	188 549
Total non - current assets		1 242 100	978 943	649 475	434 649
<b>CURRENT ASSETS</b>					
Inventories	23	615 791	525 178		
Trade and other receivables	24	254 464	190 698	836	1 759
Amounts due from related parties	25			96 653	54 528
Current tax assets	10	5 628	4 049	608	367
Cash and cash equivalents	26	407 835	555 934	68 559	296 774
Total current assets		1 283 718	1 275 859	166 656	353 428
Asset classified as held for sale	27		8 000		
<b>TOTAL ASSETS</b>		<b>2 525 818</b>	<b>2 262 802</b>	<b>816 131</b>	<b>788 077</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Stated capital	28	686 354	686 354	686 354	686 354
Other reserves	29	242 063	216 334		
Retained earnings		751 199	663 082	90 973	85 640
Equity attributable to owners of the parent		1 679 616	1 565 770	777 327	771 994
Non - controlling interests		16 280	47 100		
Total equity		1 695 896	1 612 870	777 327	771 994
<b>NON - CURRENT LIABILITIES</b>					
Finance lease obligations	30	2 244	1 610		
Deferred lease obligations	31	19 399	15 607		
Loans and borrowings	32	112 103	117 476		3 641
Deferred tax liabilities	21	86 586	81 021		
Total non - current liabilities		220 332	215 714		3 641
<b>CURRENT LIABILITIES</b>					
Trade and other payables	33	515 393	373 507	2 673	1 457
Amounts due to related parties	25			7 821	8 003
Finance lease obligations	30	633	592		
Loans and borrowings	32	5 280	3 866	3 763	2 459
Current tax liabilities	10	4 465	3 762	353	
Bank overdrafts	26	24 194	1 018	24 194	523
Provisions and accruals	37	59 625	51 473		
Total current liabilities		609 590	434 218	38 804	12 442
Total liabilities		829 922	649 932	38 804	16 083
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 525 818</b>	<b>2 262 802</b>	<b>816 131</b>	<b>788 077</b>

# Consolidated and Separate Statements of Changes in Equity

For the year ended 30 April 2018

		Attributable to owners of the parent				Non - controlling interests	Total equity
		Stated capital	Other reserves	Retained earnings	Total		
	Note	P'000	P'000	P'000	P'000	P'000	P'000
<b>Group</b>							
At 30 April 2016		335 712	184 864	595 019	1115 595	59 766	1175 361
Profit for the year				125 371	125 371	2 932	128 303
Other comprehensive income for the year:							
Gain on revaluation of land and buildings (net of tax)			15 738		15 738	204	15 942
Currency translation differences			12 638		12 638		12 638
Acquisition of minority interest			3 094	(198)	2 896	(13 400)	(10 504)
Issue of shares	28	350 642			350 642	1 070	351 712
Dividends paid - 2017 interim and 2016 final				(57 110)	(57 110)	(3 472)	(60 582)
At 30 April 2017		686 354	216 334	663 082	1 565 770	47 100	1 612 870
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				(87 754)	(87 754)	(2 516)	(90 270)
At April 2018		686 354	242 063	751 199	1 679 616	16 280	1 695 896

Other reserves consist of land and buildings revaluation reserve, currency translation reserve, and other gains on purchase of minority interests as set out in note 29.

		Stated capital	Retained earnings	Total equity
	Note	P'000	P'000	P'000
Company				
At 30 April 2016		335 712	47 726	383 438
Profit for the year			95 024	95 024
Right issue of shares	28	350 642		350 642
Dividends paid - 2017 interim and 2016 final	13		(57 110)	(57 110)
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



# Consolidated and Separate Statements of Cash Flows

For the year ended 30 April 2018

	Note (\$)	Group		Company	
		2018	2017	2018	2017
		P'000	P'000	P'000	P'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit for the year		177 674	128 303	93 087	95 024
Income tax expense	10	54 035	44 845	11 514	8 556
Finance costs	9	9 898	10 193	134	358
Investment income	7	(50 117)	(14 994)	(112 437)	(105 541)
Net exchange differences		2 871	(146)	1 738	(6 344)
Gain on revaluation of investment property	8	(8 107)	(955)		
Transfer of property held for sale		8 000			
Share of results from associate	17	382	(1 451)		
Share of results from joint venture	18	361	815		
Net effect of movement in lease obligations		4 735	3 222		
Impairment of investment in associate	17	4 184		4 184	
Impairment of investment in joint venture	8 & 18			2 627	
Impairment of property, plant and equipment	14		1 937		
(Gain) / loss on disposal of property, plant and equipment	8	(125)	691		
Impairment of intangible assets	16		708		
Amortisation of intangible assets and leasehold rights	16	6 380	5 775		
Depreciation of property, plant and equipment	14	42 476	40 056		
Cash generated by / (utilised in) operating activities before working capital changes		252 647	218 999	847	(7 947)
Movements in working capital:					
Trade and other receivables		(28 728)	(41 058)	4 607	(73)
Inventories		(90 395)	(80 452)		
Provisions, trade and other payables		144 501	(49 823)	1 551	(461)
Finance lease obligations	30	675	1 869		
Loans to related parties					(68 124)
Loans from related parties				11 140	2 947
Cash generated by / (utilised in) operations		278 700	49 535	18 145	(73 658)
Interest on loans and finance leases paid		(9 898)	(10 193)	(134)	(358)
Income taxes paid		(56 883)	(52 266)	(11 402)	(8 658)
Net cash generated by / (utilised in) operating activities		211 919	(12 924)	6 609	(82 674)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	7	17 492	14 994	25 421	34 654
Dividends received from subsidiaries	7			87 016	70 887
Distributions received from associate company		2 032	1 000		
Purchase of property, plant and equipment	14	(58 640)	(71 324)		
Additions to investment property	15	(825)	(4 662)		
Purchase of computer software rights	16	(200)	(227)		
Net cash paid on business combinations	16	(34 997)	(73 257)		
Investment in subsidiary	22			(276 902)	(22 882)
Investment in preference shares	19	(198 114)			
Transaction with non - controlling interests	22	(16 000)	(10 504)		(10 504)
Loan to related parties					(59 515)
Proceeds from sale of property, plant and equipment		990	1 287		
Investment in joint venture / associate	17 & 18	(4 184)	(150)	(4 184)	(150)
Net cash flows (utilised in) / generated by investing activities		(292 446)	(142 843)	(168 649)	12 490
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings	32		43 121		
Repayment of borrowings	32	(3 959)	(3 098)	(2 337)	(3 098)
Proceeds from issue of shares	28		350 642		350 642
Proceeds from issue of shares to non - controlling interests			1 070		
Cash dividend paid to:					
Owners of the parents	13	(87 754)	(57 110)	(87 754)	(57 110)
Non - controlling interest		(2 516)	(3 472)		
Net cash flows from financing activities		(94 229)	331 153	(90 091)	290 434
Net (decrease) / increase in cash and cash equivalents		(174 756)	175 386	(252 131)	220 250
Cash and cash equivalents at beginning of year		554 916	373 322	296 251	76 729
Effects of exchange rate changes on cash and cash equivalents		3 481	6 208	245	(728)
<b>Cash and cash equivalents at end of year</b>		<b>383 641</b>	<b>554 916</b>	<b>44 365</b>	<b>296 251</b>
Represented by:					
Bank overdrafts	26 & 35	(24 194)	(1 018)	(24 194)	(523)
Cash and cash equivalents	26	407 835	555 934	68 559	296 774
		<b>383 641</b>	<b>554 916</b>	<b>44 365</b>	<b>296 251</b>

# Notes to the financial statements

For the year ended 30 April 2018

## 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 2018 were authorised for issue by the Board of Directors on 26 July 2018.

## 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, and investment property 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 2017:

- Amendment to IAS 12 – Income taxes: Recognition of deferred tax assets for unrealised losses
- Amendment to IAS 7 – Cash flow statements: Disclosure initiative

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

### (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 9 - Financial Instruments** (effective for the Group for the financial year ending April 2019)

IFRS 9 replaces existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9

includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment losses on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is in the process of assessing the potential impact to the financial statements.

#### **IFRS 15 - Revenue from Contracts with Customers** (effective for the Group for the financial year ending April 2019)

IFRS 15 establishes a comprehensive framework detailing the principles an entity must apply when measuring and recognising revenue. It replaces existing revenue recognition guidance, including IAS 18 - Revenue, IAS 11 - Construction Contracts and IFRIC 13 - Customer Loyalty Programmes. The Group is in process of assessing the potential impact on its Group financial statements regarding the application of IFRS 15. It is anticipated that some changes in the classification of statement of comprehensive income disclosure line items, such as revenue and other trading income, may occur.

#### **Amendment to IAS 40 – Investment Property: Transfers of investment property** (effective for the Group for the financial year ending April 2019)

These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. This amendment to the standard is not expected to have a significant effect on the financial statements of the Group.

#### **IFRIC 22 - Foreign currency transactions and advance consideration** (effective for the Group for the financial year ending April 2019)

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment / receipt is made as well as for situations where multiple payments / receipts are made. The guidance aims to reduce diversity in practice. This standard is not expected to have a significant effect on the financial statements of the Group.

#### **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, it may result in key balance sheet metrics such as leverage and finance ratios, and income statement metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), being impacted.

### 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. This standard is not expected to have a significant effect on the financial statements of the Group.

## 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.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

#### (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. Further details are 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

## Notes to the financial statements (continued)

For the year ended 30 April 2018

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 re-measurement 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 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 comprehensive income. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of 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 hyper inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) Income and expenses for each statement of 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
- (iii) 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 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 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 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 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

## Notes to the financial statements (continued)

For the year ended 30 April 2018

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 values 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 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 Groups 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.

#### Brands, trademarks, licences and customer contracts

Separately acquired brands or trademarks and licences are shown at historical cost. Brands, trademarks, licences 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.

#### 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.

### 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.

### 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 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 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 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 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 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 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 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 assets

#### Classification

The Group only has financial assets that are classified as loans and receivables and classified as fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' other than prepayments, 'amounts due from related parties' and 'cash and cash equivalents' in the statement of financial position.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in profit or loss within other income or other expenses

Dividends on financial assets at fair value through profit or loss are recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains / (losses). Interest on loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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.

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.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original

effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 24.

### De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or 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.

### 3.14 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.

Significant financial difficulties of the customer, probability that the customer will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

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 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 comprehensive income.

### 3.15 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.

### 3.16 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

### 3.17 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.

### 3.18 Financial liabilities

#### Classification

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

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

#### De-recognition of financial liabilities

The Group de-recognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

### 3.19 Trade payables

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

### 3.20 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.

### 3.21 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

### 3.22 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 3.23 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 when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. 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 upon delivery of products and customer acceptance. Payment is generally received via cash, debit card, credit card or cheque, or through charge to a line of credit granted to the customer. Related card transaction costs are recognised in the statement of comprehensive income as other expense.

#### Sales of goods - others

Revenue from the sale of other goods is recognised when the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Sales of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

### 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.

### 3.24 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 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.

### 3.25 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.

### 3.26 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.



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. Resulting fair value gains and losses have been recognised in the statement of 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 7% to 12%.

A 1% increase in the capitalisation rate would result in a P5.3 million reduction in overall portfolio value. A 1% decrease in capitalisation rate would result in a P5.3 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.

##### 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.

###### 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 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.

##### 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	Group	
	2018	2017
	P'000	P'000
<b>5 REVENUE</b>		
An analysis of the Group's revenue is as follows:		
Revenue from trading and manufacturing	4 772 294	4 252 486
Property rental income	13 206	20 525
	<b>4 785 500</b>	<b>4 273 011</b>
Property rental income comprises:		
Contractual rental income	14 149	20 525
Straight - line lease rental adjustment	(943)	
	<b>13 206</b>	<b>20 525</b>

## 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. 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, Lesotho and Namibian 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 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.

As of 1 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 included in the unallocated column under investment income.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 6 SEGMENTAL ANALYSIS (continued)

#### Segment results

	Botswana				Zambia	Lesotho	Namibia	Group	
	Trading consumer goods	Trading others	Manufacturing	Property	Property	Trading consumer goods	Trading consumer goods	Inter segment or unallocated	Consolidated
2018	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	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)
<b>Earnings before interest, tax and amortisation (EBITA)</b>	<b>50 836</b>	<b>20 217</b>	<b>22 066</b>	<b>38 846</b>	<b>6 805</b>	<b>9 515</b>	<b>71 286</b>	<b>(20 958)</b>	<b>198 613</b>
Amortisation	(452)					(1 640)	(4 288)		(6 380)
Investment income	2 381	1 437	444	237	32	1 203	6 240	38 143	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	44 621	232 452
Share of results from associate								(382)	(382)
Share of results from joint venture								(361)	(361)
<b>Profit before tax</b>	<b>52 765</b>	<b>21 645</b>	<b>21 096</b>	<b>29 539</b>	<b>6 837</b>	<b>2 103</b>	<b>53 846</b>	<b>43 878</b>	<b>231 709</b>

Total segment results above include:

Revenue from external customers	2 563 739	130 023	170 192	9 167	4 007	387 759	1 549 684	(29 071)	4 785 500
Depreciation and amortisation	20 284	1 151	6 163	9 671		3 117	8 470		48 856
Staff costs	124 258	10 863	14 053	19 590	826	7 287	33 290	1 243	211 410

#### Segment assets and liabilities

	Botswana				Zambia	Lesotho	Namibia	Group	
	Trading consumer goods	Trading others	Manufacturing	Property	Property	Trading consumer goods	Trading consumer goods	Inter segment or unallocated	Consolidated
2018	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Assets	524 400	142 578	211 445	569 969	65 690	151 613	470 065	390 058	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 (continued)

For the year ended 30 April 2018

### 6 SEGMENTAL ANALYSIS (continued)

#### Segment results

	Botswana				Zambia	Lesotho	Namibia	Group	
	Trading consumer goods	Trading others	Manufacturing	Property	Property	Trading consumer goods	Trading consumer goods	Inter segment or unallocated	Consolidated
2017	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Revenue	2 485 810	118 023	228 525	37 999	11 131	154 634	1 345 800	(108 911)	4 273 011
Cost of sales	(2 368 885)	(94 104)	(192 176)			(154 417)	(1 269 887)	103 258	(3 976 211)
Gross profit	116 925	23 919	36 349	37 999	11 131	217	75 913	(5 653)	296 800
Other income and gains / (losses)	(957)	2 793	794	26 897	(1 801)	146	5 773	(23 564)	10 081
Administrative expenses	(44 856)	(22 827)	(28 693)	(24 412)	(1 531)	(1 499)	(18 546)	8 969	(133 395)
<b>Earnings before interest, tax and amortisation (EBITA)</b>	<b>71 112</b>	<b>3 885</b>	<b>8 450</b>	<b>40 484</b>	<b>7 799</b>	<b>(1 136)</b>	<b>63 140</b>	<b>(20 248)</b>	<b>173 486</b>
Amortisation	(455)					(820)	(4 500)		(5 775)
Investment income	5 042	1 212	369	998		240	5 396	1 737	14 994
Finance costs	(90)	(19)	(3 000)	(9 492)		(3 849)	(18 689)	24 946	(10 193)
Profit before share of results from associate and joint venture	75 609	5 078	5 819	31 990	7 799	(5 565)	45 347	6 435	172 512
Share of results from associate								1 451	1 451
Share of results from joint venture								(815)	(815)
<b>Profit before tax</b>	<b>75 609</b>	<b>5 078</b>	<b>5 819</b>	<b>31 990</b>	<b>7 799</b>	<b>(5 565)</b>	<b>45 347</b>	<b>7 071</b>	<b>173 148</b>

Total segment results above include:

Revenue from external customers	2 485 687	114 560	152 193	9 006	11 131	154 634	1 345 800		4 273 011
Depreciation and amortisation	18 308	1 243	5 853	11 579		1 287	7 561		45 831
Staff costs	120 434	10 545	20 075	17 853	537	3 069	33 288	1 090	206 891

#### Segment assets and liabilities

	Botswana				Zambia	Lesotho	Namibia	Group	
	Trading consumer goods	Trading others	Manufacturing	Property	Property	Trading consumer goods	Trading consumer goods	Inter segment or unallocated	Consolidated
2017	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
Assets	447 197	149 878	246 019	561 345	68 583	125 396	384 737	279 647	2 262 802
Liabilities	(329 339)	(46 852)	(83 081)	(211 714)	(1 583)	(44 817)	(151 478)	218 932	(649 932)
Inter - group balances	10 262		(58 394)	8 964	2 947	(65 107)	(137 803)	239 131	
Capital expenditure during the year	26 907	603	8 374	23 300		10 243	6 786		76 213



## Notes to the financial statements (continued)

For the year ended 30 April 2018

	Note	Group		Company	
		2018	2017	2018	2017
		P'000	P'000	P'000	P'000
<b>7 INVESTMENT INCOME</b>					
Interest income from:					
Bank deposits		17 179	14 815	5 355	3 978
Related party loans				20 066	23 458
Other loans and receivables		313	179		7 218
Dividends on preference shares		32 625			
Dividends from subsidiaries				87 016	70 887
		<b>50 117</b>	<b>14 994</b>	<b>112 437</b>	<b>105 541</b>
<b>8 OTHER INCOME AND GAINS</b>					
Management fees from subsidiaries					243
Gain / (loss) on disposal of property, plant and equipment		125	(691)		
Commissions received		14 350			
Gain on revaluation of investment property	15	8 107	955		
Net effect of straight line - rental adjustment		946			
Net foreign exchange gains / (losses)		5 853	1 714	2 345	(176)
Loss on acquisition of control of joint venture	18			(2 627)	
Insurance claims, rent and rebates		16 281	6 707		
Other		1 117	1 396	(155)	124
		<b>46 779</b>	<b>10 081</b>	<b>(437)</b>	<b>191</b>
<b>9 FINANCE COSTS</b>					
Interest paid on:					
Bank overdrafts and loans		9 374	10 134	134	297
Finance lease obligations		430	59		
Related party loans					61
Other		94			
		<b>9 898</b>	<b>10 193</b>	<b>134</b>	<b>358</b>

The weighted average cost of borrowing for the Group is 7.95% (2017: 7.74%). Other finance costs mainly related to foreign exchange losses arising on the US Dollar term loan.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	Group		Company	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
<b>10 INCOME TAX EXPENSE</b>				
<b>Current tax</b>				
Basic Company Tax	49 557	42 981	5 064	2 835
Withholding tax on dividends	6 450	5 721	6 450	5 721
Adjustment in respect of prior years	(1 079)	(257)		
<b>Total current tax</b>	<b>54 928</b>	<b>48 445</b>	<b>11 514</b>	<b>8 556</b>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	(632)	(3 600)		
Adjustment in respect of prior years	(261)			
<b>Total deferred tax</b>	<b>(893)</b>	<b>(3 600)</b>		
<b>Income tax expense</b>	<b>54 035</b>	<b>44 845</b>	<b>11 514</b>	<b>8 556</b>

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 and 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 tax of 10% on rental income and an 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		Company	
	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
<b>Profit before tax</b>	<b>231 709</b>	<b>173 148</b>	<b>104 601</b>	<b>103 580</b>
Tax calculated at current tax rates - 22% / 15%(*) (2017: 22%)	50 976	38 092	23 012	22 788
Effect of differential tax rates	(4 185)	3 499	(17 948)	(19 953)
Expenses not deductible for tax purposes	2 471	530		
Adjustment in respect of prior years	(1 079)	(257)		
Final tax on dividend income	6 450	5 721	6 450	5 721
Tax effect of income not subject to tax	(598)	(2 740)		
<b>Income tax expense per statement of comprehensive income</b>	<b>54 035</b>	<b>44 845</b>	<b>11 514</b>	<b>8 556</b>

(\*) On 1st August 2017 the Company was granted an IFSC status and accordingly the applicable rate of 15% applied and will continue to apply going forward.

### Current tax assets and liabilities

Current tax assets:

Income tax refund receivable	5 628	4 049	608	367
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Current tax liabilities:

Income tax payable	4 465	3 762	353	
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## Notes to the financial statements (continued)

For the year ended 30 April 2018

	Note	Group		Company	
		2018	2017	2018	2017
		P'000	P'000	P'000	P'000
<b>11 PROFIT FOR THE YEAR</b>					
Profit for the year has been arrived at after charging / (crediting):					
Auditors' remuneration		3 304	3 492	18	18
Amortisation of intangible assets	16	6 380	5 775		
Cost of inventories expensed		4 341 367	3 908 997		
Depreciation of property, plant and equipment	14	42 476	40 056		
Impairment of property, plant and equipment	14		1 937		
Directors and employee benefits		211 410	206 891	1 244	1 091
Impairment of receivables	24	2 853	3 042		
Operating lease costs:					
- properties		49 375	44 941		
Gain on revaluation of investment property	15	(8 107)	(955)		
(Gain) / loss on disposal of property, plant and equipment	8	(125)	691		

## 12 DIRECTORS EMOLUMENTS

Emoluments of the Directors of Sefalana Holding Company Limited from the Company and its subsidiaries:

Fees for services as Directors	1 244	1 091	1 244	1 091
Managerial services	14 926	13 673		
<b>Total</b>	<b>16 170</b>	<b>14 764</b>	<b>1 244</b>	<b>1 091</b>
In respect of subsidiary companies	14 926	13 673		
In respect of the Company	1 244	1 091	1 244	1 091
<b>Total</b>	<b>16 170</b>	<b>14 764</b>	<b>1 244</b>	<b>1 091</b>

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	2018	2017
<b>13 EARNINGS AND COMPREHENSIVE INCOME PER SHARE</b>		
<b>Profit attributable to owners of the parent (P'000)</b>	<b>175 871</b>	<b>125 371</b>
<b>Total comprehensive income attributable to owners of the parent (P'000)</b>	<b>187 324</b>	<b>153 527</b>
<b>Shares in issue at end of year (number)</b>	<b>250 726 709</b>	<b>250 726 709</b>
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.		
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 of year (number)	250 726 709	222 868 186
Additional shares from Rights Issue (number)		27 858 523
Shares in issue at end of year (number)	250 726 709	250 726 709
Weighted average shares in issue during the year allowing for the bonus element on Rights Issue (number)	250 726 709	235 014 280
<b>Basic earnings per share (thebe)</b>	<b>70.14</b>	<b>53.35</b>
<b>Total comprehensive income per share (thebe)</b>	<b>74.71</b>	<b>65.33</b>
	<b>2018</b>	<b>2017</b>
	<b>P'000</b>	<b>P'000</b>
<b>DIVIDENDS</b>		
<b>Declared and paid during the year:</b>		
Interim 2018: 10 thebe per share and Final 2017: 25 thebe per share; (Interim 2017: 5 thebe per share and final 2016: 20 thebe per share)	87 754	57 110
Final 2018: 23 thebe per share; (Final 2017: 25 thebe per share)	57 667	62 682



# Notes to the financial statements (continued)

For the year ended 30 April 2018

## 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
<b>Group</b>					
<b>Cost or valuation</b>					
At 30 April 2016	342 812	11 008	221 694	24 659	600 173
Additions	27 068		36 373	7 883	71 324
Gain on revaluation	20 413				20 413
Reversal of depreciation on revaluation	(12 253)				(12 253)
Business combination - acquisition (note 16)			3 522	622	4 144
Currency translation	320		716	59	1 095
Transfer from investment property (note 15)	3 993				3 993
Disposals			(1 180)	(1 312)	(2 492)
<b>At 30 April 2017</b>	<b>382 353</b>	<b>11 008</b>	<b>261 125</b>	<b>31 911</b>	<b>686 397</b>
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)
<b>At 30 April 2018</b>	<b>444 871</b>	<b>11 798</b>	<b>299 620</b>	<b>35 454</b>	<b>791 743</b>
<b>Depreciation and impairment</b>					
At 30 April 2016		10 677	86 736	15 829	113 242
Depreciation charge for the year	12 253	30	24 920	2 853	40 056
Impairment loss			1 937		1 937
Disposals				(512)	(512)
Currency translation			147	15	162
Elimination of depreciation previously charged	(12 253)				(12 253)
<b>At 30 April 2017</b>		<b>10 707</b>	<b>113 740</b>	<b>18 185</b>	<b>142 632</b>
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)
<b>At 30 April 2018</b>		<b>11 798</b>	<b>141 654</b>	<b>21 227</b>	<b>174 679</b>
<b>Carrying amount</b>					
<b>At 30 April 2018</b>	<b>444 871</b>		<b>157 966</b>	<b>14 227</b>	<b>617 064</b>
At 30 April 2017	382 353	301	147 385	13 726	543 765

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 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 2018 arising			
	Level 1	Level 2	Level 3
	P'000	P'000	P'000
<b>Recurring fair value measurements</b>			
Office buildings - Botswana			61 134
Retail sale outlets - Botswana			274 365
Manufacturing sites - Botswana			55 175
Office buildings and employee houses - Namibia			44 017
Warehouse - Lesotho			10 180
			<b>444 871</b>

There were no transfers between levels during the year.

Fair value measurements at 30 April 2017 arising			
	Level 1	Level 2	Level 3
	P'000	P'000	P'000
<b>Recurring fair value measurements</b>			
Office buildings - Botswana			59 643
Retail sale outlets - Botswana			251 267
Manufacturing sites - Botswana			54 400
Employee houses - Namibia			7 217
Warehouse - Lesotho			9 826
			<b>382 353</b>

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.

#### Fair value measurements using significant un - observable inputs (Level 3)

	2018	2017
	P'000	P'000
Opening fair value	382 353	342 812
Additions	16 484	27 068
Additions through business combination	36 453	
Reclassification / transfers / currency translation	4 613	4 313
Gain on revaluation recognised in other comprehensive income	15 275	20 413
Reversal of depreciation on revaluation	(10 307)	(12 253)
<b>Closing fair value</b>	<b>444 871</b>	<b>382 353</b>

14 PROPERTY, PLANT AND EQUIPMENT (continued)

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

2017

Fair value measurement using significant un - observable inputs (level 3)

Description	Fair value at 30 April 2017 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Land and buildings	382 353	Income capitalisation	P15 per sqm to P70 per sqm (weighted average of P40 per sqm) and capitalisation factor range from 8% to 37% with a weighted average of 12%	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 P4.3 million (2017: P3.3 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 P26.3 million (2017: P22.3 million) and P16.2 million (2017: P17.7 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:

	2018	2017
	P'000	P'000
Cost	160 007	139 446
Accumulated depreciation	(23 389)	(19 389)
<b>Net carrying amount</b>	<b>136 618</b>	<b>120 057</b>

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	2018	2017
	P'000	P'000
<b>15 INVESTMENT PROPERTY</b>		
<b>Group</b>		
Freehold and leasehold land and buildings at fair value	261 775	264 956
Deferred lease asset adjustment	(1 090)	(2 033)
<b>Balance at end of year</b>	<b>260 685</b>	<b>262 923</b>
<b>Reconciliation of fair value:</b>		
Opening fair value	262 923	260 494
Additions during the year	825	4 662
Transfer to property, plant and equipment (note 14)	(4 386)	(3 993)
Currency translation differences	(5 841)	805
Gain on revaluation of properties	8 107	955
Straight - line lease rental adjustment	(943)	
<b>Closing fair value</b>	<b>260 685</b>	<b>262 923</b>

### Fair value of land and buildings

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 2018			
	Level 1	Level 2	Level 3
	P'000	P'000	P'000
<b>Recurring fair value measurements</b>			
Office buildings - Botswana			131 556
Office buildings - Zambia			62 791
Retail sale outlets - Botswana			20 338
Manufacturing site - Botswana			46 000
			<b>260 685</b>

There were no transfers between levels during the year.

Fair value measurements at 30 April 2017			
	Level 1	Level 2	Level 3
	P'000	P'000	P'000
<b>Recurring fair value measurements</b>			
Office buildings - Botswana			129 423
Office buildings - Zambia			64 700
Retail sale outlets - Botswana			24 100
Manufacturing site - Botswana			44 700
			<b>262 923</b>

There were no transfers between levels during the year.



## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 15 INVESTMENT PROPERTY (continued)

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)
<b>Closing fair value</b>	<b>197 894</b>	<b>62 791</b>	<b>260 685</b>

Fair value measurements using significant un - observable inputs (level 3)

#### 2017

	Botswana properties	Zambia property	Total
	P'000	P'000	P'000
Opening fair value	194 970	65 524	260 494
Additions	4 662		4 662
Transfer to property, plant and equipment (note 14)	(3 993)		(3 993)
Currency translation differences		805	805
Gain on revaluation of properties	2 783	(1 828)	955
Straight - line lease rental adjustment and others	(199)	199	
<b>Closing fair value</b>	<b>198 223</b>	<b>64 700</b>	<b>262 923</b>

#### 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 15 INVESTMENT PROPERTY (continued)

#### 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
Land and buildings (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
Land and buildings (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
<b>Total</b>	<b>260 685</b>			

#### Information about fair value measurements using significant unobservable inputs (level 3)

2017

Description	Fair value at 30 April 2017 P'000	Valuation technique	Range of un - observable inputs	Relationship of un - observable inputs to fair value
Land and buildings (Botswana)	198 223	Income capitalisation method	P22 per sqm to P93 per sqm (weighted average of P55 per sqm) and capitalisation factor range from 10% to 14% with a weighted average of 13%	The higher the price per square meter, the higher the value of the property
Land and buildings (Zambia)	64 700	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
<b>Total</b>	<b>262 923</b>			

A 10 basis point increase / decrease in capitalisation rate on each property would increase / decrease the overall valuation by P1.0 million (2017: P1.1 million).

Revaluation surpluses relating to investment property is included in other income and gains (note 8)

	2018	2017
	P'000	P'000
<b>Contractual rental income from investment property</b>	<b>14 149</b>	<b>20 525</b>
<b>Expenses directly attributable to investment property</b>	<b>(1 326)</b>	<b>(884)</b>

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 (continued)

For the year ended 30 April 2018

### 16 INTANGIBLE ASSETS

	Goodwill	Brand value	Computer software	Customer contracts	Total
	P'000	P'000	P'000	P'000	P'000
<b>Group</b>					
<b>Cost</b>					
At 30 April 2016	48 563	86 627	14 842	4 033	154 065
Additions			227		227
Business combination	1 371			16 377	17 748
Currency translation	966	4 070	100	190	5 326
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
<b>Amortisation and impairment</b>					
At 30 April 2016	443	6 352	12 646	740	20 181
Currency translation		298	37	35	370
Impairment charge			708		708
Charge during the year		3 628	905	1 242	5 775
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
<b>Carrying amount</b>					
At 30 April 2018	50 858	77 830	387	16 748	145 823
At 30 April 2017	50 457	80 419	873	18 583	150 332

#### 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 (continued)

For the year ended 30 April 2018

### 16 INTANGIBLE ASSETS (continued)

For the purpose of impairment testing, goodwill is attached to the following cash generating units:

	2018	2017
	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	
MF Holdings (Proprietary) Limited	3 794	3 794
Wholesale operations in South West Botswana	2 393	2 393
Currency translation	(419)	(730)
<b>Total</b>	<b>50 858</b>	<b>50 457</b>

The increase in goodwill of P0.09m during the year relates to the Group's acquisition of a property company, PWT Properties (Pty) Limited in Namibia. In the previous year, the Group acquired a trading operation in Maseru, Lesotho, increasing goodwill accordingly by P1.4 million.

Key assumptions used in the calculation of recoverable amounts are discount rates and growth rates as follows:

	2018					2017				
	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%	145.00%	14.50%
Growth rates	1.00%	3.00%	3.50%	4.00%	1.00%	0.70%	2.20%	0.00%	8.80%	0.70%

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.

	2018					2017				
	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%	25.00%	25.00%	25.00%	30.00%	25.00%
Growth rates	0.92%	(11.50%)	7.90%	0.30%	0.92%	3.12%	(8.70%)	8.70%	8.70%	3.12%

#### Analysis of amortisation of intangible assets

	2018	2017
	P'000	P'000
Computer software	685	905
Brand value	3 627	3 628
Customer contracts	2 068	1 242
<b>Total</b>	<b>6 380</b>	<b>5 775</b>



16 INTANGIBLE ASSETS (continued)

Business combination during the 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%. 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 Natural Value Foods Botswana (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 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
Trade and other creditors	(4 280)
Deferred lease liability	(91)
Net assets	1 686
Non - controlling interests	(169)
Total identifiable assets	1 517

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 16 INTANGIBLE ASSETS (continued)

#### Business combination during the year

On 24 May 2017 the Group acquired 100% of the share capital of Awas 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\$4.5 million (P3.6 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 Awas 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		

16 INTANGIBLE ASSETS (continued)

Business combination during the 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 assets - 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 (continued)

For the year ended 30 April 2018

### 16 INTANGIBLE ASSETS (continued)

#### Business combination during the prior year

On 1 November 2016 the Group acquired TFS Distribution and Logistics, a Fast Moving Consumer Goods business in Maseru Lesotho for a consideration of Loti 94 million (P73 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 by Sefalana Trading (Proprietary) Limited Lesotho:

Separately Identifiable asset	Basis of recognition and measurement	2017 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	4 144
Net current assets	Assets recognised at the lower of cost or net realisable value. Liabilities recognised at fair value.	51 365
Cash and cash equivalents	Cash and cash equivalents	78
Customer relationships	The acquired business relies on a significant portion of its customer base in the form of credit, who have contracts in place and typically pay after an agreed period. These customers have a long standing relationship with the acquired business. The assigned value is derived from the present value of the incremental benefit derived from these credit customers.	16 377
Assembled workforce	Not significant, thus not separately valued	
Fair value of net assets acquired before deferred tax adjustment		71 964
Deferred tax adjustment (deemed to be immaterial)		
Fair value of net assets acquired after deferred tax adjustment		71 964
Fair value of purchase consideration		73 335
Goodwill recognised		1 371

The net assets acquired were as follows:

	LSL'000	P'000
Total identifiable assets - Note 1	92 040	71 964
Fair value of consideration - cash	93 796	73 335
Goodwill	1 756	1 371

#### Note 1: Total identifiable assets

Property, plant and equipment	5 300	4 144
Customer contracts	20 946	16 377
Inventories	46 844	36 627
Trade and other receivables	18 850	14 738
Cash and cash equivalents	100	78
Total identifiable assets	92 040	71 964

The above transaction was financed through a Rights Issue of 1 share for every 8 shares held. Total proceeds received through the Rights Issue net of expenses amounted to P351 million. The exercise price was P12.60 which amounted to a 10% discount at the exercise date of 2 November 2016. These shares were fully subscribed and resulted in an increase in the stated capital number of shares by 27 858 523.

As a result of this acquisition the Group has gained significant access into the Lesotho market. The remaining funds raised through the Rights Issue has been utilised to fund the Group's entry into the South African market on 1 July 2017.



## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 17 INVESTMENT IN ASSOCIATE

		2018	2017
		P'000	P'000
	Grow Mine Africa (Proprietary) Limited	Kgalagadi Soap Industries (Proprietary) Limited	Total
	P'000	P'000	P'000
Investment at 1 May		5 030	5 030
Investment during the year	4 184		4 184
Impairment recognised during the year	(4 184)		(4 184)
Add: Share of results		(382)	(382)
Less: Dividend received net of tax		(2 032)	(2 032)
<b>Carrying value at 30 April</b>		<b>2 616</b>	<b>5 030</b>

#### 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 P4.2 million, was made by the Company in preparation for business activities expected to commence in 2019.

The summarised results of this entity have not been presented on the basis that activities have not yet commenced as at 30 April 2018. An impairment provision of P4.2 million has been raised against this investment.

#### Kgalagadi Soap Industries (Proprietary) Limited

As at 30 April 2018, the fair value and carrying value of the Group's interest in Kgalagadi Soap Industries (Proprietary) Limited was P2.6 million (2017: P5.0 million). 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

	2018	2017
	P'000	P'000
<b>Non - current assets</b>		
Property, plant and equipment	4 970	4 479
Deferred tax	215	127
<b>Total non - current assets</b>	<b>5 185</b>	<b>4 606</b>
<b>Current assets</b>		
Cash and cash equivalents	1 896	6 846
Other current assets	19 066	10 902
<b>Total current assets</b>	<b>20 962</b>	<b>17 748</b>
<b>Current liabilities</b>		
Financial liabilities	(9 286)	(2 697)
Other current liabilities	(11 629)	(9 364)
<b>Total current liabilities</b>	<b>(20 915)</b>	<b>(12 061)</b>
<b>Net assets</b>	<b>5 232</b>	<b>10 293</b>

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 17 INVESTMENT IN ASSOCIATE (continued)

#### Summarised statement of comprehensive income

	2018	2017
	P'000	P'000
Revenue	18 263	36 711
Depreciation and amortisation	(391)	(439)
Interest income	42	37
Interest expense	(366)	(179)
(Loss) / profit before tax	(898)	3 414
Income tax	134	(512)
Total comprehensive (loss) / income for the year	(764)	2 902
Share of (loss) / income for the year	(382)	1 451

#### Reconciliation of summarised financial information

Opening net assets at 1 May	10 293	9 553
(Loss) / profit for the year	(764)	2 902
Less: dividend paid	(4 064)	(2 000)
Other adjustments	(233)	(162)
Closing net assets at 30 April	5 232	10 293
Less: impairment recognised at KSI Group		(395)
Other adjustments		162
Closing balance net of impairment at 30 April	5 232	10 060
Interest in associate at 50%	2 616	5 030

#### Other information pertaining to the associate company 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

## Notes to the financial statements (continued)

For the year ended 30 April 2018

		2018	2017
		P'000	P'000
<b>18 INVESTMENT IN JOINT VENTURE</b>			
	<b>Natural Value Foods Botswana (Proprietary) Limited</b>	<b>Total</b>	<b>Total</b>
	P'000	P'000	P'000
Shares at cost			
Loan to joint venture	3 580	3 580	3 580
Total cost of investment	3 580	3 580	3 580
Share of loss for period ended 30 September 2017 / year ended 30 April 2017	(2 627)	(2 627)	(2 266)
Business combination	(953)	(953)	
<b>Carrying value at 30 April</b>			<b>1 314</b>

### Natural Value Foods Botswana (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 became a 90% subsidiary of the Group with effect from 1 October 2017.

The joint venture shareholding structure is as follows:

	2018	2017
	Shareholding %	
Sefalana Holding Company Limited	90	50
Natural Value Foods (Proprietary) Limited, South Africa		40
Mr. Kevin Morris	5	5
Mrs. Amande Morris	5	5

Set out below is the summarised financial information for Natural Value Foods Botswana (Proprietary) Limited which is accounted for using the equity method until 30 September 2017.

### Summarised balance sheet

	2018	2017
	P'000	P'000
<b>Non - current assets</b>		
Property, plant and equipment	1 589	1 992
Loan receivable	79	45
<b>Total non - current assets</b>	<b>1 668</b>	<b>2 037</b>
<b>Current assets</b>		
Cash and cash equivalents	2 189	652
Other current assets	2 419	5 115
<b>Total current assets</b>	<b>4 608</b>	<b>5 767</b>
<b>Current liabilities</b>		
Financial liabilities		(7 170)
Other current liabilities	(4 370)	(5 166)
<b>Total liabilities</b>	<b>(4 370)</b>	<b>(12 336)</b>
<b>Net assets</b>	<b>1 906</b>	<b>(4 532)</b>
<b>Interest in joint venture (50%)</b>	<b>953</b>	<b>(2 266)</b>

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 18 INVESTMENT IN JOINT VENTURE (continued)

	For 5 month period ended 30 September 2017	2017
	P'000	P'000
<b>Summarised statement of comprehensive income</b>		
Revenue	15 733	39 858
Depreciation and amortisation	(149)	(366)
Interest income		6
Loss for the year	(722)	(1 630)
Total comprehensive loss for the year	(722)	(1 630)
Share of loss at 50%	(361)	(815)
<b>Reconciliation of summarised financial information</b>		
Opening net liabilities at 1 May	(4 532)	(2 902)
Loss for the year	(722)	(1 630)
Transfer of shareholder's loan	7 160	
Closing net assets / (liabilities) at 30 September 2017	1 906	(4 532)
Interest in joint venture at 50%	953	(2 266)

#### Other information pertaining to the joint venture include:

Country of incorporation	Botswana
Financial year end	30 April
Effective interest in stated capital at Sefalana Holding Company Limited level as at April 2017	50%
Effective interest in stated capital at Sefalana Holding Company Limited level as at April 2018	90%
Principal activity	Supply and distribution of fruit and vegetables



## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 19 INVESTMENT IN PREFERENCE SHARES

	2018	2017
	P'000	P'000
<b>Group</b>		
Investment in Preference Shares	198 114	
<b>At end of year</b>	<b>198 114</b>	

The Group entered into a Preference Share subscription agreement with Set to Run Trade and Invest (Proprietary) Limited ("Set to Run") with an effective date of 1 July 2017. Set to Run 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, Set to Run is expected to make certain investments in the fast moving consumer goods sector in South Africa in accordance with an agreed business plan.

The cash flows expected to be generated through implementation of this business plan underpin the Group's R250 million investment in preference shares issued by Set to Run. 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 Set to Run representing up to 35% of the issued share capital of Set to Run. Such conversion may be blocked by the majority ordinary shareholder of Set to Run 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 P12.60. Total proceeds of P351 million was raised net of expenses. The remaining proceeds were utilized for the Group's acquisition into the Lesotho market.

This investment is assessed to be a financial instrument and is designated at fair value through profit or loss.

The fair value of the preference share investment was determined by the Group based on the business plans and forecasted cash flows of Set to Run as originally agreed between the parties, as since the start of Set to Run's business operations in December 2017, there have been no indicators that these plans or forecasts would change significantly.

As time lapses and the redemption date of 30 June 2022 approaches, or if the performance and cash flows of Set to Run deviates significantly from originally anticipated, or if there is a significant change in interest rates, any changes to fair value of the preference share will be determined based on all information available at that time. However, the fair value of the preference share will not be lower than the initial investment, unless there is impairment due to credit risk, as the initial investment would be redeemed. As at the reporting date, no evidence of impairment exists.

Based on current forecasts, even if Set to Run exceeds target Earnings before interest, tax and amortisation by 25%, there is no change in fair value.

### 20 DEFERRED LEASE ASSETS

<b>Group</b>		
At beginning of year	2 033	2 033
Movement during the year	(943)	
<b>At end of year</b>	<b>1 090</b>	<b>2 033</b>

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 (continued)

For the year ended 30 April 2018

### 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 2016	(7 265)	(72 881)	11 420	2 237	(66 489)
Current year movement	(42)	(120)	2 975	787	3 600
Currency translation				(115)	(115)
Gain on revaluation of land and building included in Other Comprehensive Income		(4 471)			(4 471)
<b>At 30 April 2017</b>	<b>(7 307)</b>	<b>(77 472)</b>	<b>14 395</b>	<b>2 909</b>	<b>(67 475)</b>
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)
<b>At 30 April 2018</b>	<b>(9 952)</b>	<b>(81 569)</b>	<b>17 590</b>	<b>4 053</b>	<b>(69 878)</b>

	2018	2017
	P'000	P'000
Disclosed as:		
Deferred tax assets	16 708	13 546
Deferred tax liabilities	(86 586)	(81 021)
	<b>(69 878)</b>	<b>(67 475)</b>

	2018	2017	2018	2017
	P'000	P'000	P'000	P'000
<b>Company</b>				
<b>Held directly:</b>				
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	*	70	31 961	15 961
Natural Value Foods Botswana (Proprietary) Limited	**	90	1 517	
Sefalana Cash and Carry Limited	100	100	154 777	154 777
Sefalana sa Botswana Limited	100	100		
Sefalana Mauritius (Proprietary) Limited	100	100	283 051	22 882
Sefalana Properties Limited, Zambia	100	100	10 561	10 561
Sefalana Cash and Carry Limited, Zambia	100	100	61	61
			<b>520 206</b>	<b>242 520</b>

22 INVESTMENT IN SUBSIDIARIES (continued)

	% holding by the controlling entity	
	2018	2017
Held indirectly, through:		
<b>KSI Holdings (Proprietary) Limited</b>		
Refined Oil Products (Proprietary) Limited	100	100
Kgalagadi Soap Industries (Proprietary) Limited	50	50
<b>Sefalana Cash and Carry Limited</b>		
Welcome Serowe (Proprietary) Limited	100	100
Sefalana Cash and Carry (Namibia) (Proprietary) Limited	100	100
Sefalana Properties (Namibia) (Proprietary) Limited	100	100
<b>MF Holdings (Proprietary) Limited</b>		
Commercial Motors (Proprietary) Limited	100	100
Ellerry Holdings (Proprietary) Limited	100	100
Mechanised Farming (Proprietary) Limited	100	100
<b>Sefalana Mauritius (Pty) Limited</b>		
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 against the consideration paid recognised within 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 for a net cash consideration of P0.7 million, with effect from 1 October 2017, after which Natural Value Foods Botswana (Proprietary) Limited 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

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	2018	2017
	P'000	P'000
<b>23 INVENTORIES</b>		
<b>Group</b>		
Purchased for resale	548 980	464 714
Finished goods	12 186	1 215
Raw materials	69 936	70 103
Work in progress	1 928	1 901
Less: provision for obsolescence	(17 239)	(12 755)
	<b>615 791</b>	<b>525 178</b>

Inventory stated at net realisable value amounts to P2.5 million (2017: P2.2 million). Inventory written off during the year amounted to nil (2017: nil).

## 24 TRADE AND OTHER RECEIVABLES

<b>Group</b>		
Trade receivables	183 746	168 433
Impairment provision	(12 364)	(11 045)
	171 382	157 388
Prepaid expenses	10 359	5 521
Advances	1 129	929
Dividends on preference shares	32 625	
Other receivables	38 969	26 860
	<b>254 464</b>	<b>190 698</b>

The average credit period on sale of goods is 40 days (2017: 40 days).

Included in trade and other receivables are amounts due in foreign currencies being South African Rand, ZAR42 million (2017: ZAR0.8 million), Namibian Dollar, N\$28.5 million (2017: N\$26.7 million), United States Dollar, US\$1.3 million (2017: US\$0.4 million), Zambian Kwacha, K0.1 million (2017: K0.1 million) and Lesotho Loti, LSL24.1 million (2017: LSL28.4 million) all of which equates to P75.3 million (2017: P47.7 million).

From the Group's historical delinquency experience, once trade receivables remain outstanding for a period of more than 90 days after the date of invoicing, there is an indication of possible impairment of the debt and the customer's ability to settle its obligation. Accordingly, the Group accounts for specific impairment of all receivables which are aged over 90 days at the reporting date. Trade receivables which are aged between 30 and 90 days are classified as past due but not individually impaired. Provisions for impairment are raised against these receivables based on a specific identification of the impaired receivable where applicable.

Before accepting any new customer the Group assesses the potential customer's credit quality and defines credit limits for that customer. Limits and scoring attributed to customers are reviewed and updated regularly.

Included in the Group's trade receivable balance are receivables with a carrying value of P62.3 million (2017: P66.0 million) which are past due at the reporting date for which the Group has not provided as there has not been any significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 60 days (2017: 60 days).



## Notes to the financial statements (continued)

For the year ended 30 April 2018

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### TRADE AND OTHER RECEIVABLES (continued)

Ageing of past due but not impaired:

Group	2018 P'000	2017 P'000
30 - 60 days	34 346	33 062
60 - 90 days	21 950	25 014
90 -120 days	6 754	7 932
<b>Total</b>	<b>63 050</b>	<b>66 008</b>

Movement in allowances for impairment:

Group	2018 P'000	2017 P'000
Balance at beginning of year	11 045	9 703
Impairment losses recognised during the year	2 853	3 042
Amounts written off as uncollectible	(1 534)	(1 700)
<b>Balance at end of year</b>	<b>12 364</b>	<b>11 045</b>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Credit risk is not concentrated in any particular segment due to the customer base being large and unrelated. Accordingly, the Directors believe that no further impairment provision is required in excess of the allowance for doubtful debts. Refer to note 40 for the credit quality analysis. The maximum exposure to credit risk at year end was P256 million (2017: P196.5 million).

Company	2018 P'000	2017 P'000
Trade receivables	836	1 759
	<b>836</b>	<b>1 759</b>

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.

Included in the above amount is P nil (2017: P nil) past due but not impaired.

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### 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 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.

Group	2018 P'000	2017 P'000
<b>Amount due from related party / affiliate</b>		
Set to Run Trade and Invest (Proprietary) Limited	198 114	
<b>Company</b>		
<b>Amount due from local subsidiaries</b>		
Cebay Investments (Proprietary) Limited	1 000	1 000
Foods (Botswana) (Proprietary) Limited	16 566	37 211
KSI Holdings (Proprietary) Limited	386	
Meybeernick Investments (Proprietary) Limited	9 179	12 221
Refined Oil Products (Proprietary) Limited	1 543	
Sefalana Cash and Carry Limited	196 678	127 541
<b>Amounts due from foreign subsidiary:</b>		
Sefalana Mauritius (Proprietary) Limited	570	65 104
<b>Total amounts due from related parties</b>	<b>225 922</b>	<b>243 077</b>
Non - current assets	129 269	188 549
Current assets	96 653	54 528
<b>Total</b>	<b>225 922</b>	<b>243 077</b>

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 25 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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 Limited and Sefalana Mauritius (Proprietary) Limited has resulted in the entire amount receivable being classified as non - current.

	2018	2017
	P'000	P'000
<b>Amounts due to local subsidiary:</b>		
Sefalana sa Botswana Limited	5 056	5 056
<b>Amounts due to foreign subsidiary:</b>		
Sefalana Properties Limited, Zambia	2 765	2 947
<b>Total amounts due to related parties (current liabilities)</b>	<b>7 821</b>	<b>8 003</b>

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.

Group		
<b>Dividend on preference shares from related party / affiliate</b>		
Set to Run Trade and Invest (Proprietary) Limited	32 625	
Company		
<b>Interest income from loans to subsidiaries</b>		
Foods (Botswana) (Proprietary) Limited	1 398	1 582
KSI Holdings (Proprietary) Limited	43	
Refined Oil Products (Proprietary) Limited	11	
Meybeernick Investments (Proprietary) Limited	221	86
Sefalana Cash and Carry Limited	18 393	17 941
Sefalana Mauritius (Proprietary) Limited		3 849
	<b>20 066</b>	<b>23 458</b>
<b>Interest paid on loans from subsidiaries</b>		
Meybeernick Investments (Proprietary) Limited		
MF Holdings (Proprietary) Limited		33
Mechanised Farming (Proprietary) Limited		28
		<b>61</b>
<b>Dividends from subsidiaries</b>		
Foods (Botswana) (Proprietary) Limited	15 000	
KSI Holdings (Proprietary) Limited	1 016	500
Meybeernick Investments (Proprietary) Limited	15 000	
MF Holdings (Proprietary) Limited	3 500	3 500
Sefalana Cash and Carry Limited	52 500	61 000
Sefalana Properties Limited, Zambia		5 887
	<b>87 016</b>	<b>70 887</b>
<b>Rent paid (Group only)</b>		
Sefalana Group Staff Pension Fund	5 725	5 554
<b>Cost recovery from subsidiaries</b>		
Commercial Motors (Proprietary) Limited		136
Mechanised Farming (Proprietary) Limited		107
		<b>243</b>
<b>Contribution to pension fund (Group only)</b>		
Sefalana Group Staff Pension Fund	7 301	7 226

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	2018	2017
	P'000	P'000
<b>26 CASH AND CASH EQUIVALENTS</b>		
<b>Group</b>		
Cash on hand	12 256	14 483
Bank balances	271 632	173 589
Short term deposits	123 947	367 862
	<b>407 835</b>	<b>555 934</b>
Cash and cash equivalents represented by:		
Cash on hand and bank balances	407 835	555 934
Bank overdraft	(24 194)	(1 018)
	<b>383 641</b>	<b>554 916</b>
<b>Company</b>		
Bank balances	737	36 536
Short term deposits	67 822	260 238
Bank overdraft	(24 194)	(523)
	<b>44 365</b>	<b>296 251</b>
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 5.8% based on the money market interest rates and are redeemable on demand.		
<b>Cash and cash equivalents represented by:</b>		
Cash on hand and bank balances	68 559	296 774
Bank overdraft	(24 194)	(523)
	<b>44 365</b>	<b>296 251</b>
<b>27 NON - CURRENT ASSET HELD FOR SALE</b>		
Asset classified as held for sale		8 000

In January 2015, Plot 64260, at Broadhurst Industrial was marketed for sale. The Directors expected the sale of this property to have been completed within 12 months of the previous reporting date, however delays had been experienced.

As at the reporting date an agreement has been entered into with a third party for the sale of this property. Payment has been received and is now awaiting legal transfer.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	2018	2017	2018	2017
	Number of shares	Number of shares	P'000	P'000
<b>28 STATED CAPITAL</b>				
<b>Group and Company</b>				
Issued and fully paid				
At beginning of the year	250 726 709	222 868 186	686 354	335 712
Additional shares issued during the year		27 858 523		350 642
<b>At end of year</b>	<b>250 726 709</b>	<b>250 726 709</b>	<b>686 354</b>	<b>686 354</b>

The Company has one class of ordinary shares of no par value which carry no right to fixed income.

On 19th December 2016 the Company issued 27 858 523 Rights Issue Shares at a price of P12.60 per share, at a ratio of 1 offer share for every 8 shares held. These shares were fully subscribed. The total proceeds received amounted to P351 million and were utilised to fund the Group's acquisition of the Lesotho business and to support the Group's entry into the South African Market through its investment in a Preference Share arrangement (note 19).

## 29 OTHER RESERVES

<b>Group</b>			
	Land and buildings revaluation	Currency translation	Total
	P'000	P'000	P'000
At 30 April 2016	214 763	(30 103)	184 660
Gain on revaluation of land and buildings (net of tax)	15 942		15 942
Acquisition of minority interest		3 094	3 094
Currency translation differences		12 638	12 638
<b>At 30 April 2017</b>	<b>230 705</b>	<b>(14 371)</b>	<b>216 334</b>
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)
<b>At 30 April 2018</b>	<b>242 876</b>	<b>(813)</b>	<b>242 063</b>

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.

Acquisition of minority interest for the year ended 30 April 2017 relates to the profit on acquisition of the Non - Controlling Interest (NCI) in Sefalana Properties Limited, Zambia.

Transactions with 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).



## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 30 FINANCE LEASE OBLIGATIONS AND OTHER FINANCIAL LIABILITIES

#### FINANCE LEASE OBLIGATIONS

Group				
	2018		2017	
	Future minimum lease payments	Present value of capital payments	Future minimum lease payments	Present value of capital payments
	P'000	P'000	P'000	P'000
Finance lease liabilities are payable as follows:				
Within one year	1 046	633	663	592
Between two and five years	2 833	2 244	2 216	1 610
	3 879	2 877	2 879	2 202
Unearned finance charges	(1 002)		(677)	
	<b>2 877</b>	<b>2 877</b>	<b>2 202</b>	<b>2 202</b>

	2018	2017
	P'000	P'000
Long term portion	2 244	1 610
Current portion	633	592
	<b>2 877</b>	<b>2 202</b>

The amount is in respect of a floor - plan facility utilised for 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 P1.9 million.

### 31 DEFERRED LEASE OBLIGATIONS

Group		
Balance at beginning of year	15 607	12 385
Raised during the year	3 792	3 222
<b>Balance at end of year</b>	<b>19 399</b>	<b>15 607</b>

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.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	2018	2017
	P'000	P'000
<b>32 LOANS AND BORROWINGS</b>		
<b>Group</b>		
Long term portion	112 103	117 476
Current portion	5 280	3 866
	<b>117 383</b>	<b>121 342</b>
<b>Company</b>		
Long term portion		3 641
Current portion	3 763	2 459
	<b>3 763</b>	<b>6 100</b>

Loans and borrowings include the following:

### Company and Group

The term loan from First National Bank of Botswana Limited for an original sum of US\$2.14 million bears interest at the 3 month LIBOR rate plus 1.75% and is repayable over 120 months commencing from 31 May 2010. This loan is 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.

### Group

The Group had 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 2018, the full facility had been drawn down (2017: P100 million).

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 (continued)

For the year ended 30 April 2018

### 33 TRADE AND OTHER PAYABLES

	2018	2017
	P'000	P'000
<b>Group</b>		
Trade payables	441 348	325 384
Accrued expenses	31 287	21 601
Advances from customers	2 543	10 976
Other payables	39 504	13 802
Unclaimed dividends	711	1 744
	<b>515 393</b>	<b>373 507</b>

Included above are liabilities denominated in foreign currencies being ZAR141.0 million (2017: ZAR70.0 million) which equates to P111.7 million (2017: P54.8 million), Namibian Dollar, N\$203.6 million (2017: N\$157.4 million) which equates to P161.4 million (2017: P123.0 million), US\$ nil (2017: US\$0.4 million) which equates to P nil (2017: P3.9 million), and Lesotho Loti, LSL28.6 million (2017: LSL48.7 million) which equates to P22.6 million (2017: P38.0 million).

The average credit period for certain service cost liabilities is 30 days (2017: 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.

<b>Company</b>		
Trade payables	15	
Accrued expenses	305	20
Other payables	738	
Unclaimed dividends	1 615	1 437
	<b>2 673</b>	<b>1 457</b>

### 34 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 - loans and receivables

<b>Group</b>		
Trade and other receivables (excluding prepaid expenses)	244 105	185 177
Cash and cash equivalents	407 835	555 934
	<b>651 940</b>	<b>741 111</b>
<b>Company</b>		
Amounts due from related parties	225 922	243 077
Trade and other receivables (excluding prepaid expenses)	836	1 759
Cash and cash equivalents	68 559	296 774
	<b>295 317</b>	<b>541 610</b>

## Notes to the financial statements (continued)

For the year ended 30 April 2018

	2018	2017
	P'000	P'000

### 35 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	514 682	371 763
Loans and borrowings	117 383	121 342
Bank overdrafts	24 194	1 018
	<b>656 259</b>	<b>494 123</b>
Company		
Amounts due to related parties	7 821	8 003
Trade and other payables	2 673	1 457
Loans and borrowings	3 763	6 100
Bank overdrafts	24 194	523
	<b>38 451</b>	<b>16 083</b>

### 36 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 32.

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	9.8 million
	Letters of credits	ZAR	3.0 million	2.4 million
	Guarantee	P	N/A	20.2 million
Standard Bank Namibia Limited	Overdraft	N\$	30.0 million	23.4 million
Standard Bank Lesotho Limited	Overdraft	LSL	20.0 million	15.6 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%. Lot 10243, Extension 20, Gaborone owned by a subsidiary company is encumbered by a mortgage bond for P5 million against the Group's banking facilities with First National Bank of Botswana Limited. The Wesbank floor plan facility is secured over vehicles and equipment under the floor plan, details of this facility is provided under note 30.

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 P196.6 million (2017: P198.7 million).



## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 37 PROVISIONS AND ACCRUALS

	Accruals for employee benefits	Other provisions	Total
	P'000	P'000	P'000
<b>Group</b>			
At 30 April 2016	50 658	8 851	59 509
Currency translation	473	107	580
Arising during the year	22 617	4 379	26 996
Utilised during the year	(34 764)	(848)	(35 612)
<b>At 30 April 2017</b>	<b>38 984</b>	<b>12 489</b>	<b>51 473</b>
<b>Group</b>			
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)
<b>At 30 April 2018</b>	<b>44 923</b>	<b>14 702</b>	<b>59 625</b>

The provision for employee benefits represents annual leave and severance benefit entitlements as applicable. Other provisions include provisions for warranties and service plans.

### 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.

	2018	2017
	P'000	P'000
<b>Lease payments due</b>		
Within one year	18 072	13 055
Within two to five years	61 069	27 156
Over five years	32 288	3 465
	<b>111 429</b>	<b>43 676</b>
<b>Group as lessee</b>		
Within one year	42 284	40 572
Within two to five years	120 895	135 197
Over five years	29 909	35 657
	<b>193 088</b>	<b>211 426</b>

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 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 representative 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 Funds 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 the respective financial years.

The amalgamated Fund had fully utilised the Employer Reserve available to the participating employers at both 30 April 2017 and 2018. 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.

	2018	2017
	P'000	P'000
<b>Plan assets consist of the following at fair value</b>		
Property occupied by the Group	56 000	55 000
Equity securities	41 965	43 800
Managed funds	160 830	154 393
Cash	6 167	5 550
Other assets	381	2 406
	<b>265 343</b>	<b>261 149</b>
<b>Plan liabilities consist of the following:</b>		
Payables	(6 087)	(6 811)
<b>Net surplus</b>	<b>259 256</b>	<b>254 338</b>
<b>Represented by:</b>		
Members Funds	222 657	218 338
Pensioners' Reserves	36 599	36 000
	<b>259 256</b>	<b>254 338</b>

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 (continued)

For the year ended 30 April 2018

### 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 2018	Assets 2017	Liabilities 2018	Liabilities 2017
	000	000	000	000
South African Rand (ZAR)	389 894	134 643	140 988	70 061
Namibian Dollar (N\$)	152 932	131 748	203 627	157 353
Lesotho Loti (LSL)	45 324	72 561	28 632	48 728
United States Dollars (US\$)	2 390	1 722	384	1 135
Zambian Kwacha (K)	12	10		1 404
Euro (EUR)	2 605	2 603		
Pula equivalent	518 518	312 575	299 545	229 211

#### 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 a holding deposits in that currency and United States Dollar through a long term borrowing facility and regional and international buying operations. The following table 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 below 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 (continued)

For the year ended 30 April 2018

### 40 FINANCIAL INSTRUMENTS (continued)

	2018					2017				
	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
<b>On liabilities:</b>										
Profit if Pula strengthens by 10%	11 173	16 137	2 269	376		5 478	12 303	3 810	1 185	
Loss if Pula weakens by 10%	(11 173)	(16 137)	(2 269)	(376)		(5 478)	(12 303)	(3 810)	(1 185)	
<b>On assets:</b>										
Profit if Pula weakens by 10%	30 897	12 119	3 592	2 341	3 094	10 527	10 301	5 673	1 797	3 151
Loss if Pula strengthens by 10%	(30 897)	(12 119)	(3 592)	(2 341)	(3 094)	(10 527)	(10 301)	(5 673)	(1 797)	(3 151)

#### 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 2018 would decrease / increase by P481 000 (2017: decrease / increase by P517 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.

## Notes to the financial statements (continued)

For the year ended 30 April 2018

### 40 FINANCIAL INSTRUMENTS (continued)

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.

#### Financial assets exposed to credit risk at end of year

	2018	2017
	P'000	P'000
<b>GROUP</b>		
Trade and other receivables (excluding prepaid expenses)	244 105	185 177
Bank balances with:		
African Alliance Botswana Management Company (Proprietary) Limited		23
African Banking Corporation Limited	23 501	13 708
Bank Gaborone	45	
Barclays Bank of Botswana Limited	4 236	6 226
BIFM Unit Trusts (Proprietary) Limited	75 289	162 103
Capital Bank Limited	2 789	2 935
First National Bank of Botswana Limited	31 107	31 107
First National Bank of Namibia Limited	4 679	1 259
First National Bank of South Africa Limited	15 019	14 614
Nedbank Lesotho	77	77
Standard Lesotho Bank	14 818	30 520
Stanbic Bank Botswana Limited	5 020	
Standard Chartered Bank Botswana Limited	121 957	173 400
Standard Bank of South Africa Limited		31 688
Standard Bank Namibia Limited	89 261	71 172
Standard Bank Mauritius	4 007	76
Stanbic Bank Botswana Limited		1 392
Stanlib Investment Management Services	1 427	
Zambia National Commercial Bank, Lusaka, Zambia	2 348	1 151
	<b>639 685</b>	<b>726 628</b>
<b>COMPANY</b>		
Trade and other receivables	836	1 759
Amount due from related parties	225 922	243 077
Bank balances with:		
BIFM Unit Trusts (Proprietary) Limited	63 673	155 508
First National Bank of Botswana Limited	181	1 532
Standard Chartered Bank of Botswana Limited	4 658	139 725
Stanbic Bank Botswana Limited	10	9
	<b>295 280</b>	<b>541 610</b>

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.

	Less than 1 year	Between 2 - 5 years	Above 5 years
	P'000	P'000	P'000
<b>Group</b>			
<b>At 30 April 2018:</b>			
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		
<b>Total</b>	<b>553 605</b>	<b>42 601</b>	<b>123 751</b>

<b>At 30 April 2017:</b>			
Trade and other payables	373 507		
Loans and borrowings	11 966	39 935	166 316
Finance lease obligations	592	1 610	
Bank overdraft	1 018		
<b>Total</b>	<b>387 083</b>	<b>41 545</b>	<b>166 316</b>

	2018	2017
	P'000	P'000
The Group has unused banking facilities available at the reporting date as follows:		
Overdraft	127 606	150 582
Wesbank floor plan	4 728	4 500
Letters of credit and guarantee	6 253	11 492

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 (continued)

For the year ended 30 April 2018

### 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	1 034
Foods Botswana (Proprietary) Limited	2	2 641
Sefalana Cash and Carry Limited	2	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 '000
Foods Botswana (Proprietary) Limited	P	3 675
Mechanised Farming (Proprietary) Limited	P	80
Mechanised Farming (Proprietary) Limited	US\$	5
Sefalana Cash and Carry Limited	US\$	147
Commercial Motors (Proprietary) Limited	ZAR	3 000

c) Assets mortgaged by the Group companies for various banking facilities are as stated in notes 14, 15 and 32.

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

	2018 P'000	2017 P'000
Capital expenditures approved by the Directors:		
Not contracted for	59 151	46 438
	59 151	46 438

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 2018.



## 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 Friday 26 October 2018 at 16H00 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 2018 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 3 March 2018 and a gross final dividend of 23 thebe per ordinary share paid to shareholders on 31 August 2018.

**3. Ordinary Resolution:**

To re-elect Mr PHK Kedikilwe who retires in accordance with the Articles of Association and being eligible, offers himself for re-election.

**4. Ordinary Resolution:**

To re-elect Mr KR Jefferis who retires in accordance with the Articles of Association and being eligible, offers himself for re-election.

**5. Ordinary Resolution:**

To re-elect Mr MS Osman who retires in accordance with the Articles of Association and being eligible, offers himself for re-election.

**6. Ordinary Resolution:**

To approve the appointment of Mr Bryan Davis who filled a casual vacancy on the Board on 1 June 2018.

**7. Ordinary Resolution:**

To approve the remuneration of the Executive Directors for the year ended 30 April 2018 as required by the Articles of Association and as detailed in note 12 of the financial statements and in the Corporate Governance Report.

**8. Ordinary Resolution:**

To approve the remuneration of the Non - Executive Directors for the year ended 30 April 2018 as required by the Articles of Association and as detailed in note 12 of the financial statements and in the Corporate Governance Report.

**9. Ordinary Resolution:**

To approve the remuneration of the Auditors for the year ended 30 April 2018 as disclosed in note 11 to the financial statements.

**10. Ordinary Resolution:**

To approve the appointment of Deloitte & Touche as Auditors for the ensuing financial year. PricewaterhouseCoopers retires by rotation after a period of nine years as primary auditor.

### 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

28 September 2018





## 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 Friday 26 October 2018 at 16H00.

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			
10.	Ordinary resolution number 10			

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2018

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 to Form of Proxy

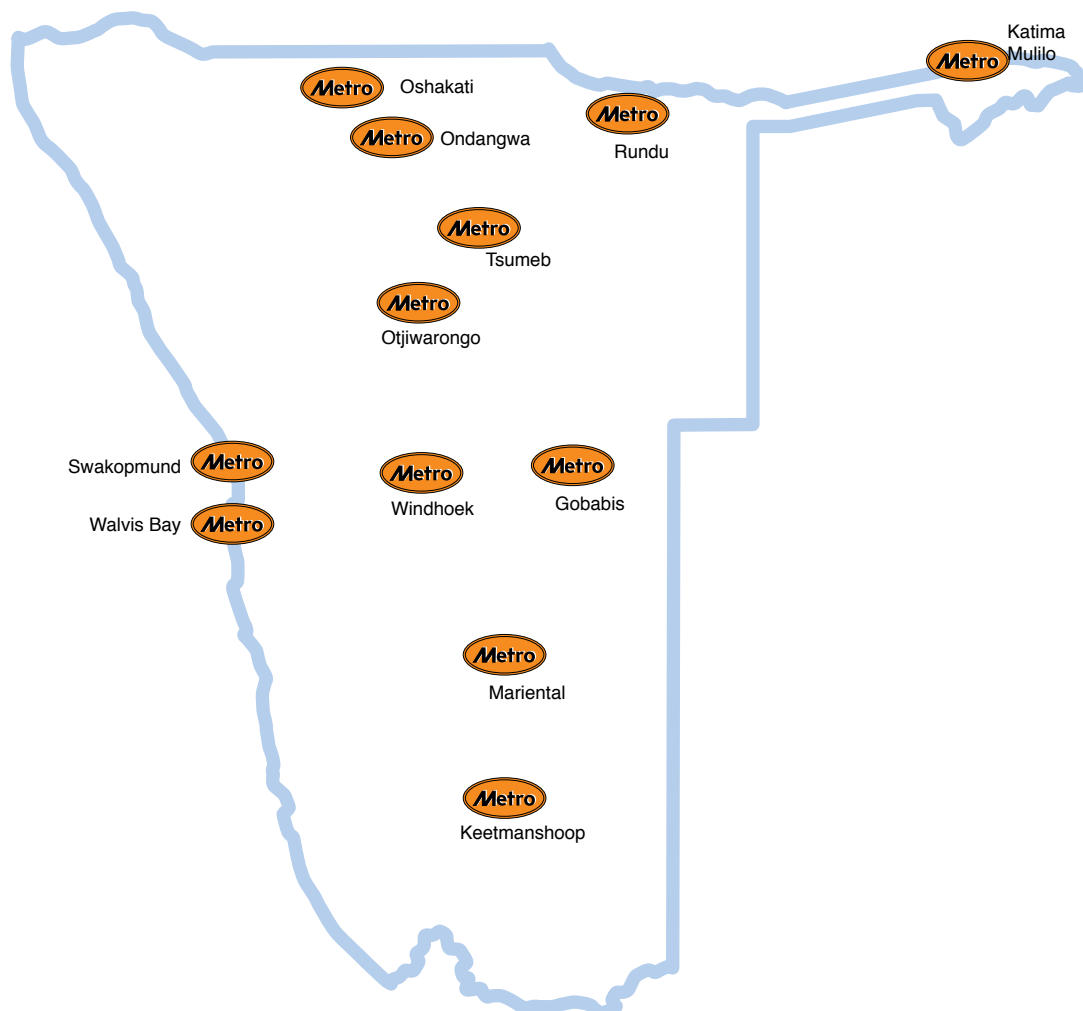
1. A Shareholder may insert the names of two alternative proxies of the Shareholder's choice in the space provided, with or without deleting "the Chairman of the General Meeting." The person whose name appears first on the form of proxy, and whose name has not been deleted will be entitled to act as 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





### METRO NAMIBIA STORE CONTACT DETAILS

LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE	FAX
Head Office - Namibia	Box 1417, Windhoek	11 van der Bijl street, Northern Industrial, Windhoek	084 - 0002000	
Metro Hyper Windhoek	Box 80783 Olympia Windhoek	Cnr Frankie Fredricks & Chasie Str, Klein Kuppe	061-254141	061-254438
Metro Hyper Liquor Store Windhoek	Box 80783 Olympia Windhoek	Cnr Frankie Fredricks & Chasie Str, Klein Kuppe	061-254141	061-254438
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	065-240967/8	065-240969
Metro Oshakati	Box 15116, Oshakati	Endola Road, Plot 1344, Oshakati	065-222177/139	065-222591
Metro Rundu	Box 1744, Rundu	Main Road, Rundu	066-256318/9	066-256322
Metro Tsumeb	Box 470, Tsumeb	Hage Geingob Drive, Tsumeb	067-220670/1	067-220676
Metro Otjiwarongo	Box 185, Otjiwarongo	1st Av, Otjiwarongo	067-302661	067-302701
Metro Keetmanshoop	Box 715, Keetmanshoop	Stampriet Rd, Keetmanshoop	063-223327/8	063-222801
Metro Mariental	Box 215, Mariental	C/o Mark & Park Street, Mariental	063-240741/742	063-240500
Metro Gobabis	Box 400, Gobabis	Kalahari Highway, Gobabis	062-564268/9	062-564270
Metro Swakopmund	Box 993, Swakopmund	McHugh Street, Industrial Area Swakopmund	064-461459	064-462021
Metro Mega Store Swakopmund	Box 993, Swakopmund	Erf 3935, c/o Hidipo Hamutenya & Watt Street	064 - 463055	064 - 463065
Metro Walvis Bay	Box 511, Walvis Bay	Circumferential, Walvis Bay	064-207697/8	064-206835
Sefalana Cash and Carry Katima Mulilo	Box 1952, Ngweze, Katima Mulilo	Lifasi Street, Katima Mulilo	066-252073	066-253316



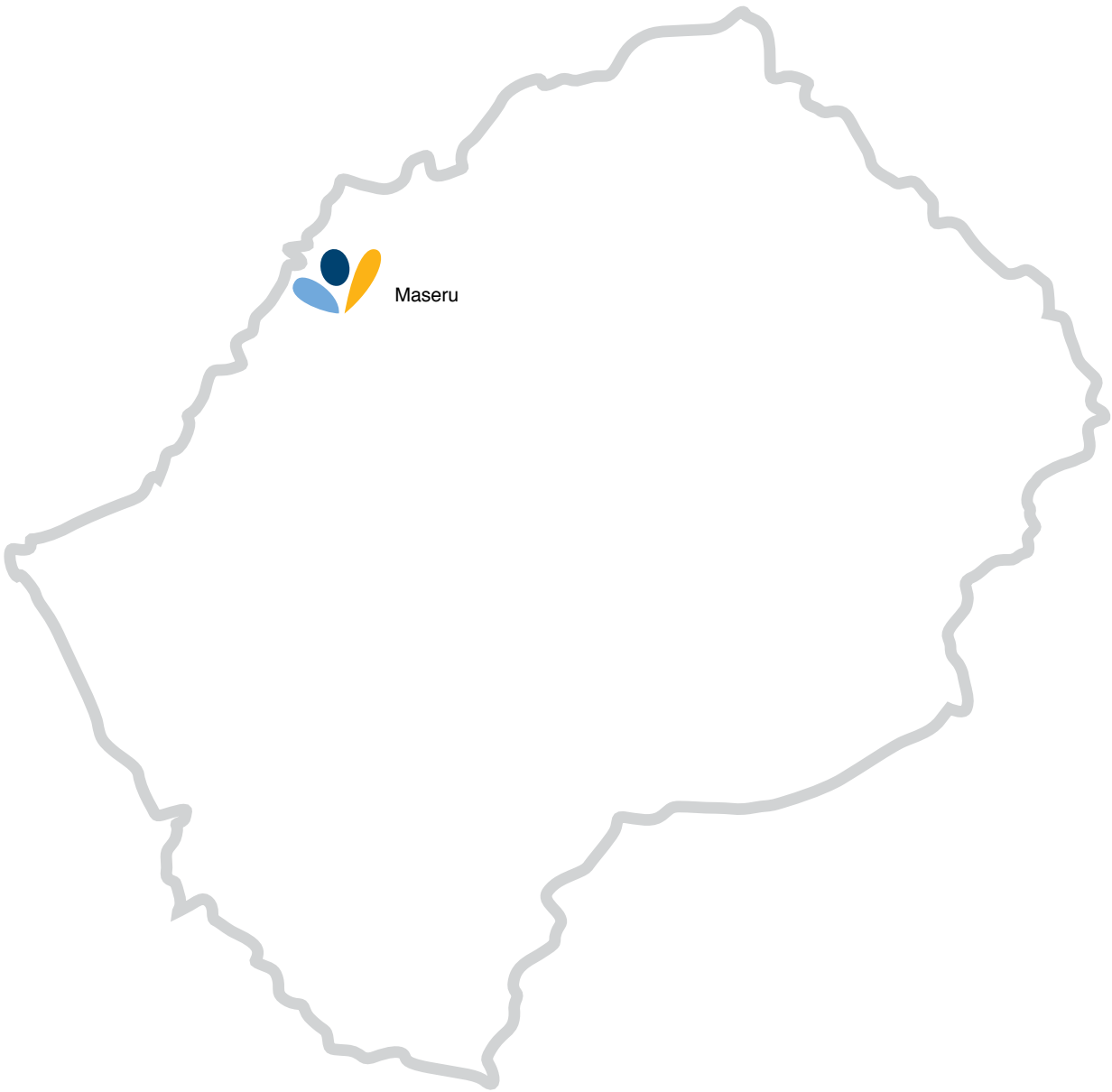
SEFALANA GROUP CONTACT DETAILS				
LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE	FAX
SEFALANA GROUP COMPANY HEAD OFFICES				
Sefalana Holding Company Limited	Private Bag 0080, Gaborone	Plot 10038, Broadhurst, Gaborone	3913661	3907614
Sefalana Cash and Carry Limited	Private Bag 00422, Gaborone	Plot 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 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 1217, Ext. 6, Nkrumah Road, Gaborone	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
Lethakane	Private Bag F43, Lethakane	Nkosho Ward, Lethakane	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 / 3919192	3937041
Quick Shop 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
Sefalana Shopper Mogoditshane	Private Bag 00422, Gaborone	Plot # 6672, Mogoditshane	3917454	3917456
Shoppers Gaborone West	Private Bag 00422, Gaborone	Plot 17872, Phase 1, G-West	3187607 / 3187606	3187606
Shoppers Ghanzi	Private Bag 00422, Gaborone	Shop # 1, Plot 32, Ghanzi	6597192 / 6597189	6597170
Shoppers Hukuntsi	Private Bag 00422, Gaborone	Macheng Mall, Unit G04a	6510414	6510412
Shoppers Kanye 1	Private Bag 00422, Gaborone	Plot 751, Main Road	5480632	5480631
Shoppers Kanye 2	Private Bag 00422, Gaborone	Mahube Mall, Tloung Ward	5443715	5443712
Shoppers Lethakane	Private Bag 45, Lethakane	Plot 1602, Tawana Ward	2976277	2976702
Shoppers Mahalapye 1	Private Bag 00422, Gaborone	Plot 3848, Botalaote Ward	4720508	4720505
Shoppers Mahalapye 2	Private Bag 00422, Gaborone	Plot 1278, Main Mall	4720485	4711774
Shoppers Maun 1	Private Bag 00422, Gaborone	Plot 1299, Old Mall, Riverside Ward	6863305	6863309
Shoppers Maun 2	Private Bag 00422, Gaborone	Plot 11137, Boseja Ward	6864784 / 6864941	6864926
Shoppers Mochudi	Private Bag 00422, Gaborone	Plot 979, Rammpopyama Ward,	5777510	5777517
Shoppers Molepolole 1	Private Bag 00422, Gaborone	Plot 1728, Borakalalao Ward	5910550	5910552
Shoppers Nkoyaphiri	Private Bag 00422, Gaborone	Shop # 4, Plot 12011, Nkoyaphiri	3947957 / 3947961	3947937
Shoppers Orapa	P.O. Box 1217, Orapa	Unit 1, Sable Avenue, Orapa	2971414 / 2970268	2970210
Shoppers Palapye	Private Bag 00422, Gaborone	Lot 1077, Old Mall	4924608 / 4924609	4922303
Shoppers Selebi-Phikwe	Private Bag 00422, Gaborone	Plot 7062, Main Mall	2610088 / 2610000	2610095
Shoppers Tlokweng	Private Bag 00422, Gaborone	Plot 8KO, Tlokweng: Shop Porion #2	3104961 / 3104960	3104962
Shoppers Tonota	Private Bag 00422, Gaborone	Plot 4594, Molebatsi Ward	2484869 / 2484870	2484850
Shoppers Tsabong	Private Bag 00422, Gaborone	Plot 316, Mothupi Ward, TM Complex	6540643	6540637
Shoppers UB Campus	Private Bag 00422, Gaborone	Plot 4775, Ext.15, Student Centre [Unit 34]	3951174	3907095
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

## Botswana





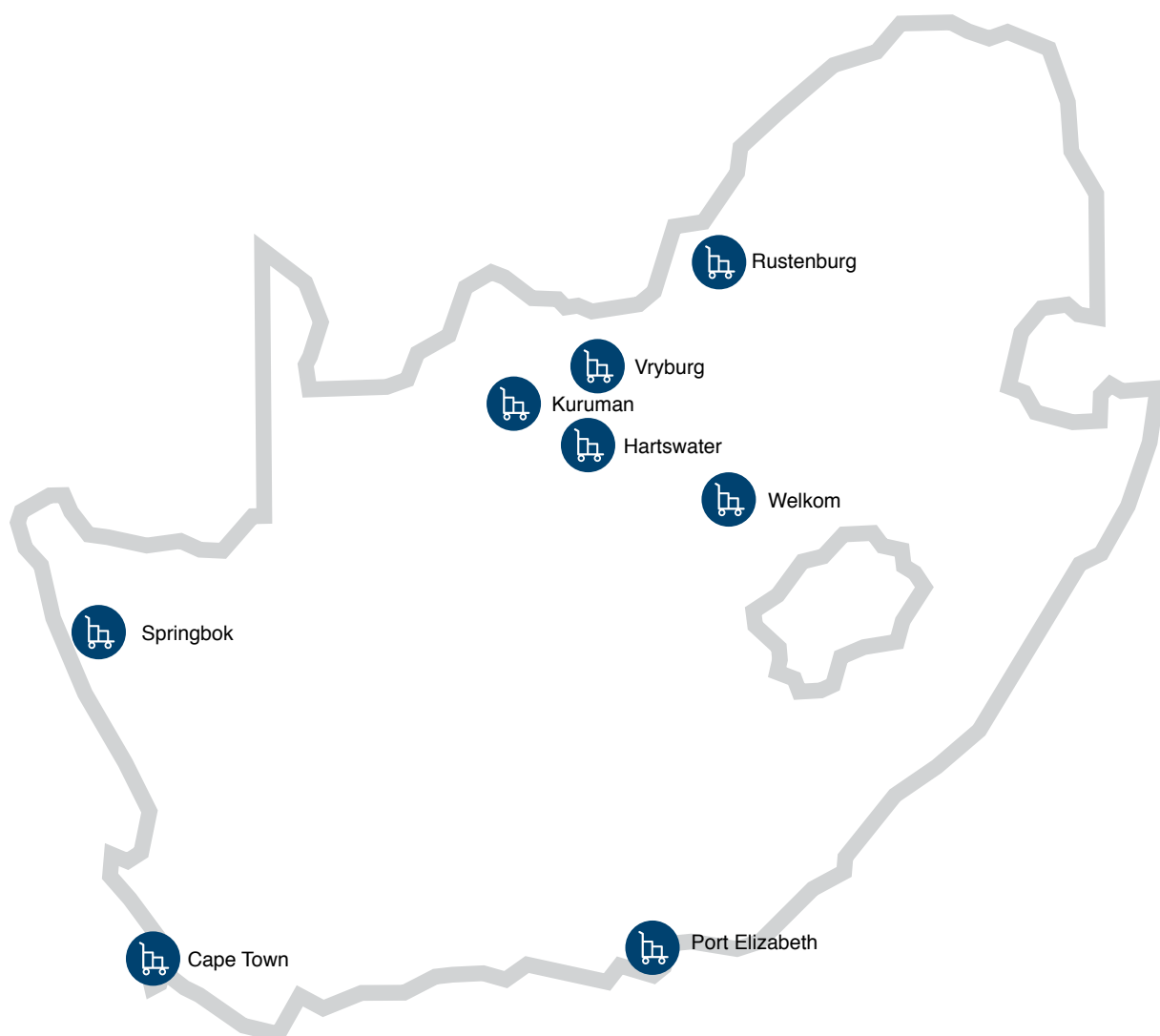
SEFALANA LESOTHO STORE CONTACT DETAILS			
LOCATION	POSTAL ADDRESS	PHYSICAL ADDRESS	TELEPHONE
Sefalana Trading (Pty) Limited	P.O. Box 0436, Maseru West, Maseru 100, Lesotho	2 Lioli Road, Maseru West, Station Area, Lesotho	(00266) 2232 6223
Sefalana Liquor	P.O. Box 0436, Maseru West, Maseru 100, Lesotho	Plot 12774 - 011, Corner of Makoanyane & Motsoene Roads, Industrial Area, Maseru, Lesotho	(00266) 2231 6714







## South Africa









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